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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board of directors (the “**Board**”) of Beijing Jingkelong Company Limited (the “**Company**” or “**Jingkelong**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”). The unaudited consolidated results have been reviewed by the auditors, Da Hua Certified Public Accountants (Special General Partnership) and the audit committee of the Company.

(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> | 2020.6.30 <i>RMB</i> (unaudited) | 2019.12.31 <i>RMB</i> (audited) |
|------------------------------------|--------------|--|---------------------------------------|
| Current assets: | | | |
| Cash and bank balances | | 964,255,730 | 949,420,994 |
| Notes receivable | | 1,481,000 | – |
| Accounts receivable | 3 | 1,305,738,516 | 1,197,382,479 |
| Prepayments | | 932,960,869 | 1,124,980,836 |
| Other receivables | | 257,236,890 | 191,243,003 |
| Inventories | | 1,313,278,700 | 1,564,435,396 |
| Other current assets | | <u>138,859,177</u> | <u>135,917,567</u> |
| Total current assets | | <u>4,913,810,882</u> | <u>5,163,380,275</u> |
| Non-current assets: | | | |
| Other non-current financial assets | | 65,818,449 | 42,272,786 |
| Investment properties | | 174,568,917 | 178,914,199 |
| Fixed assets | | 880,542,885 | 922,254,233 |
| Construction in progress | | 140,203,730 | 141,980,011 |
| Right-of-use assets | | 1,120,276,475 | 1,137,662,287 |
| Intangible assets | | 288,537,794 | 289,748,102 |
| Goodwill | | 86,673,788 | 86,673,788 |
| Long-term prepaid expenses | | 305,563,574 | 331,353,470 |
| Deferred tax assets | | 23,243,830 | 10,523,930 |
| Other non-current assets | | <u>182,300,480</u> | <u>196,794,890</u> |
| Total non-current assets | | <u>3,267,729,922</u> | <u>3,338,177,696</u> |
| TOTAL ASSETS | | <u>8,181,540,804</u> | <u>8,501,557,971</u> |

| Item | Notes | 2020.6.30 RMB (unaudited) | 2019.12.31 RMB (audited) |
|--|-------|---------------------------------|--------------------------------|
| Current liabilities: | | | |
| Short-term borrowings | | 2,240,137,716 | 2,232,003,496 |
| Notes payable | 4 | 421,304,859 | 433,117,591 |
| Accounts payables | 4 | 960,150,904 | 907,047,722 |
| Contract liabilities | | 282,510,804 | 428,557,184 |
| Payroll payable | | 12,101,256 | 1,735,030 |
| Taxes payable | | 92,285,380 | 101,920,932 |
| Other payables | | 321,076,407 | 264,174,840 |
| Including: Interest payable | | – | 2,859,433 |
| Dividends payable | | 44,544,400 | 5,251,507 |
| Non-current liabilities due within one year | | 219,202,069 | 196,274,668 |
| Other current liabilities | | 55,998,322 | 328,520,621 |
| Total current liabilities | | <u>4,604,767,717</u> | <u>4,893,352,084</u> |
| Non-current liabilities: | | | |
| Bonds payable | | 410,114,998 | 402,326,607 |
| Leases liabilities | | 965,340,783 | 977,428,757 |
| Deferred income | | 36,785,270 | 35,950,018 |
| Deferred tax liabilities | | 14,207,295 | 8,142,767 |
| Total non-current liabilities | | <u>1,426,448,346</u> | <u>1,423,848,149</u> |
| TOTAL LIABILITIES | | <u>6,031,216,063</u> | <u>6,317,200,233</u> |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | | 412,220,000 | 412,220,000 |
| Capital reserves | | 605,043,091 | 605,043,091 |
| Other comprehensive income | | 309,414 | 309,414 |
| Surplus reserves | | 160,727,215 | 160,727,215 |
| Undistributed profits | 5 | 553,455,536 | 550,263,661 |
| Total equity attributable to shareholders of the parent company | | <u>1,731,755,256</u> | <u>1,728,563,381</u> |
| Minority interests | | <u>418,569,485</u> | <u>455,794,357</u> |
| TOTAL SHAREHOLDERS' EQUITY | | <u>2,150,324,741</u> | <u>2,184,357,738</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | <u>8,181,540,804</u> | <u>8,501,557,971</u> |

CONSOLIDATED INCOME STATEMENT

| Item | Notes | Six months ended | Six months ended |
|----------------------------------|-------|----------------------|------------------|
| | | 30 June 2020 | 30 June 2019 |
| | | RMB | RMB |
| | | (unaudited) | (unaudited) |
| I. Total operating income | 6 | 6,209,873,235 | 5,884,989,733 |
| Including: Operating income | | 6,209,873,235 | 5,884,989,733 |
| II. Total operating costs | 6 | 6,150,599,227 | 5,827,032,134 |
| Including: Operating cost | | 4,980,372,453 | 4,554,499,435 |
| Taxes and surcharges | | 24,040,864 | 23,307,383 |
| Selling expenses | | 927,405,503 | 987,371,437 |
| Administrative expenses | | 126,634,713 | 161,958,097 |
| Financial expenses | | 92,145,694 | 99,895,782 |
| Add: Other income | | 8,415,934 | 5,981,572 |
| Investment income | | 33,984 | 1,222,315 |
| Gains on changes in fair value | | 23,545,663 | 15,014,288 |
| Impairment losses on credits | | (6,799,051) | (1,351,345) |
| Gains on disposal of assets | | (78,929) | (106,080) |
| III. Operating profit | | 84,391,609 | 78,718,349 |
| Add: Non-operating income | | 3,609,652 | 10,088,129 |
| Less: Non-operating expenses | | 3,061,528 | 4,979,936 |
| IV. Total profit | | 84,939,733 | 83,826,542 |
| Less: Income tax expense | 7 | 35,696,776 | 36,297,042 |

