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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “**Board**”) of Beijing Jingkelong Company Limited (the “**Company**” or “**Jingkelong**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020 (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 SHEET

	<i>Notes</i>	2020.12.31 <i>RMB</i> (Audited)	2019.12.31 <i>RMB</i> (Audited)
Current assets:			
Cash and bank balances		1,190,302,319	949,420,994
Notes receivable		6,617,315	–
Accounts receivable	3	975,479,676	1,197,382,479
Prepayments		890,477,970	1,124,980,836
Other receivables		200,158,379	191,243,003
Inventories		1,503,939,573	1,564,435,396
Other current assets		129,005,227	135,917,567
Total current assets		<u>4,895,980,459</u>	<u>5,163,380,275</u>
Non-current assets:			
Other non-current financial assets		131,508,869	42,272,786
Investment properties		170,223,635	178,914,199
Fixed assets		854,541,694	922,254,233
Construction in progress		138,005,745	141,980,011
Right-of-use assets		1,008,151,388	1,137,662,287
Intangible assets		280,216,222	289,748,102
Goodwill		86,673,788	86,673,788
Long-term prepaid expenses		298,550,451	331,353,470
Deferred tax assets		20,880,124	10,523,930
Other non-current assets		183,899,094	196,794,890
Non-current assets		<u>3,172,651,010</u>	<u>3,338,177,696</u>
TOTAL ASSETS		<u>8,068,631,469</u>	<u>8,501,557,971</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	2020.12.31 RMB (Audited)	2019.12.31 RMB (Audited)
Current liabilities:			
Short-term borrowings		2,334,237,881	2,232,003,496
Notes payable		449,442,574	433,117,591
Accounts payable	4	720,957,209	907,047,722
Payments received in advance		7,094,294	8,710,509
Contract liabilities		462,447,201	428,557,184
Payroll payable		1,621,215	1,735,030
Taxes payable		46,799,947	101,920,932
Other payables		264,625,097	255,464,331
Including: Interest payable		-	2,859,433
Dividends payable		6,389,222	5,251,507
Non-current liabilities due within one year		158,537,320	196,274,668
Other current liabilities		<u>65,877,283</u>	<u>328,520,621</u>
Total current liabilities		<u>4,511,640,021</u>	<u>4,893,352,084</u>
Non-current liabilities:			
Bonds payable		402,932,044	402,326,607
Lease liabilities		911,131,824	977,428,757
Deferred income		34,039,487	35,950,018
Deferred tax liabilities		<u>30,427,271</u>	<u>8,142,767</u>
Total non-current liabilities		<u>1,378,530,626</u>	<u>1,423,848,149</u>
TOTAL LIABILITIES		<u>5,890,170,647</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		169,059,880	160,727,215
Undistributed profits	5	<u>565,257,886</u>	<u>550,263,661</u>
Total equity attributable to shareholders of the parent company		<u>1,751,890,271</u>	<u>1,728,563,381</u>
Minority interests		<u>426,570,551</u>	<u>455,794,357</u>
TOTAL SHAREHOLDERS' EQUITY		<u>2,178,460,822</u>	<u>2,184,357,738</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>8,068,631,469</u>	<u>8,501,557,971</u>

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	2020 RMB (Audited)	2019 RMB (Audited)
I. Total operating income	6	11,983,797,935	11,658,221,930
Including: Operating income		11,983,797,935	11,658,221,930
II. Total operating costs	6	11,930,202,653	11,531,612,765
Including: Operating costs		9,720,960,586	9,147,693,786
Tax and surcharges		45,117,958	48,879,944
Selling expenses		1,742,320,397	1,837,292,733
Administrative expenses		250,296,132	301,068,109
Financial expenses		171,561,580	196,678,193
Add: Other income		24,506,275	18,295,011
Investment income		1,197,882	1,468,632
Gains or losses on changes in fair value		89,236,083	27,689,141
Impairment losses on credits		(16,856,248)	(8,242,579)
Gains on disposal of assets		7,184,727	515,005
III. Operating profit		158,864,001	166,334,375
Add: Non-operating income		17,412,428	22,372,295
Less: Non-operating expense		10,397,698	9,904,427
IV. Total profit		165,878,731	178,802,243
Less: Income tax expense	7	79,908,305	81,715,652
V. Net profit		85,970,426	97,086,591
(I) Classified by business continuity			
1. Net profit from continued operations		85,970,426	97,086,591
2. Net profit from discontinued operations		-	-
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company		56,304,490	52,935,436
2. Profit or loss attributable to minority interests		29,665,936	44,151,155
VI. Net value of other comprehensive income after tax		-	437,915
Net value of other comprehensive income attributable to shareholders of the parent company after tax		-	227,289
Other comprehensive income which can be reclassified into profit or loss subsequently		-	227,289
Translation differences of financial statements denominated in foreign currencies		-	227,289
Net value of other comprehensive income attributable to minority of interests after tax		-	210,626
VII. Total comprehensive income		85,970,426	97,524,506
Total comprehensive income attributable to shareholders of the parent company		56,304,490	53,162,725
Total comprehensive income attributable to minority interests		29,665,936	44,361,781
VIII. Earnings per share			
(I) Basic earnings per share	8	0.14	0.13
(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 People’s Republic of China (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 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 2020.

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

3. ACCOUNTS RECEIVABLE

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

Aging	Carrying amount	Proportion %	2020.12.31	
			Impairment losses on credits	Net book value
			RMB	
			(Audited)	
Within 1 year	898,490,315	89	350,788	898,139,527
1-2 years	44,250,206	4	1,544,304	42,705,902
2-3 years	19,098,167	2	2,127,313	16,970,854
3-4 years	9,238,468	1	2,326,916	6,911,552
4-5 years	21,553,148	2	10,801,307	10,751,841
Over 5 years	15,584,928	2	15,584,928	–
Total	<u>1,008,215,232</u>	<u>100</u>	<u>32,735,556</u>	<u>975,479,676</u>

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 2020, the total accounts receivable due from Wu-mart, Carrefour, Lotus Market, Yonghui, Jingdong, Tianjin jumei.com Technology Co., Ltd, Vipshop, BHG and MeetAll amounted to RMB183,096,337 (31 December 2019: RMB280,963,340) 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 2020 and 31 December 2019, there were no accounts receivable due from shareholders holding 5% or more of the Company's shares with voting power.

