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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 2012**

HIGHLIGHTS

- Revenue was approximately RMB9,183,922,000, representing an increase of approximately 6.4% as compared to 2011;
- Gross profit was approximately RMB1,361,164,000, representing an increase of approximately 4.9% as compared to 2011;
- Gross profit margin was approximately 14.8%, representing a slight decrease as compared to 15.0% in 2011;
- Profit attributable to equity holders was approximately RMB105,104,000, representing a decrease of approximately 50% as compared to 2011;
- Basic earnings per share was approximately RMB0.25 yuan (2011: RMB0.51 yuan); and
- The proposed final dividend per share was RMB0.10 yuan (tax inclusive, 2011: RMB0.20 yuan).

* For identification purpose only

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 2012 (the “Reporting Period”).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

		2012	2011
	Notes	RMB'000	RMB'000
Revenue	5	9,183,922	8,632,531
Cost of sales		<u>(7,822,758)</u>	<u>(7,335,461)</u>
Gross profit		1,361,164	1,297,070
Other income and gains	5	679,172	600,580
Selling and distribution expenses		(1,328,500)	(1,153,666)
Administrative expenses		(265,792)	(212,687)
Other expenses		(57,640)	(53,039)
Finance costs	7	<u>(158,776)</u>	<u>(125,290)</u>
Profit before tax	6	229,628	352,968
Income tax expense	8	<u>(57,824)</u>	<u>(79,957)</u>
Profit for the year		<u>171,804</u>	<u>273,011</u>
Profit for the year attributable to:			
Owners of the parent	10	105,104	210,160
Non-controlling interests		<u>66,700</u>	<u>62,851</u>
		<u>171,804</u>	<u>273,011</u>
Earnings per share			
– basic (RMB yuan per share)	10	<u>0.25</u>	<u>0.51</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Profit for the year	<u>171,804</u>	<u>273,011</u>
Other comprehensive income, net of income tax		
Available-for-sale investments:		
Changes in fair value	2,018	(539)
Income tax effect	<u>(505)</u>	<u>135</u>
Other comprehensive income for the year, net of tax	<u>1,513</u>	<u>(404)</u>
Total comprehensive income for the year	<u>173,317</u>	<u>272,607</u>
Attributable to:		
Owners of the parent	106,617	209,756
Non-controlling interests	<u>66,700</u>	<u>62,851</u>
	<u>173,317</u>	<u>272,607</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	<i>Notes</i>	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment		1,897,049	1,828,542
Investment properties		56,083	33,001
Prepaid lease payments		227,987	233,511
Goodwill		86,674	86,674
Intangible assets		19,612	11,467
Available-for-sale investments		8,332	6,314
Deferred tax assets		16,543	18,720
Other long term lease prepayments		50,560	55,441
Rental deposits		13,781	7,945
Other long term asset		630	—
Total non-current assets		2,377,251	2,281,615
Current assets			
Inventories		1,535,946	1,416,806
Trade receivables	<i>11</i>	1,399,046	1,358,876
Prepayments, deposits and other receivables		711,998	653,198
Short-term investment		25,000	—
Pledged deposits		4,158	36,351
Cash and cash equivalents		461,110	580,655
Total current assets		4,137,258	4,045,886
Current liabilities			
Trade and bills payables	<i>12</i>	1,075,588	1,323,527
Debentures		199,650	299,200
Tax payable		4,546	13,578
Other payables and accruals		666,689	659,766
Interest-bearing bank loans	<i>13</i>	2,337,707	1,911,519
Deferred income-current portion		3,669	2,754
Total current liabilities		4,287,849	4,210,344
Net current liabilities		(150,591)	(164,458)
Total assets less current liabilities		2,226,660	2,117,157

	<i>Notes</i>	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Non-current liabilities			
Interest-bearing bank loans	13	200,000	200,000
Deferred income		1,866	2,133
Deferred tax liabilities		11,061	11,474
Other liabilities		13,685	11,433
		<u> </u>	<u> </u>
Total non-current liabilities		226,612	225,040
		<u> </u>	<u> </u>
Net assets		2,000,048	1,892,117
		<u> </u>	<u> </u>
Capital and reserves			
Issued capital		412,220	412,220
Reserves		1,190,602	1,125,207
Proposed final dividend	9	41,222	82,444
		<u> </u>	<u> </u>
Equity attributable to owners of the parent		1,644,044	1,619,871
		<u> </u>	<u> </u>
Non-controlling interests		356,004	272,246
		<u> </u>	<u> </u>
Total equity		2,000,048	1,892,117
		<u> </u>	<u> </u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. GENERAL INFORMATION

The Company is a joint stock limited company incorporated in the People's Republic of China (the "PRC").