| Item | Notes | Six months ended | Six months ended |
|--|-------|-------------------|------------------|
| | | 30 June 2020 | 30 June 2019 |
| | | RMB | RMB |
| | | (unaudited) | (unaudited) |
| V. Net profit | | 49,242,957 | 47,529,500 |
| (I) Classified by business continuity | | | |
| 1. Net profit from continued operations | | 49,242,957 | 47,529,500 |
| 2. Net profit from discontinued operations | | – | – |
| (II) Classified by ownership | | | |
| 1. Net profit attributable to shareholders of the parent company | | 36,169,475 | 30,133,697 |
| 2. Profit or loss attributable to minority interests | | 13,073,482 | 17,395,803 |
| VI. Net value of other comprehensive income after tax | | – | 159,305 |
| (I) Net value of other comprehensive income attributable to shareholders of the parent company after tax | | – | 82,683 |
| Other comprehensive income which can be reclassified into profit or loss subsequently | | – | 82,683 |
| Translation differences of financial statements denominated in foreign currencies | | – | 82,683 |
| (II) Net value of other comprehensive income attributable to minority of interests after tax | | – | 76,622 |
| VII. Total comprehensive income | | 49,242,957 | 47,688,805 |
| (I) Total comprehensive income attributable to shareholders of the parent company | | 36,169,475 | 30,216,380 |
| (II) Total comprehensive income attributable to minority interests | | 13,073,482 | 17,472,425 |
| VIII. Earnings per share | | | |
| (I) Basic earnings per share | 8 | 0.09 | 0.07 |
| (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 Peoples Republic of China (the “**PRC**”). On 1 November 2004, with 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 (“**Beijing Jingkelong Supermarket Chain Company Limited**” before renamed). The registered capital of the Company is RMB412,220,000. The company’s unified social credit code is 91110000101782670P. The registered office and the principal place of business of the Company are 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 H shares issued by the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. On 26 February 2008, all the H shares were transferred to the Main Board for listed trading. The Company issued a total of 412,220,000 ordinary shares on 30 June 2020.

The controlling shareholder of the Company is Beijing Chaofu State-owned Assets Administration Company Limited (“**Chaofu**”, formerly known as “**Beijing Chaoyang Auxiliary Food Company**”).

2. BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS

The Company’s and consolidated interim financial statements have been prepared in accordance with China Accounting Standard 32 “*Interim Financial Reporting*”. In addition, the Group also discloses relevant information required by the Companies Ordinance of Hong Kong and the Listing Rules of the Stock Exchange of Hong Kong Limited.

3. ACCOUNTS RECEIVABLE

| Aging | Carrying amount | Proportion % | 2020.6.30 RMB (unaudited) | |
|---------------|----------------------|--------------|---------------------------------|----------------------|
| | | | Credit impairment loss | Net book value |
| Within 1 year | 1,235,174,848 | 92 | – | 1,235,174,848 |
| 1-2 years | 33,607,961 | 3 | 1,008,239 | 32,599,722 |
| 2-3 years | 14,863,964 | 1 | 1,486,969 | 13,376,995 |
| 3-4 years | 26,860,242 | 2 | 6,752,159 | 20,108,083 |
| 4-5 years | 9,111,115 | 1 | 4,632,247 | 4,478,868 |
| Over 5 years | 10,574,017 | 1 | 10,574,017 | – |
| Total | <u>1,330,192,147</u> | <u>100</u> | <u>24,453,631</u> | <u>1,305,738,516</u> |

4. NOTES AND ACCOUNTS PAYABLE

| Item | 2020.6.30 <i>RMB</i> (unaudited) | 2019.12.31 <i>RMB</i> (audited) |
|------------------|--|---------------------------------------|
| Notes payable | 421,304,859 | 433,117,591 |
| Accounts payable | 960,150,904 | <u>907,047,722</u> |
| Total | <u>1,381,455,763</u> | <u>1,340,165,313</u> |

As at 30 June 2020, security deposit for the issuance of bank acceptances above amounted to RMB102,170,653 (31 December 2019: RMB84,571,190).

All of the bank acceptances of the Group will be due within one year.