4. ACCOUNTS PAYABLE

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

Item	2020.12.31 <i>RMB</i> (Audited)	2019.12.31 <i>RMB</i> (Audited)
Within 1 year	682,836,542	877,018,680
1-2 years	23,355,999	19,551,627
2-3 years	6,533,160	2,339,944
Over 3 years	8,231,508	<u>8,137,471</u>
Total	<u>720,957,209</u>	<u>907,047,722</u>

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.

5. UNDISTRIBUTED PROFITS

Item	Amount RMB	Proportion of appropriation
For the year ended 31 December 2020 (Audited):		
Undistributed profits at the beginning of year	550,263,661	
Add: Net profit attributable to the shareholders of the parent company for the year	56,304,490	
Less: Appropriation to statutory surplus reserve	8,332,665	10%
Ordinary shares' dividends payable	32,977,600	
Undistributed profits at the end of the year	565,257,886	
For the year ended 31 December 31 2019 (Audited):		
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	
Undistributed profits at the end of the year	550,263,661	

(1) Cash dividend approved and subject to approval at in the annual general meeting

Pursuant to the ordinary resolutions passed at the 2019 annual general meeting held on 23 June 2020, a final dividend of RMB0.08 per share in respect of year ended 31 December 2019 was declared and paid to the shareholders of the Company. The aggregated amount of the final dividend declared and paid was RMB32,977,600.

Pursuant to the ordinary resolutions passed at the 2018 annual general meeting held on 24 May 2019, a final dividend of RMB0.08 per share in respect of year ended 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.

On 26 March 2021, the Board of the Company proposed the payment of a dividend of RMB0.10 per share to shareholders in respect of year ended 31 December 2020. The proposal for the distribution of the final dividend above is subject to the consideration and approval at the upcoming 2020 annual general meeting of the Company (the “**2020 Annual General Meeting**”) to be held on 21 May 2021. After approval, the final dividend will be paid on or before 20 July 2021. This recommendation has not been incorporated in the consolidated financial statements as a liability. The estimated amount of dividends in aggregate is RMB41,222,000.

(2) Surplus reserves of subsidiaries

On 31 December 2020, the undistributed profits of the Group included surplus reserves of subsidiaries totaling in the period RMB23,985,965 (31 December 2019: RMB19,961,951).

6. OPERATING INCOME AND OPERATING COST

(1) Operating income and operating cost

Item	2020 RMB (Audited)		2019 RMB (Audited)	
	Income	Cost	Income	Cost
Principal operating (Note)	11,004,132,335	9,712,192,674	10,555,189,765	9,135,867,075
Other operating	<u>979,665,600</u>	<u>8,713,912</u>	<u>1,103,032,165</u>	<u>11,826,711</u>
Total	<u>11,983,797,935</u>	<u>9,720,906,586</u>	<u>11,658,221,930</u>	<u>9,147,693,786</u>

(2) Principal operating (classified by industry segments)

Item	2020 RMB (Audited)		2019 RMB (Audited)	
	Principal operating income	Principal operating cost	Principal operating income	Principal operating cost
Retail	4,287,437,692	3,552,264,461	4,104,864,537	3,382,667,386
Wholesale (Note)	6,701,445,455	6,145,905,219	6,411,758,686	5,723,158,666
Others	<u>15,249,188</u>	<u>14,022,994</u>	<u>38,566,542</u>	<u>30,041,023</u>
Total	<u>11,004,132,335</u>	<u>9,712,192,674</u>	<u>10,555,189,765</u>	<u>9,135,867,075</u>

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

Note: According to the relevant requirements of the newly revised "Accounting Standards for Business Enterprises No. 14-Revenue" in the "Cai Kuai [2017] No. 22", the related wholesale business transportation expenses (including: RMB 130,219,144 in 2020 and RMB 114,957,988 in 2019) incurred before the transfer of control to the customer when selling goods to customers will be reclassified from Selling expenses" to "Principal operating cost".

7. INCOME TAX EXPENSE

(1) Details of income tax expense

Item	2020 RMB (Audited)	2019 RMB (Audited)
Current income tax expense	67,979,995	65,284,144
Deferred income tax expense	<u>11,928,310</u>	<u>16,431,508</u>
Total	<u>79,908,305</u>	<u>81,715,652</u>

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

Item	2020 RMB (Audited)	2019 RMB (Audited)
Total profit	165,878,731	178,802,243
Income tax expenses calculated at statutory/applicable tax rate	41,469,683	44,700,561
Effect of subsidiary companies to adopt different tax rates	657,358	818,038
Effect of adjusting the previous years' income tax	(13,497)	931,361
Effect of non-taxable income	(945,090)	(889,804)
Effect of non-deductible costs, expenses and losses	3,109,826	12,814,762
Effect of using deductible losses of previously unrecognized deferred tax assets	(825,880)	(1,418,755)
Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets	36,455,905	24,759,489
Total	<u>79,908,305</u>	<u>81,715,652</u>

8. 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:

Item	2020 RMB (Audited)	2019 RMB (Audited)
Net profit attributable to ordinary shareholders for the current year	56,304,490	52,935,436
Including: Net profit from continuing operations	<u>56,304,490</u>	<u>52,935,436</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:

Item	2020 RMB (Audited)	2019 RMB (Audited)
Number of ordinary shares outstanding	<u>412,220,000</u>	<u>412,220,000</u>

Earnings per share

Item	2020 RMB (Audited)	2019 RMB (Audited)
Calculated based on net profit and net profit from continuing operations attributable to shareholders of the parent company		
Basic earnings per share	0.14	0.13
Diluted earnings per share	N/A	N/A

As at the balance sheet date, the Company had no dilutive potential ordinary shares.