The registered office and the principal place of business of the Company is located at Block No. 45, Xinyuan Street, Chaoyang District, Beijing, the PRC.

The Group is principally engaged in the retail and wholesale distribution of daily consumer products in the region covering Beijing city and certain parts of its periphery.

In the opinion of the directors, the controlling shareholder of the Company is Beijing Chaoyang Auxiliary Food Company, a state-owned enterprise established in the PRC.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on a historical cost basis, except for certain equity investments, which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods. The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2012, the Group had net current liabilities of RMB150,591,000 (31 December 2011: RMB164,458,000). Based on the Group's history of obtaining financing, available banking facilities, operating performance, working capital forecast and financial obligations in the next twelve months, the directors consider that there are sufficient financial resources available to the Group to meet its liabilities as when fall due and to carry on its business in the foreseeable future. Accordingly, the directors have prepared the consolidated financial statements on a going concern basis.

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted the following amendments to HKFRSs issued by the HKICPA:

Amendments to HKAS 12	Deferred Taxes: Recovery of Underlying Asset; and
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The Group has applied for the first time the amendments to HKFRS 7 Disclosures – Transfer of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) to transfer to HSBC its contractual rights to receive cash flows from certain trade receivables. The arrangements are made through factoring those receivables to HSBC on a full recourse basis. Specifically, if the trade receivables are not paid at maturity, HSBC has the right to request the Group to pay the unsettled receivables. The Group continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as secured bank loans. The relevant disclosures have been made regarding the transfer of these trade receivables on application of the amendments to HKFRS 7. In accordance with the transitional provisions set out in the amendments to HKFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has three reportable operating segments as follows:

- (a) the retailing segment engages in the distribution of live and fresh produce, dry products, beverages, processed food and daily necessities through the department stores, hypermarkets, supermarkets and/or convenience stores of the Group (the “Retail Outlets”);
- (b) the wholesaling segment engages in the wholesale supply of daily consumer products to consumers, including the Retail Outlets, other retail operators, and trading companies; and
- (c) the “others” segment comprises, principally, the production of plastic packing materials, and the installation and maintenance of commercial equipment.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is measured consistently with the Group’s profit before tax in the consolidated financial statements.

All assets and liabilities are included in the segment information, no assets nor liabilities are managed on a group basis.

Intersegment sales and transfers are conducted based on mutually agreed terms.

Income tax expenses have been allocated among the segments as additional information to regularly provide to the management but not included in the measure of segment result. However, the relevant tax payables have been allocated into the segment liabilities.

Geographical information

No geographical information is presented as all of the Group's revenue is derived from customers based in Mainland China, and all of its assets are located in Mainland China.

Information about major customers

For the year ended 31 December 2012, the Group's revenue from one (2011: one) customer amounted to RMB 1,041,856,000 (2011: RMB 978,737,000), which is derived from the wholesaling segment. Except for this one customer, the Group has not had any single external customer, the sales to whom amounted to 10%, or more of the Group's revenue for the years ended 31 December 2012 and 2011.

The following tables present revenue, profit and asset, liability and expenditure information for the Group's operating segments for the years ended 31 December 2012 and 2011.