The aging analysis of the accounts payable based on the transaction date is as follows:

| Item | 2020.6.30 <i>RMB</i> (unaudited) | 2019.12.31 <i>RMB</i> (audited) |
|---------------|--|---------------------------------------|
| Within 1 year | 931,108,487 | 877,018,681 |
| 1 to 2 years | 13,391,532 | 19,551,627 |
| 2 to 3 years | 8,527,504 | 2,339,944 |
| Above 3 years | 7,123,381 | <u>8,137,470</u> |
| Total | <u>960,150,904</u> | <u>907,047,722</u> |

The majority of accounts payable aging over one year consist of the final payments for suppliers.

5. UNDISTRIBUTED PROFITS

| | Six months ended 30 June 2020 <i>RMB</i> (unaudited) | Six months ended 30 June 2019 <i>RMB</i> (unaudited) |
|---|--|---|
| Undistributed profits at the beginning of the period | 550,263,661 | 537,907,146 |
| Add: Net profit attributable to the shareholders of the parent company for the period | 36,169,475 | 30,133,697 |
| Less: Appropriation to statutory surplus reserve | - | - |
| Ordinary shares' dividends payable | 32,977,600 | <u>32,977,600</u> |
| Undistributed profits at the end of the period | <u>553,455,536</u> | <u>535,063,243</u> |

Dividend

A final dividend of RMB0.08 per share, in respect of year ended at 31 December 2019 (the previous corresponding period: RMB0.08 per share in respect of the 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 (Prior period: RMB32,977,600).

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2020 (Prior period: 0).

6. OPERATING INCOME AND OPERATING COST

(1) Operating income and operating cost

| Item | Six months ended 30 June 2020 RMB (unaudited) | | Six months ended 30 June 2019 RMB (unaudited) | |
|---------------------|--|-----------------------------|--|-----------------------------|
| | Income | Cost | Income | Cost |
| Principal operating | 5,770,534,248 | 4,974,450,497 | 5,324,902,003 | 4,548,447,560 |
| Other operating | <u>439,338,987</u> | <u>5,921,956</u> | <u>560,087,730</u> | <u>6,051,875</u> |
| Total | <u><u>6,209,873,235</u></u> | <u><u>4,980,372,453</u></u> | <u><u>5,884,989,733</u></u> | <u><u>4,554,499,435</u></u> |

(2) Principal operating activities(classified by industry segments)

| Item | Six months ended 30 June 2020 RMB (unaudited) | | Six months ended 30 June 2019 RMB (unaudited) | |
|-----------|--|-----------------------------|--|-----------------------------|
| | Principal operating income | Principal operating cost | Principal operating income | Principal operating cost |
| Retail | 2,512,462,026 | 2,082,439,042 | 2,109,605,255 | 1,743,041,618 |
| Wholesale | 3,256,160,077 | 2,888,465,355 | 3,199,323,115 | 2,794,091,820 |
| Others | <u>1,912,145</u> | <u>3,546,100</u> | <u>15,973,633</u> | <u>11,314,122</u> |
| Total | <u><u>5,770,534,248</u></u> | <u><u>4,974,450,497</u></u> | <u><u>5,324,902,003</u></u> | <u><u>4,548,447,560</u></u> |

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

7. INCOME TAX EXPENSE

| Item | Six months ended 30 June 2020 RMB (unaudited) | Six months ended 30 June 2019 RMB (unaudited) |
|---------------------|--|--|
| Current income tax | 42,352,147 | 30,894,264 |
| Deferred income tax | <u>(6,655,371)</u> | <u>5,402,778</u> |
| Total | <u><u>35,696,776</u></u> | <u><u>36,297,042</u></u> |

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

| Item | Six months ended 30 June 2020 RMB (unaudited) |
|--|--|
| Total profit | 84,939,733 |
| Income tax expense calculated at appropriate tax rate | 21,234,933 |
| Effect of subsidiary companies to adapt different tax rates | 151,387 |
| Effect of adjusting the previous years' income tax | (530,133) |
| Effect of non-taxable income | (25,047,285) |
| Effect of non-deductible costs, expenses and losses | 5,119,910 |
| Effect of using deductible losses of previously unrecognized deferred tax assets | (81,387) |
| Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets in the period | <u>34,849,351</u> |
| Total | <u><u>35,696,776</u></u> |

8. EARNINGS PER SHARE

| Item | Six months ended 30 June 2020 RMB (unaudited) | Six months ended 30 June 2019 RMB (unaudited) |
|---|--|--|
| Net profit for the period attributable to shareholders of the parent company | 36,169,475 | 30,133,697 |
| Number of ordinary shares used in the calculation of basic earnings per share | <u><u>412,220,000</u></u> | <u><u>412,220,000</u></u> |

| | Six months ended 30 June 2020 RMB (Unaudited) | Six months ended 30 June 2019 RMB (Unaudited) |
|--|--|--|
|--|--|--|

Calculated based on the net profit attributable to ordinary shareholders of the parent company:

| | | |
|--------------------------|--------------------|-------------|
| Basic earnings per share | <u>0.09</u> | <u>0.07</u> |
|--------------------------|--------------------|-------------|

9. NET CURRENT ASSETS

| Item | 2020.6.30 RMB (unaudited) | 2019.12.31 RMB (audited) |
|---------------------------|--|--------------------------------|
| Current assets | 4,913,810,882 | 5,163,380,275 |
| Less: Current liabilities | <u>4,604,767,717</u> | <u>4,893,352,084</u> |
| Net current assets | <u>309,043,165</u> | <u>270,028,191</u> |