9. NET CURRENT ASSETS

Item	2020.12.31 RMB (Audited)	2019.12.31 RMB (Audited)
Current assets	4,895,980,459	5,163,380,275
Less: Current liabilities	4,511,640,021	4,893,352,084
Net current assets	384,340,438	270,028,191

10. TOTAL ASSETS LESS CURRENT LIABILITIES

Item	2020.12.31 RMB (Audited)	2019.12.31 RMB (Audited)
Total assets	8,068,631,469	8,501,557,971
Less: Current liabilities	4,511,640,021	4,893,352,084
Total assets less current liabilities	3,556,991,448	3,608,205,887

EXTRACT OF THE AUDITOR’S REPORT

Da Hua Certified Public Accountants (Special General Partnership), the auditor of the Company (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 2020. An extract from the independent auditor’s report on the Company’s consolidated financial statements for the year ended 31 December 2020 is as follows:

Qualified Opinion

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 2020 and of financial performance and cash flows of the Company for the 2020 year then ended in accordance with the Accounting Standards for Business Enterprises.

Basis for Qualified Opinion

As stated in the Note “XIV. Other important matters 5. Matters concerning Jinan Chaopi Linda Trading Company Limited”: ‘due to the minority shareholder of Jinan Chaopi Linda Trading Company Limited (refers to Jinan Chaopi Company), who was the former general manager of Jinan Chaopi Company and Beijing Chaopi Trading Company Limited, (a subsidiary of Jingkelong Company, refers to Chaopi Trading) the major shareholder of Jinan Chaopi Company has unresolved disputes, Since November 2019, minority shareholders have refused to hand over items and materials such as the company’s business license, bank account opening permit, company seal, special financial seal, financial account book and vouchers that they originally controlled.’ Thus, Jingkelong’s financial statements for 2019 were audited with qualified opinions by the accountant who audited its annual report. As of the date of this annual report, Chaopi Trading has adopted legal means to require minority shareholders to return the above-mentioned illegally possessed items and materials. The proceedings are still in progress.

As Jingkelong’s qualified opinions in the 2019 annual report and its impact have not been eliminated, Jinan Chaopi Company’s financial information control is still in the hands of minority shareholders. Its refusal to accept audit and provide relevant information has caused our scope of review of Jingkelong’s financial statements in 2020 to be restricted.

If the scope of the aforementioned audit is not limited, we may find matters that need to be adjusted in the financial statements and matters that need to be disclosed but not disclosed.

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 VIEW ON THE QUALIFIED OPINION

The financial information of Jinan Chaopi Company was included in the consolidated financial statements of the Company for the year ended 31 December 2020 based on the information currently available to the management of the Group (the “**Management**”). However, due to the insufficiency in appropriate audit evidence provided to the Auditor as the result of the said misappropriation of corporate documents and books of Jinan Chaopi Company by the minority shareholder of Jinan Chaopi Company (the “**Minority Shareholder**”), the Auditor could not ascertain the completeness and accuracy of such information and therefore issued the qualified opinion as shown above (the “**Qualified Opinion**”). Based on the information currently available to the Management, the total assets and net assets of Jinan Chaopi Company as at 31 December 2020 were RMB89.4850 million and RMB-4.0681 million, which account for 1.11% and -0.19% of the corresponding amounts in the Company’s 2020 consolidated balance sheet as at 31 December 2020, respectively; the operating income and net profit of Jinan Chaopi Company for 2020 were RMB29.0561 million and RMB-9.5358 million respectively, which account for 0.24% and -11.09% of the corresponding amounts in the Company’s 2020 consolidated income statement, respectively. Considering that the financial results of Jinan Chaopi Company was relatively insignificant compared to the consolidated financial results of the Group, and after discussion with the Auditor, the Management is of the view that notwithstanding that the Auditor’s scope of review of the Group’s consolidated financial statements of the Company for the year ended 31 December 2020 is restricted, the magnitude and materiality of the adjustment(s) or disclosure(s) that would have been made thereto without such audit scope restriction on the Company’s financial position are expected to be limited.

ACTION PLAN OF THE GROUP TO ADDRESS THE QUALIFIED OPINION

In response to the said misappropriation of corporate documents and books of Jinan Chaopi Company by the Minority Shareholder, the Group has strived to resolve the disputes and has taken various steps and measures, including seeking advice from its legal advisers as to the laws of the People’s Republic of China (the “**PRC Legal Advisers**”) on the possible legal actions and remedies against the Minority Shareholder. In December 2019, Jinan Chaopi Company, as the plaintiff filed a lawsuit with the People’s Court in Jinan City against the Minority Shareholder for the return of Jinan Chaopi Company’s corporate documents and books withheld by him. The first instance judgement was handed down in October 2020, dismissing the claims of Jinan Chaopi Company. After consulting with the PRC Legal Advisers, Jinan Chaopi Company further appealed to Jinan Intermediate People’s Court in Shandong Province and it is expected that the second instance trial will be held no later than the end of 2021, the detail of the time schedule is subject to the arrangement of the second-instance court.

The Management will keep cooperating with the PRC Legal Advisers in collecting the relevant evidence in support of the legal proceedings against the Minority Shareholder, and closely monitoring the progress so as to take appropriate measures in a timely manner. If Jinan Chaopi Company is granted with favourable judgement for such legal proceedings, the Group will promptly apply to the court for mandatory enforcement to retrieve the misappropriated documents and items from the Minority Shareholder, and ensure the provision of sufficient and appropriate audit evidence to the Auditor for performing all the relevant audit procedures for the purpose of removing the Qualified Opinion from the consolidated financial statements of the Group for the year ending 31 December 2021. However, if the legal proceedings against the Minority Shareholder has yet been concluded before the audit work for the next year’s annual report, the Group will make further effort to liaise with the Minority Shareholder on the provision of the relevant financial information of Jinan Chaopi Company to the extent that is sufficient for performing the relevant audit work.

AUDIT COMMITTEE’S VIEW ON THE QUALIFIED OPINION

The audit committee of the Company (the “**Audit Committee**”) had critically reviewed the Qualified Opinion, the Management’s view thereon and the action plan of the Group to address the Qualified Opinion, and also had discussions with the Auditor in relation thereto. Based on the information available, the Audit Committee concurs with the Management’s view with respect to the Qualified Opinion and is also of the view that the Management should continue its efforts in implementing the actions and measures set out in the action plan with the intention of removing the Qualified Opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2020, in light of the severe and complex environment at home and abroad, especially the severe impact brought by the COVID-19 pandemic, the Chinese government coordinated epidemic prevention and control and economic work, actively restored the order of production and life, and spared no effort to ensure the supply of livelihood products. As a result, China’s economic recovery is showing a sound trend. In 2020, the Consumer Price Index (the “**CPI**”) rose by 2.5%, which is only 0.4 percentage points lower than that in 2019 before the epidemic; GDP exceeded RMB100 trillion for the first time, an increase of 2.3% compared to the previous year. During the Reporting Period, the Group insisted on “goods + services” and actively responded to the calls of the government and industry associations to “ensure safety, supply, quality, and prices” during the epidemic, to ensure supply and price stability and ensure that Beijing people’s needs for “vegetable baskets” and “rice bags” as well as epidemic prevention and sanitation products are met, and the people’s basic livelihood needs are stabilized by making full use of the Group’s coordinated retail and wholesale development strategy as well as fresh food bases and the advantages of in its own logistics distribution system. Meanwhile, the Group strictly implemented various epidemic prevention and control measures to provide customers with a safe shopping environment and employees with a safe working environment, thus our corporate social responsibility was fulfilled.

RETAIL BUSINESS

Excellent performance in epidemic prevention and control and people's livelihood guarantee

During the Reporting Period, the Group, as an entity that caters for the security of people's daily needs in particular at the initial period of the outbreak of the COVID-19, insisted on opening for business, maintaining prices, strict product price management and quality control, and endeavored to guarantee the sourcing and supply of various epidemic prevention products such as masks, disinfectants and hand sanitizers, which has ensured the basic livelihood needs of the people in Beijing. In order to meet the surge in the demand for livelihood commodities such as meat, eggs, vegetables, milk, rice, noodles, grains and oils during the epidemic, the Group increased the reserve and inventory of commodities for civilian needs and increased the delivery frequency from distribution centers by utilizing the advantage of its source and supply procurement and its own logistics distribution system's emergency reserve, to ensure that stores have sufficient variety of goods and sufficient supply, and can maintain stable prices. During the Reporting Period, the Group was highly recognized by the government and citizens of Beijing, and won many honors such as the "Outstanding Contribution Unit for the COVID-19 Prevention and Control" and the "Outstanding Unit on Epidemic Prevention in 2020" issued by government departments and industry associations.

Further improving core business capabilities focusing on "goods + services"

During the Reporting Period, the Group paid close attention to changes in market conditions and consumer shopping habits, further sped up product iteration, actively developed new products and deepened cooperation with suppliers. Through understanding of the consumption habits of target customers, the Group obtained further knowledge of the consumption potential and consumption characteristics of the target customer base, thereby making precise positioning and planning of the brand accelerated the development of cost-effective private brands and customized products creating the self-owned "Longzhixian (隆之鮮)" brand, which has further enhanced the Group's fruit and vegetable image and the competitive advantage of its own brand. The Group continued to improve its vegetable processing system and vegetable base construction. The ten largest vegetable bases established have not only helped the Group realize the integration of vegetable planting and sales, and improved the gross profit level, but also played a strong role in maintaining supply and stabilizing price during the epidemic.

In particular, under the normalization of the epidemic, the Group, on the one hand, timely implemented epidemic prevention and control measures to ensure the safety of the store environment, narrowed the distance with customers, regularly conducted satisfaction questionnaires, and on the other, paid attention to online evaluations or suggestions and taken customer feedback as a breakthrough to strengthen service management, improve customer online and offline experience and improve service standards.

Adjusting strategies of store opening and closing to promote the transformation and upgrade of stores

During the Reporting Period, the Group renovated and upgraded four stores (including one supermarkets and three convenience stores), and opened five franchise-operated retail stores. Due to the expiration of leases and modifications to the operation strategy, during the Reporting Period, the Group closed down one hypermarket, two supermarkets, seven directly-operated convenience stores and thirteen franchise-operated convenience stores.

The total number of the Group's retail outlets was 160 as at 31 December 2020. The following table sets out the number and net operating area of the Group's retail outlets as at 31 December 2020:

	Department Stores	Hypermarkets	Supermarkets	Convenience stores	Total
Number of retail outlets:					
Directly-operated	1	10	55	80	146
Franchise-operated	–	–	1	13	14
Total	1	10	56	93	160
Net operating area (square metres):					
Directly-operated	27,800	69,010	124,366	16,312	237,489
Franchise-operated	–	–	880	3,674	4,554
Total	27,800	69,010	125,246	19,986	242,043

Home consumption demand boosting online business

During the Reporting Period, the outbreak and the gradual normalization of the epidemic accelerated the development of the “home economy”, and the shift of consumers’ shopping habits to online contactless and mobile shopping channels. In 2020, the sales of online retail nationwide increased by 10.9% over that of the previous year. During the Reporting Period, to meet the significantly increased demand for home consumption by customers, the Group, leveraging its online and offline integrated operating advantages, utilized its physical stores, as well as Jingkelong APP, mini-programs, third-party platform functions, and upgraded system functions and the ability of order fulfillment by optimizing the inventory transmission mechanism and the logistics dispatch mechanism, and in turn, diverted the operating advantages of offline fresh products, daily-made products, and staple kitchen products online, enriched the types products online, and delivered them promptly through the store-to-home delivery model. Through unremitting efforts, the Group achieved a year-on-year increase of approximately 40.7% in online sales during the Reporting Period.