10. TOTAL ASSETS LESS CURRENT LIABILITIES

| Item | 2020.6.30 RMB (unaudited) | 2019.12.31 RMB (audited) |
|---------------------------------------|--|--------------------------------|
| Total assets | 8,181,540,804 | 8,501,557,971 |
| Less: Current liabilities | <u>4,604,767,717</u> | <u>4,893,352,084</u> |
| Total assets less current liabilities | <u>3,576,773,087</u> | <u>3,608,205,887</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2020, the overall international and domestic environment had been complex and varying. With increasing uncertainties in development, coupled with the impact of the coronavirus pandemic, the economic development had been in a relatively severe situation. Measures had been taken by the Chinese government to coordinate and promote epidemic prevention and the economic and social development. In the first half of the year, China's GDP fell by 1.6% year-on-year, and the economic performance showed an initial decline which was followed by a rise, achieving a steady recovery. As always, the Group adhered to the original mindset of "products + services". During the coronavirus pandemic, the Group committed to overcome difficulties with all sectors of the society, spared no effort to maintain supply and price. Relying on the advantages of our live and fresh produce base and our own logistics system, the Group mobilized materials and guaranteed supply to ensure the needs for "the rice bag" and "the vegetable basket" for the people in the capital city, as well as for epidemic prevention and sanitation products, are met. The Group actively responded to the "Ensure supply, Stabilize prices, and Continue operations" initiative on the retail industry jointly initiated by National Chain Store & Franchise Association under the guidance of the National Development and Reform Commission and the Ministry of Commerce to stabilize the basic livelihood needs in Beijing. Meanwhile, the Group strictly implemented various epidemic prevention and control measures, provided employees with safe workplaces and customers with safe shopping environment, and fulfilled the corporate social responsibility. In the face of the impact of the epidemic, the downward pressure of the international environment and the related trends of rationalization of consumption, the Group has demonstrated its commitment to continuous innovation and optimization of management to improve resilience. Under the epidemic, chain supermarkets with self-built logistic and distribution center and live and fresh produce base have become important carriers to stabilize prices and ensure supply and protect people's livelihood. Besides, people's demand for contactless shopping for daily necessities such as live and fresh produce, rice, wheat flour and edible oils is rapidly increasing. To seize this opportunity, the Group relied on physical stores, leveraged the online sales channels and experience accumulated in recent years, and made use of our own APP and third-party platforms to continuously enrich the variety of online products and improve the ability to fulfill orders. During the Reporting Period, the online business volume of the Group increased significantly.

Retail Business

Maintaining the stability of supply and price for livelihood goods

During the Reporting Period, in accordance with the needs of epidemic prevention and control, the Group went all out to strengthen the supply of epidemic prevention items such as masks, disinfectants, and hand sanitizers to ensure a continuous supply. In addition, in order to meet the surge in purchasing demand for livelihood commodities such as meat, eggs, fruits, vegetables, milk and edible oils during the epidemic, the Group continued to increase procurement from our sources. Through various methods, including increasing the stocking volume in logistics centers, increasing the frequency of delivery, and storing the goods in the base or production place in advance, we have improved the emergency reserve and supply capacity of daily necessities, and ensured that our stores have a rich variety of goods of sufficient supply and stable prices. The Group has been highly recognized by the citizens of the capital and have become a “reliable” enterprise in the hearts of the citizens.

The Group has also continued to standardize the service procedures and service standards of chain stores, and continued to improve service quality; increased the frequency of shop inspections, made in-depth understanding of the current status of store services, and carried out specialised service training targeted at various problems. As always, the Group continued to provide caring services to customers in need within the surroundings of our stores, and established a good corporate brand image of the Group.

While guaranteeing the supply of people’s livelihood commodities, the Group always put its employees’ safety in production and logistics support as the first priority. The Group equipped its employees with masks, hand sanitizer, disinfectant, rubber gloves, goggles and other protective equipment. The Group took steps to express its care towards its employees, so that employees could work at ease and with focus, and at the same time relieving the tension of the epidemic whilst consolidating the strength of employees.

Optimising and expanding safe and convenient online shopping

During the COVID-19 pandemic, online contactless shopping became more and more popular among the consumers. During the Reporting Period, for the purpose of satisfying the customers’ notably increasing needs for online shopping, the Group fully exerted the advantages of online and offline integrated operations by taking advantage of the functions of its own APP, mini programs and third-party platforms, so as to continuously optimize the inventory information transmission mechanism, shorten the terms of online and offline inventory data synchronization and effectively improve the accuracy of online inventory data. Together with the extension of online business hours, the dispatch of third party platform personnel for full-time pick-up, and the optimisation of pick-up process to enhance the efficiency of stores so as to improve the fulfilment capabilities of orders, the online shopping needs of consumers have been satisfied to the largest extent, and in turn improved the customers’ experience. During the Reporting Period, the Group’s online business traffic, average transaction value, sales and percentage of sales all increased significantly.