Enhancing marketing to stimulate consumption

During the Reporting Period, the Group was committed to building a marketing model centered on user experience, and launched a series of promotional activities such as “Help Hubei” through a number of customized special sales promotion activities. The Group’s promotional posters are positioned to strengthen the “Help Hubei” section. One to two special products were used for each period as the fulcrum to introduce Hubei specialty products, so that customers’ emotions and the Group’s service concept of “all goods as one wished, saving money every day” and “connecting hearts while making profits with chain stores” resonate with our corporate values. During the Reporting Period, the Group actively participated in activities such as the use of city normalization consumer vouchers jointly launched by local governments and online payment platforms, combining offline store promotion with online promotion, to help release consumption potential.

Paying high attention to food safety management

The Group continued maintain a high-standard and normalized food safety management. In addition to adhering to routine food safety management, it formulated prevention and control plans, disinfection guidelines and other guidance documents in a timely manner during the epidemic to set standards for store epidemic prevention and control. According to the trend of the epidemic, food safety management has been implemented from all aspects from food cold chain management, product shelf life management, fresh product quality control, etc., to strengthen the food safety awareness of front-line operators. Knowledge of food safety, hygiene and epidemic prevention and price management was integrated into specific work scenarios through the organization of trainings on cloud and development of fresh food daily scenario-based practical competitions, so that training content and actual operations are closely integrated, and the food safety management level of employees is effectively improved. During the epidemic, the Group strictly implemented various prevention and control measures to ensure customers’ safety through comprehensive on-site disinfection, customer temperature measurement and code scanning before entering the store, installation of one-meter lines, regular nucleic acid testing of all store employees and environmental monitoring.

Continuously optimizing logistics and distribution resources

During the Reporting Period, the efficiency of logistics distribution of the two distribution centers was improved through continuous optimization of the process: the operation mode of automatic sorting of goods in the normal temperature distribution center effectively reduced the equipment idling rate and increased product input success rate; the operation mode of automatic boxes sorting is changed from the original unified delivery to the allocation area, to the pick-and-deliver mode, which greatly reduces the standby time of the sorting machines and improves sorting efficiency. The standardization of processing procedure for different products and speed up the tracing of differences contributed to the significant drop in difference ratio. The fresh food distribution center strictly implemented the commodity traceability code management of the Beijing cold chain food traceability platform, and strictly implemented procedures such as requesting certificates and tickets, checking nucleic acid testing, disinfection certificates, vehicle temperature, sanitation and epidemic prevention, etc. for the acceptance of imported cold chain goods. Commodities in and out of the warehouse were disinfected with alcohol on the outer packaging, and the requirements for storage of imported cold chain foods, disinfection of delivery vehicles, and protection of personnel in contact with imported foods in cold chain were implemented to ensure the safe and stable operation of logistics and distribution under the normalization of the epidemic.

Operation 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 online retail business and the gross profit margin is set out as follows:

	For the 12 months ended		
	31 December		
	2020	2019	Increase/ (Decrease)
	<i>RMB'000</i>	<i>RMB'000</i>	
Retail business			
Hypermarkets	1,161,619	1,145,451	1.4%
Supermarkets	2,732,459	2,583,997	5.7%
Convenience stores	380,195	347,959	9.3%
Department stores	13,165	27,457	(52.1%)
(including commissions)	9,784	22,311	(56.1%)
Total retail principal operating income	<u>4,287,438</u>	<u>4,104,864</u>	<u>4.4%</u>
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	<u>17.0%</u>	<u>17.2%</u>	<u>(0.2pp)</u>

During the Reporting Period, the retail principal operating income of the Group increased by approximately 4.4%. This was mainly attributable to (i) during the Reporting Period, especially in the first quarter, consumers mostly cook at home instead of eating out. The sales of commodities of inelastic demand such as meat, eggs, fruits, vegetables, milk, grains, oils, and condiments increased significantly; and (ii) the integrated online and offline omni-channel network of the Group met the surge in online shopping demand. The above two factors brought an increase of approximately 5.22% in same-store sales during the Reporting Period. As the epidemic has been brought under control and entered into normalized management, all industries have resumed work and production, especially catering services, and sales of the Group have stabilized.

The gross profit margin generated from the directly-operated retail business (excluding department stores) was 17.0% during the Reporting Period, which was basically the same as 17.2% in the last period.

WHOLESALE BUSINESS

Further advancing the operating system

During the Reporting Period, the Group relied on the four-in-one development support system of “funds, information, logistics, and talents”, adhering to the management concept of “commodities + services”, the Group actively adjusted business measures in light of market changes, broadened business models and logistics service capabilities to effectively respond to the epidemic and achieve sustainable development; further strengthened the operation of its own brand, and strengthened the operation of its own brand products in categories such as snacks, condiments, goods, and daily chemicals by adopting a parallel model of independent research and development and cooperation and customization. The Group continuously expanded online business and actively expanded the upstream suppliers and the downstream customer channels of the e-commerce business while ensuring the maintenance of the depth of cooperation of the existing e-commerce platform. The online business of the Group continues to grow. Besides, the Group also further improved its management level, deepened the construction of customer channels, expanded the development of cross-border business, and actively built overseas supply chains to further consolidate market share.

Steadily promoting the development of logistics and strengthening competitiveness in the market

During the Reporting Period, withstanding the pressure of logistics and transportation during the epidemic, the Group focused on “ensuring people’s livelihood, stabilizing goods supply, keeping transportation flow”, implementing precise epidemic prevention and control measures, and other measures to ensure the smooth transportation of materials by understanding road traffic condition promptly, coordinating resources from the relevant government departments, industry organizations and transportation companies. The Group also promoted the socialized division of labor and coordination of logistics, and cooperated with third parties transportation companies in logistics distribution operations, conducted in-depth data analysis and precise control of transportation operations by making full use of the advanced technology of professional companies to improve the economic benefits and competitiveness in logistics services; and further promoted the construction of the Fangshan automated storage and retrieval system logistics project in an orderly manner. During the Reporting Period, various shelves, sorting equipment, and steel picking platforms of the project were installed in an orderly manner to provide logistics support for the expansion of the wholesale business and enhance the Group’s competitiveness in the logistics market.

Operation results of wholesale business

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

	For the 12 months ended 31 December		
	2020	2019	Increase/ (Decrease)
	<i>RMB'000</i>	<i>RMB'000</i>	
Wholesale principal operating income recognized by Chaopi Group*	7,102,042	6,842,393	3.8%
Less: Intersegment sales	(403,265)	(433,286)	(6.9%)
Sales to franchisees	2,669	2,652	0.6%
Total wholesale principal operating income	<u>6,701,446</u>	<u>6,411,759</u>	<u>4.5%</u>
Gross profit margin ** (%)	<u>7.9%</u>	<u>10.1%</u>	<u>(2.2pp)</u>

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

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

During the Reporting Period, the wholesale principal operating income recognized by Chaopi Group increased by approximately 4.5% and was mainly due to (i) the development of the business of cross-border e-commerce beauty cosmetics products which resulting in the growth of sales revenue during the Reporting Period; and (ii) the growth of sales of grain and edible oil due to the effect of the COVID-19 pandemic.

During the Reporting Period, the gross profit margin of Chaopi Group was 7.9% representing a decrease from 10.1% for the gross profit margin of the corresponding period, the reduction is mainly because of: (i) in order to optimize the inventory structure and speed up inventory turnover, the Group had adjusted marketing strategies for beauty business in time, increased the proportion of offline distribution channels, and strengthened sales promotion, which resulting in a decline in gross profit rate; and (ii) affected by the epidemic, the sales of snack foods declined and the return of unsold goods increased during the Spring Festival, which resulted in a decrease in gross profit margin.

FINANCIAL RESULTS

	For the 12 months ended		
	31 December		
	2020	2019	Increase/ (Decrease)
	<i>RMB'000</i>	<i>RMB'000</i>	
Principal operating income	11,004,132	10,555,190	4.3%
Gross profit	1,291,940	1,419,323	(9.0%)
Gross profit margin (%)	11.7%	13.4%	(1.7pp)
Earnings before interest and tax	338,381	374,200	(9.6%)
Net profit	85,970	97,087	(11.5%)
Net profit margin(%)	0.8%	0.9%	(0.1pp)
Net profit attributable to shareholders of the parent company	56,304	52,935	6.4%
Net profit margin attributable to shareholders of the parent company (%)	0.5%	0.5%	–

PRINCIPAL OPERATING INCOME

During the Reporting Period, the Group's principal operating income increased by approximately 4.3%, of which retail principal operating income increased by approximately 4.4%, and wholesale principal operating income increased by approximately 4.5%.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group decreased by approximately 9.0% compared to the last corresponding period. During the Reporting Period, the gross profit margin was 11.7% (2019: 13.4%).

OTHER OPERATING INCOME

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

The Group's other operating income decreased from RMB1,103,032,165 in 2019 to RMB979,665,600 during the Reporting Period by approximately 11.2%, mainly due to (i) during the COVID-19 epidemic, in accordance with national policies, the rent income of tenants has been reduced or exempted; and (ii) under the epidemic control measures, offline promotional activities have been reduced in order to reduce the concentration of personnel.

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 fees, packing expenses, and advertising and promotion expenses.

The Group's selling expenses were RMB1,742,320,397 during the Reporting Period, representing an decrease of approximately 5.2% compared to the corresponding period in 2019. The decrease was primarily due to (i) due to the influence of COVID-19, the decreased in advertisement fees and promotional fees targeted at the terminals of the wholesale business, along with the adjustment of the composition of e-commerce commodities; (ii) the adjustment of leasing guideline which caused the sales expenses decreased while the financial expenses increased; (iii) the closure of stores during the reporting period resulted in a decrease in depreciation and amortization.

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 RMB250,296,132 during the Reporting Period, representing a decrease of approximately 16.9% compared to the corresponding period in 2019. The decrease was mainly because: the government reduced the insurance fees payable related to wage expenditure during the COVID-19 epidemic, such as endowment insurance, unemployment insurance, employment injury insurance and medical insurance by 50% for the period from February to June 2020.

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 decreased from RMB196,678,193 in 2019 to RMB171,561,580 in 2020. The main reasons for the decrease are that (i) during the Reporting Period, the Group received loan interest discount from key enterprises in the prevention and control of the epidemic to reduce interest expenditures in Beijing City and (ii) due to the impact of the national monetary policy, the cost of borrowing for the Group's decreased over the same period.

INCOME TAX EXPENSE

The Group's subsidiary Chaopi Maolisheng Hong Kong Company Limited (the “**Maolisheng Hong Kong**”), Hong Kong Asia Company Limited (the “**Chaopi Hong Kong**”) and Chaopi International Trading (Hong Kong) Company Limited (the “**International Trading Hong Kong**”) are registered and established in Hong Kong. In accordance with Hong Kong taxation law, the relevant corporate income tax rate is 16.5%.

Except for Maolisheng Hong Kong, Chaopi Hong Kong and International Trading 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 decreased from RMB81,715,652 in 2019 to RMB79,908,305 in 2020, primarily due to the decrease in 2020 taxable profits.

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

The net profit attributable to shareholders of the parent company increased by approximately 6.4% from RMB52,935,436 in 2019 to RMB56,304,490 in 2020.

BASIC EARNINGS PER SHARE

The Group recorded basic earnings per share of approximately RMB0.14 for 2020, which was calculated on the basis of the number of 412,220,000 shares. The basic earnings per share for 2019 was RMB0.13. The increase in earning per share was mainly due to the increase of net profit attributable to shareholders.