Continuously promoting marketing to resume consumption vitality

During the Reporting Period, in the face of the consumption environment and the changes in the market affected by the epidemic, the Group proactively adjusted marketing methods and channels, and launched promotional activities such as the Jingkelong Consumption Reward Season, the Jingkelong Beauty Spring Make-up Festival, and the Jingkelong Leisure Food Festival, steadily promoted the recovery of consumption. The Group also proactively participated in the consumption stimulation activities in Beijing to revive the people's enthusiasm for consumption. The Group carried out online and offline linkage promotions in due course by taking advantage of the 26th anniversary of the establishment of the Group, to promote the release of consumption potential, and also launched promotional activities such as "Help Hubei" and "Spring Peach in Hubei", uniting consumers in Beijing and the people of Hubei to fight the epidemic together and practically supporting the economic recovery of Hubei.

Paying high attention on safety management

A high-standard and normalized safety management is the most important focus area of the Group. The Group continued to implement the management of commodity circulation and safety guarantees throughout different steps of the operative chain, from the source procurement to intermediate transportation till final sales, strengthened the inspection and assessment of implementation of all steps involving food safety, and set up the a tracing system to enforce accountability and to ensure the health and hygiene of the commodities sold to the consumers. During the epidemic, the Group carried out multiple trainings through cloud training, issuing food safety management guidance and etc., covering the entire cold chain management of foods, shelf life management of commodities, inspection records of purchase, etc., to improve employees' quality and safety awareness. In accordance with the requirements for the normalization of epidemic prevention and control, the Group formulated various work procedures and contingency plans in a timely manner in response to the epidemic, and successively formulated the "Guarantee Procedures for Necessities", the "Contingency Plan for Epidemic Prevention and Control" and the "Contingency Plan for Limitation of Staff of Stores" to guide the operations of stores. During the epidemic, the Group strictly implemented various prevention and control measures, including adjusting business hours and strengthening on-site disinfection, adhering to measuring the body temperature of employees and customers entering the stores, improving the ventilation of stores, setting up one-meter line and isolation areas, etc., to provide customers with a safety shopping environment.

Strengthening and optimizing logistics resources

During the Reporting Period, the normal temperature logistics center continued to optimize the disassembling of auto-sorting and automatic sorting system operating procedures to shorten the operation time of the sorting system and improve the work efficiency; the live and fresh produce logistics center strictly controlled the temperature of the produce delivered and the temperature of vehicles during the transportation, and ensured that fresh commodities being delivered to the stores were made strictly in accordance with the standards. With the support of strong logistics system, the Group continued to improve its logistics efficiency and service supporting system for stores, and optimized a sound communication mechanism covering operation, procurement and logistics, which further consolidated and enhanced the logistics service ability of the logistic center to serve the chain stores.

Prudently adjusting the retail network

During the Reporting Period, the Group focused on improving the operational capability of its stores and prudently adjusted the development scale of the stores. During the Reporting Period, two convenience stores were opened. Due to reasons including the expiration of tenancy and adjustment made in respect of the loss-making stores, 12 convenience stores, including five directly-operated convenience stores and seven franchise-operated convenience stores, were closed during the Reporting Period. In addition, the Group renovated and upgraded a supermarket.

The Group had 168 retail outlets as at 30 June 2020, including 148 directly-operated outlets and 20 franchise-operated outlets, with total net operating area of 257,482 square metres. The following table sets out the number and net operating area of the Group's retail outlets as at 30 June 2020:

| | Department stores | Hypermarkets | Supermarkets | Convenience stores | Total |
|--|----------------------|---------------|----------------|-----------------------|----------------|
| Number of retail outlets: | | | | | |
| Directly-operated | 1 | 11 | 57 | 79 | 148 |
| Franchise-operated | – | – | 1 | 19 | 20 |
| Total | <u>1</u> | <u>11</u> | <u>58</u> | <u>98</u> | <u>168</u> |
| Net operating area (square metres): | | | | | |
| Directly-operated | 27,800 | 78,817 | 127,736 | 16,355 | 250,708 |
| Franchise-operated | – | – | 880 | 5,894 | 6,774 |
| Total | <u>27,800</u> | <u>78,817</u> | <u>128,616</u> | <u>22,249</u> | <u>257,482</u> |

RETAIL OPERATING RESULTS

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

| | For the six months ended | | |
|--|---------------------------------|------------------|---------------|
| | 30 June | | |
| | 2020 | 2019 | Variance |
| | <i>RMB'000</i> | <i>RMB'000</i> | |
| Directly-operated retail outlets: | | | |
| Hypermarkets | 678,533 | 596,935 | 13.7% |
| Supermarkets | 1,610,331 | 1,319,044 | 22.1% |
| Convenience stores | 218,116 | 179,047 | 21.8% |
| Department stores | 5,482 | 14,579 | (62.4%) |
| (including commissions) | 3,872 | 11,952 | (67.6%) |
| | <u>2,512,462</u> | <u>2,109,605</u> | <u>19.1%</u> |
| Total retail principal operating income | | | |
| Gross profit margin of directly-operated | | | |
| hypermarkets, supermarkets and convenience | | | |
| stores (%) | | | |
| | <u>17.0</u> | <u>16.9</u> | <u>0.1p.p</u> |

During the Reporting Period, the retail principal operating income of the Group increased by approximately 19.1% compared to the last corresponding period mainly due to the following reasons: during the Reporting Period, impacted by the coronavirus pandemic, consumers mostly cooked at home instead of eating out, resulting in a significant increase of the sales of the rigid demand commodities such as vegetables, fruits, pork, beef and mutton, poultry, eggs, grain and edible oil. The strategy of facilitating online and offline integrated development met the sudden increase of the online consumption needs, and the quantity of online orders and the amount of per customer transaction have been significantly increased. The above two factors contributed to a same store sales growth of 20.41% as compared to the last corresponding period. With the epidemic being brought under control and the resumption of work, production, operation and business being continuously promoted, catering services have, in particular, returned to normal, resulting in a drop of the same-store sales in the second quarter from 31% in the first quarter to 7.1%.

During the Reporting Period, gross profit margin of the directly-operated retail business (excluding department stores) was 17%, which basically maintained the same level as compared to the last corresponding period of 16.9%.

WHOLESALE BUSINESS

Continuously strengthening the construction of supply chain

The Group continued to try to extend the supply chain. In the process of optimizing internal organizational structure and functions, the Group gradually strengthened strategic synergy with upstream suppliers, downstream customers, and jointly explored to reduce logistics costs and improve logistics service level. The Group continued to focus on strengthening the in-depth cooperation with mainstream e-commerce platforms, promote the expansion of its self-owned brands, international business and distribution network in other cities, consolidate and improve market share of the wholesale business, so as to enhance the overall competitiveness of the Group.

Further improving logistics operation capability

During the Reporting Period, the Group withstood the logistics and transportation pressure in the epidemic, focused on “ensuring people’s livelihood, stabilizing goods supply, keeping transportation flow”, effectively strengthened the allocation and distribution of emergency supplies, formulated and implemented epidemic prevention measures, taking multiple measures to effectively ensure market supply. Meanwhile, through data monitoring and analysis, the Group dynamically adjusted warehousing resources to improve the effective allocation of logistics resources. The Group added six refrigerating machines in constant temperature warehouse and set up an independent area to provide the necessary cooling condition for the development of new low-temperature businesses. With the continuous improvement of the cold chain logistics development environment and conditions as well as introducing the vehicle temperature control monitoring system, the Group has realized the full-process monitoring of cold chain, providing development space for the expansion of cold chain logistics service and the competitiveness of the distribution business. The Group carried forward the construction of intelligent logistics project located in Fangshan District, Beijing, and aiming at improving the overall logistics operation capability.

WHOLESALE OPERATING RESULTS

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

| | For the six months ended | | Variance |
|--|--------------------------|------------------|-----------------|
| | 30 June | | |
| | 2020 | 2019 | |
| | RMB'000 | RMB'000 | |
| Principal operating income recognised by Chaopi Group* | 3,498,022 | 3,424,698 | 2.1% |
| Less: Intersegment Sales | (243,519) | (226,813) | 7.4% |
| Sales to franchisees | 1,657 | 1,438 | 15.2% |
| Consolidated Wholesale principal operating income | <u>3,256,160</u> | <u>3,199,323</u> | <u>1.8%</u> |
| Gross profit margin ** (%) | <u>10.6</u> | <u>11.8</u> | <u>(1.2p.p)</u> |

* *Chaopi Group represents Beijing Chaopi Trading Company Limited (the “Chaopi Trading”) and its subsidiaries.*

** *This represents gross profit margin recognised by Chaopi Group including intersegment sales.*

During the Reporting Period, the wholesale principal operating income increased by 1.8%, which was mainly due to the following reasons: (i) the sales contribution from increased sales to the new sales channels and sales from newly-introduced commodities with new brands during the period; and (ii) the increased sales of the rigid demand commodities, such as grain and edible oil, non-staple food and food seasonings due to the epidemic.

During the Reporting Period, the gross profit margin of Chaopi Group was 10.6%, representing a slight drop from that of the last corresponding period of 11.8%, mainly because of: the sales of the rigid demand commodities such as grain and edible oil, non-staple food and food seasonings increased, whilst the sales of the high gross profit margin products such as liquor, beverage, and gift boxes dropped. The change of commodities mix led to the adjustment of gross profit margins.

FINANCIAL RESULTS

| | For the six months ended | | Variance |
|--|--------------------------|-------------|----------|
| | 30 June | | |
| | 2020 | 2019 | |
| | RMB'000 | RMB'000 | |
| Principal operating income | 5,770,534 | 5,324,902 | 8.4% |
| Gross profit | 796,084 | 776,454 | 2.5% |
| Gross profit margin (%) | 13.8% | 14.6% | (0.8p.p) |
| Earnings before interest and tax | 176,833 | 182,597 | (3.2%) |
| Net profit | 49,243 | 47,530 | 3.6% |
| Net profit margin (%) | 0.9% | 0.9% | — |
| Net profit attributable to shareholders of the parent company | 36,169 | 30,134 | 20.0% |
| Net profit margin attributable to shareholders of the parent company (%) | <u>0.6%</u> | <u>0.6%</u> | <u>—</u> |

PRINCIPAL OPERATING INCOME

During the Reporting Period, the Group's principal operating income increased by approximately 8.4%, of which retail principal operating income increased by approximately 19.1%, and wholesale principal operating income increased by approximately 1.8%.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group increased by approximately 2.5% compared with the last corresponding period. During the Reporting Period, the gross profit margin was 13.8% (last corresponding period: 14.6%).