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 2020, the Group had non-current assets of RMB3,172,651,010 (comprising of fixed assets, investment properties and land use rights of RMB1,270,770,096), and non-current liabilities of RMB1,378,530,626 (comprising of bonds payable of RMB402,932,044).

As at 31 December 2020, the Group had current assets of RMB4,895,980,459. Current assets mainly comprised of cash and cash equivalents of RMB1,032,858,751, inventories of RMB1,503,939,573, accounts receivable and notes receivable of RMB982,096,991 and prepayments and other receivables of RMB1,090,636,349. The Group had current liabilities of RMB4,511,640,021. Current liabilities mainly comprised of accounts payable and notes payables of RMB1,170,399,783, short-term borrowings of RMB2,334,237,881, contract liabilities of RMB462,447,201 and other payables of RMB264,625,097.

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 31 December 2020, the Group had bank loans of RMB2,334,237,881, which consisted of accounts receivable factored bank loans of RMB13,392,510 unsecured bank loans of RMB2,314,320,471. pledged loan is that Beijing Chaopi Maolisheng Trading Co., Ltd., a subsidiary of Chaopi Trading, provided a pledge guarantee to Bank of Beijing Co., Ltd. Shanghai Branch with a time deposit certificate of RMB8,000,000 under its name, and the loan amount obtained was USD1,000,000, which was converted into RMB6,524,900 at the exchange rate of USD to RMB6.5249 on 31 December 2020. All the Group's bank loans bear interest rates ranging from 2.5% to 4.75%.

Certain of the Group's margin deposits of RMB116,101,904 were pledged for notes payable of RMB449,442,574 as at 31 December 2020.

As at 31 December 2020, the Group's gearing ratio* is approximately 72.9%, which is lower than that of 74.3% as at 31 December 2019 due to reduction in interest bearing liabilities.

* *Represented by: Total Debt/Total Asset*

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 2020, the Group employed 5,300 employees in the PRC (31 December 2019: 5,669). The total staff costs (including directors' and supervisors' remunerations) of the Group for the Reporting Period amounted to approximately RMB710,525,591 (2019: RMB750,557,336). 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 retirement benefit 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% (2019: 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 RMB39,766,572 for the Reporting Period (2019: RMB66,757,466).

During the Reporting Period, the Group hosted trainings in various format and topics for its employees to improve their skills and professional knowledge. The Group held more than 80 seminars during the year, and all employees have benefited from them.

CAPITAL INJECTION INTO TWO NON-WHOLLY OWNED SUBSIDIARIES

On 26 August 2020, Chaopi Trading (a non-wholly owned subsidiary of the Company) contributed an additional capital of RMB28,000,000, which has been fully paid by Chaopi Trading into its wholly owned subsidiary, Beijing Chaopi Zhaoyang E-commerce Company Limited ("**Chaopi Zhaoyang**"), increasing the registered capital of Chaopi Zhaoyang from RMB44,000,000 to RMB72,000,000. After the increase of registered capital, the Company continued to be a holder of an indirect equity interest of approximately 79.85% in Chaopi Zhaoyang.

On 27 August 2020, Chaopi Trading (a non-wholly owned subsidiary of the Company) contributed an additional capital of RMB28,000,000, which has been fully paid by Chaopi Trading into its wholly owned subsidiary, Beijing Chaopi Zhongde Trading Company Limited (“**Chaopi Zhongde**”), increasing the registered capital of Chaopi Zhongde from RMB65,000,000 to RMB93,000,000. After the increase of registered capital, the Company continued to be a holder of an indirect equity interest of approximately 79.85% in Chaopi Zhongde.

ESTABLISHMENT OF A SUBSIDIARY

On 9 September 2020, the Group, through its non-wholly-owned subsidiary, Chaopi Trading established a subsidiary, Chaopi International Trading (Hong Kong) Company Limited (“**International Trading Hong Kong**”), to mainly engage in trading related business. The registered capital of International Trading Hong Kong was HKD5,000,000, which has been fully paid up by Chaopi Trading. The Company held an indirect equity interest of approximately 79.85% in International Trading Hong Kong.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no material contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

1. Acquisition of the Property located in Huairou District, Beijing City, the PRC

Reference is made to the circular of the Company dated 12 December 2020 in relation to the Acquisition (as defined below) and the announcement of the Company dated 11 January 2021 in relation to the voting results of the extraordinary general meeting of the Company held on 11 January 2021 (the “**EGM**”).

On 30 November 2020, Beijing Jingkelong Shouchao Commercial Co., Ltd. (the “**Purchaser**”), a direct wholly-owned subsidiary of the Company, entered into an agreement (the “**Agreement**”) with Beijing Shoulian Commercial Group Co., Ltd. (the “**Vendor**”) pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, a property (the “**Property**”) located at No. Bing 46, Kaifang Road, Huairou District, Beijing City, the PRC at the total consideration (the “**Consideration**”) of RMB101,735,130 (the “**Acquisition**”). The Property has been leased by the Group from the Vendor since January 2009 to carry out the Group’s supermarket operation.

At the EGM, the resolution in relation to the approval of the Acquisition was duly passed by the shareholders of the Company. Accordingly, all conditions precedent to the Acquisition were fulfilled and completion of the Acquisition took place on 11 January 2021.

As at the date of this announcement, the title transfer and registration procedures in relation to the Property are in progress, and the Purchaser has paid RMB40,694,040, being 40% of the Consideration, in accordance with the terms of the Agreement. RMB61,041,090, being the remaining 60% of the Consideration, will be paid by the Purchaser in cash within 10 business days following the completion of the property title transfer and registration procedures.

2. Change in the composition of connected persons at the issuer level

The Company was informed by Beijing Chaofu State-owned Assets Administration Company (“**Chaofu Company**”), the controlling shareholder of the Company, that upon completion of the relevant equity transfers, Beijing Hongchao Weiye State-owned Assets Management Co., Ltd (“**Hongchao Weiye**”) and Beijing Jin Chaoyang State-owned Capital Operation Management Co., Ltd. (“**Jin Chaoyang**”) has become subsidiaries of Chaofu Company, hence connected persons of the Company. As a result, certain continuing transactions under the existing leases with Hongchao Weiye and Jin Chaoyang have become the connected transactions of the Company. For further details, please refer to the announcement of the Company dated 5 March 2021.