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

During the Reporting Period, net profit attributable to shareholders of the parent company increased by approximately 20% compared with the last corresponding period. The earnings before interest and tax amounted to approximately RMB176,833,296, representing a decrease of RMB5,763,354 compared with the last corresponding period, and the net profit attributable to shareholders of the parent company increased from RMB30,133,697 of the last corresponding period to RMB36,169,475.

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 30 June 2020, the Group had non-current assets of RMB3,267,729,922 (comprising mainly fixed assets, investment property, and land use right for a total of RMB1,305,639,153), and non-current liabilities of RMB1,426,448,346 (comprising of bonds payable of RMB410,114,998).

As at 30 June 2020, the Group had current assets of RMB4,913,810,882. Current assets mainly comprised of cash and cash equivalents of RMB849,415,077, inventories of RMB1,313,278,700, notes receivable and accounts receivable of RMB1,307,219,516 and prepayments and other receivables of RMB1,190,197,759. The Group had current liabilities of RMB4,604,767,717. Current liabilities mainly comprised of notes payable and accounts payable of RMB1,381,455,763, short term bank loans of RMB2,240,137,716, non-current liabilities due within one year of RMB219,202,069 and contract liabilities of RMB282,510,804.

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 30 June 2020, the Group had bank loans of RMB2,240,137,716, which consisted of accounts receivable factored bank loans of RMB44,294,206 and unsecured bank loans of RMB2,186,198,116. The pledged loans involved a pledge guarantee granted by Beijing Chaopi Maolisheng Trading Co., Ltd., a subsidiary of Chaopi Trading, in favour of Bank of Beijing Co., Ltd. Shanghai Branch, over a fixed deposit certificate of RMB8,000,000, and the principal loan amount was USD1,000,000 (equivalent to RMB7,079,500 based on a USD to RMB exchange rate of 1: 7.0795 on 30 June 2020), and interest accrued but not due amounted to RMB2,565,894. All the Group's bank loans bear interest rates ranging from 2.90% to 5.10% per annum.

Certain of the Group's margin deposit of RMB102,170,653 were pledged for notes payable of RMB421,304,859 as at 30 June 2020.

The Group's gearing ratio* was approximately 73.7% as at 30 June 2020, which was slightly lower than approximately 74.2% in the previous corresponding period.

* *Represented by: Total Liabilities/Total Assets*

FOREIGN CURRENCY RISK

The Group's operating revenues and expenditures are principally denominated in Renminbi.

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

EMPLOYEES

As at 30 June 2020, the Group employed 5,417 employees domestically (as at 30 June 2019: 5,831 employees). The total staffing costs (including directors' and supervisors' remunerations) of the Group for Reporting Period amounted to RMB376,417,985 (corresponding period of 2019: RMB401,697,284). The staff emolument (including directors' and supervisors' emoluments) of the Group are based on duty (position), experience, performance and market rates, in order to maintain their remunerations at a competitive level.

SPECIAL MATTERS

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.

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. Since November 2019, 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.

The completeness and accuracy of the data related to Jinan Chaopi Company in the Group's 2019 consolidated financial statements cannot be guaranteed due to the above actions of the minority shareholders. 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. Thus, the auditor had issued a qualified audit report on the Group's 2019 consolidated financial statements on this matter. Please refer to the auditor's report contained in the annual report of the Company for the year ended 31 December 2019 for details of such qualified opinion.

As at the date of this announcement, the minority shareholders of Jinan Chaopi Company continued to misappropriate Jinan Chaopi Company's business license, company seal and other items and materials, and the legal proceedings brought by Chaopi Trading to require the minority shareholders to return the above-mentioned misappropriated items and materials are still in progress.

According to the financial statements for the six months ended 30 June 2020 provided by Jinan Chaopi Company, the total assets and net assets of Jinan Chaopi Company consolidated into the Group's consolidated financial statements were for the six months ended 30 June 2020 RMB92.2619 million and RMB1.3732 million respectively, which accounted for 1.13% and 0.06% of Group's total assets and net assets in the consolidated balance sheet on 30 June 2020, respectively; the operating income and net profit for the six months ended 30 June 2020 were RMB17.0518 million and RMB-4.0945 million, respectively, which accounted for 0.27% and -8.31% of the Group's operating income and net profit in the consolidated income statement for the six month ended 30 June 2020, respectively.

Since the qualified opinion of the Group's 2019 annual report and their impact have not been eliminated, the control of the financial information of Jinan Chaopi Company is still in the hands of minority shareholders, and in relation to the interim report in 2020, the minority shareholders still refused to cooperate with the review and provide relevant information, restrictions on the scope of the auditor's review of the Group's consolidated financial statements for the Reporting Period continued to persist. Thus, the auditor continued to issue a qualified opinion in its review report concerning the Group's financial statements for the Reporting Period.