Save as disclosed above, the Group did not have any significant events occurred that materially affect the Group’s financial condition or operation subsequent to 31 December 2020 and up to the date of this announcement.

STRATEGIES AND PLANS

In 2021, although there remains many uncertain factors in respect of the COVID-19 epidemic and the external environment, with the construction of a new development pattern with the domestic cycle as the main focus and the mutual promotion of the international and domestic cycles, the Chinese consumer market will remain resilient, vigorous and will show new growth, and the trend of recovery growth will continue in 2021.

In terms of retail business, the Group will focus on improving commodity efficiency and service capabilities, accelerating the iteration of commodity circulation by optimizing the new product introduction mechanism, and continuing to strengthen the development of its own brand and customized buyout products, and continue to refine store management projects and the family food product line for customers to meet customer needs in terms of ready-to-eat, convenience and diversity of products, and to continue to expand the automatic replenishment of daily products to further reduce out-of-stock situation in stores, strengthen the management of the fresh product supply chain and enhance the market competitiveness of the fresh commodity by taking measures such as direct sourcing from the origin and bidding mechanism for key commodities, and strengthen online and offline linkage marketing by virtue of online and offline integrated operation advantages, and keep abreast of changes in customer demand in a timely manner by using big data for precise marketing.

In terms of wholesale business, the Group will further strengthen the planning and analysis and management of supplier brands, establish a sound supplier pipeline, product access and evaluation system, and maintain the safe and benign development of the Group's business brands and own brand development. The Group will continue to develop the international market, deepen cooperation with high-quality overseas suppliers, increase brand concentration and the depth of cooperation; orderly promote the construction, equipment procurement and migration, full process joint commission and the trial operation of the second phase of the Fangshan Automated Storage and Retrieval System logistic project, so as to build a modern logistics demonstration base and promote market competitiveness of the wholesale business through the improvement of logistics service capabilities.

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 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.

Audit Committee

The audit committee of the Company has reviewed the Group's 2020 audited annual results and discussed with the management and the external auditors on the accounting principles and practices adopted by the Group, internal control and financial reporting matters.

Scope of work of Da Hua Certified Public Accountants (Special General Partnership)

The figures in respect of the Group's consolidated balance sheets, consolidated income statement and the related notes thereto for the year ended 31 December 2020 as set out in the this announcement have been agreed by the Group's auditor, Da Hua Certified Public Accountants (Special General Partnership), to the amounts set out in the audited consolidated financial statements of the Group. The work performed by Da Hua Certified Public Accountants (Special General Partnership) in this respect did not constitute an assurance engagement in accordance with China Auditing Standards, China Standards on Review or China Standards on Assurance Engagements issued by the Chinese Institute of Certified Public Accountants and consequently no assurance has been expressed by Da Hua Certified Public Accountants (Special General Partnership) on the this announcement.

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

The directors recommend the payment of a final dividend of RMB0.10 (2019: RMB0.08) per share (tax inclusive) in respect of the Reporting Period to shareholders on the register of members on 3 June 2021. The proposed final dividend is expected to be paid to the shareholders on or before 20 July 2021. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position. The arrangement of the closure of the register of shareholders of H shares of the Company (the “**H Shares**”) regarding shareholders’ dividends will be announced in the notice the 2020 Annual General Meeting of the Company to be dispatched to the shareholders. The above dividend distribution proposal is subject to the approval by the shareholders at 2020 Annual General Meeting of the Company. The dividends to be distributed will be denominated and declared in Renminbi. Distribution of the cash dividends for domestic shareholders will be paid in Renminbi, while cash dividends 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 2020 Annual General Meeting at which the final dividends 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 dividends 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 2020 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 dividends 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 Thursday, 3 June 2021. 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 Thursday, 3 June 2021 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 2020 final dividends 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 of Hong Kong Limited dated 4 July 2011, the Company is required to withhold and pay the individual income tax in respect of the 2020 final dividends 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 2020 final dividends 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 Thursday, 3 June 2021 (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 fifteenth day 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 fifteenth day 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 Notices 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.

Closure of Register of Members

The register of members of the Company will be closed from Saturday, 15 May 2021 to Friday, 21 May 2021, 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 Friday, 14 May 2021 are entitled to attend and vote at the 2020 Annual General Meeting following completion of the registration procedures. To qualify for attendance and voting at the 2020 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 Friday, 14 May 2021. Holders of domestic shares of the Company (the “**Domestic Shares**”) whose names appear on the register of shareholders of the Company at 4:30 p.m., the close of business on Friday, 14 May 2021 are entitled to attend and vote at the 2020 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 Saturday, 29 May 2021 to Thursday, 3 June 2021, 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 Thursday, 3 June 2021 are entitled to the 2020 final dividend (if any). To qualify for entitlement of the 2020 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 Friday, 28 May 2021. 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 2020 Annual General Meeting will be held on Friday, 21 May 2021. The notice of the 2020 Annual General Meeting will be sent to the shareholders of the Company together with the 2020 Annual Report, and will also be available on the HKEXnews ("HKEXnews") website of Hong Kong Exchanges and Clearing Limited and the website of the Company.

PUBLICATION OF 2020 FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the HKEXnews website at www.hkexnews.hk and the Company website at www.jkl.com.cn. The 2020 Annual Report will be available on the HKEXnews and the website of the Company, and despatched to Shareholders on or about Wednesday, 21 April 2021.

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

Beijing, PRC
26 March 2021

As at the date of this announcement, the executive directors of the Company are Mr. Li Jianwen, Mr. Zhang Liwei, Ms. Li Chunyan and Mr. Li Shenlin; 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.