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. The management of the Company included the financial statements for the six months ended 30 June 2020 provided by Jinan Chaopi Company in the Group's consolidated financial statements, and after the said consolidation, 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.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities.

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.

OUTLOOK

In the second half of 2020, the Political Bureau meeting of the Central Committee clearly stated that it is necessary to accelerate the formation of a new development pattern with the domestic cycle as the core and with both international and domestic dual cycles promoting each other. The Group will conduct in-depth analysis of internal and external environmental changes and consumption trends, take high-quality "goods + services" as the core foundation coupled with modern smart technology, and proceed with consumer demand as the starting point to improve management ability and market competitiveness. In terms of retail business, the Group will continue to speed up the introduction and marketing of new products, expand the development categories of self-owned brand and customized products, and improve customers' recognition of the Group's own-branded products by establishing a solid supply chain system; continue to strengthen the construction of fresh produce bases and continue to adhere to "simplicity, standardization and specialization", the principle of management and administration, from planting to transportation and sales; develop new vegetable bases to achieve a seamless connection from the place of origin to the table; and continue to increase the upgrading and transformation of existing stores, optimize the commodities mix in the stores and the operating capability of online and offline integrated, in order to further refine and deepen the Group's community commercial sphere service to remain attractive to its customer base. In terms of wholesale business, based on the established supply chain platform, the Group will establish strategic synergy with partners to jointly reduce logistics costs and improve logistics service levels, continue the construction of the Fangshan automated three-dimensional warehouse logistics project, complete the second phase of

warehouse area planning and the system upgrading, and strive to build a modern logistics base based on the full-warehouse operation model and supported by technological innovation. With the high-quality products and services and strong logistics support, the Group will continuously improve its long-term stable competitiveness and enhance its ability to serve customers.

EVENTS AFTER THE REPORTING PERIOD

The Group did not have any important events after the Reporting Period.

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 A.4.2 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 Company’s Articles of Association 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.

Director’s Securities Transactions

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules. Having made specific enquiries with all directors, all the directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code and the code of conduct regarding their securities transactions throughout the Reporting Period.

Audit Committee

The Audit Committee together with the management of the Company and the independent auditor have considered and reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting, including the review of the Group’s 2020 unaudited interim consolidated results. The Audit Committee considered that the interim financial report for the six months ended 30 June 2020 was in compliance with the relevant accounting standards, requirements of the Stock Exchange and the Laws of Hong Kong, and appropriate disclosures have been made.

Disclosure of Interests

Directors', Supervisors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2020, the interests and positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the domestic shares of the Company

| Name | Capacity | Number of domestic shares held | Approximate percentage of total issued domestic shares (%) | Approximate percentage of total issued shares (%) |
|----------------|----------|--------------------------------|--|---|
| Li Jianwen | Personal | 2,022,579 | 0.88 | 0.49 |
| Shang Yongtian | Personal | 989,451 | 0.43 | 0.24 |
| Li Chunyan | Personal | 505,992 | 0.22 | 0.12 |
| Zhang Liwei | Personal | 150,000 | 0.07 | 0.04 |
| Li Shunxiang | Personal | 5,210,428 | 2.26 | 1.26 |
| Yang Baoqun | Personal | 1,042,086 | 0.45 | 0.25 |
| Liu Wenyu | Personal | 365,151 | 0.16 | 0.09 |
| Niu Hongyan | Personal | 70,000 | 0.03 | 0.02 |
| Li Chunyi | Personal | 50,000 | 0.02 | 0.01 |

Save as disclosed above, as at 30 June 2020, none of the directors, supervisors or chief executive of the Company nor any of their associates had any interest and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules.

Substantial Shareholders

As at 30 June 2020, so far as is known to the directors, supervisors or chief executive of the Company, the persons (other than a director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the domestic shares of the Company

| Name | Capacity | Number of domestic shares held | Approximate percentage of total issued domestic shares (%) | Approximate percentage of total issued shares (%) |
|---|------------------|---------------------------------------|---|--|
| Beijing Chaofu State-owned Assets Administration Company Limited* | Beneficial owner | 167,409,808 | 72.77 | 40.61 |

* Formerly known as “Beijing Chaoyang Auxiliary Food Company”.

Long positions in the H shares of the Company

| Name | Total number of H shares held | Approximate percentage of total issued H shares (%) | Approximate percentage of total issued shares (%) |
|--|--|--|--|
| China Galaxy International Asset Management (Hong Kong) Co., Limited (Note 1) | 18,080,000(L) | 9.93 | 4.39 |
| China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) (Note 2) | 16,690,000(L) | 9.16 | 4.05 |

(L) – Long Position

Note:

1. These 18,080,000 H shares were held by China Galaxy International Asset Management (Hong Kong) Co., Limited in its capacity as an investment manager.
2. These 16,690,000 H shares were held by China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) in its capacity as an investment manager.

Save as disclosed above, as far as is known to the directors, supervisors or chief executive of the Company, as at 30 June 2020, no other persons (not being a director, supervisor or chief executive of the Company) had, or were deemed or taken to have any interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE 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.

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

Beijing, PRC
28 August 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.