Year ended 31 December 2012

	Retailing <i>RMB'000</i>	Wholesaling <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue				
Sales to external customers	4,561,623	4,598,477	23,822	9,183,922
Intersegment sales	<u>–</u>	<u>536,489</u>	<u>14,640</u>	<u>551,129</u>
	4,561,623	5,134,966	38,462	9,735,051
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(551,129)</u>
Consolidated revenue				<u>9,183,922</u>
 Segment results	 21,166	 208,698	 (236)	 <u>229,628</u>
Profit before tax				<u>229,628</u>
 Segment assets	 3,585,957	 3,366,891	 12,922	 6,965,770
<i>Reconciliation:</i>				
Elimination of intersegment receivables				<u>(451,261)</u>
Total assets				<u>6,514,509</u>
 Segment liabilities	 2,492,965	 2,466,266	 6,491	 4,965,722
<i>Reconciliation:</i>				
Elimination of intersegment payables				<u>(451,261)</u>
Total liabilities				<u>4,514,461</u>
 Other segment information				
Capital expenditure*	270,398	25,192	70	295,660
Loss on disposal of				
Property, plant and equipment	3,035	11	–	3,046
Depreciation:				
Property, plant and equipment	164,337	22,392	26	186,755
Investment propertites	1,968	–	–	1,968
Amortisation of intangible assets	1,582	1,346	–	2,928
Recognition of prepaid land lease payments	5,524	–	–	5,524
Impairment losses on trade and				
other receivables recognised, net	1,703	–	–	1,703
Finance cost	55,362	103,414	–	158,776
Interest income	(9,770)	(3,820)	(5)	(13,595)
Income tax expense	4,312	52,854	658	57,824
Foreign exchange losses	415	–	–	415

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and prepaid lease payments.

Year ended 31 December 2011

	Retailing RMB'000	Wholesaling RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	4,332,701	4,280,413	19,417	8,632,531
Intersegment sales	<u>—</u>	<u>568,491</u>	<u>9,949</u>	<u>578,440</u>
	4,332,701	4,848,904	29,366	9,210,971
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(578,440)</u>
Consolidated revenue				<u><u>8,632,531</u></u>
Segment results	145,021	207,820	127	<u>352,968</u>
Profit before tax				<u><u>352,968</u></u>
Segment assets	3,502,917	3,122,831	8,299	6,634,047
<i>Reconciliation:</i>				
Elimination of intersegment receivables				<u>(306,546)</u>
Total assets				<u><u>6,327,501</u></u>
Segment liabilities	2,486,334	2,252,406	3,190	4,741,930
<i>Reconciliation:</i>				
Elimination of intersegment payables				<u>(306,546)</u>
Total liabilities				<u><u>4,435,384</u></u>
Other segment information:				
Capital expenditure*	173,828	13,152	43	187,024
Loss on disposal of				
Property, plant and equipment	1,110	121	1	1,232
Depreciation:				
Property, plant and equipment	144,028	27,101	1,089	172,218
Investment properties	1,467	—	—	1,467
Amortisation of intangible assets	1,416	1,518	—	2,934
Recognition of prepaid lease payments	4,889	—	1,698	6,587
Impairment losses on property, plant and equipment recognised	888	—	—	888
Finance costs	52,580	72,710	—	125,290
Interest income	(9,465)	(3,495)	(593)	(13,553)
Income tax expense	26,341	53,094	522	79,957
Foreign exchange gains	(41)	—	—	(41)

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and prepaid lease payments.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after deduction of relevant taxes and allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Revenue		
Direct sale of merchandise and produce:		
Retailing	4,519,440	4,294,923
Wholesaling*	4,598,477	4,280,413
	<u>9,117,917</u>	<u>8,575,336</u>
Commissions from concessionaire sales	42,183	37,778
Others	23,822	19,417
	<u>23,822</u>	<u>19,417</u>
Total revenue	<u><u>9,183,922</u></u>	<u><u>8,632,531</u></u>

* Included in the amounts are sales to franchisees amounting to RMB12,144,000 (2011: RMB15,182,000).

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Other income and gains		
Income from suppliers	484,642	402,123
Gross rental income	115,312	106,381
Interest and investment income	14,401	16,287
Compensation for settlement of employees	18,880	33,151
Government grants#	9,904	10,730
Compensation for early termination of rental agreement	6,334	—
Net compensation on demolished properties	1,800	2,070
Franchise fee	1,965	3,658
Others	25,934	26,180
	<u>25,934</u>	<u>26,180</u>
Total other income and gains	<u><u>679,172</u></u>	<u><u>600,580</u></u>

Various local government grants have been granted to reward the Group for its contributions to the local economy and employing the surplus rural labor. There were no unfulfilled conditions or contingencies attaching to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2012 RMB'000	2011 <i>RMB'000</i>
Cost of inventories sold	7,822,758	7,335,461
Depreciation:		
Property, plant and equipment	186,755	172,218
Investment properties	1,968	1,467
	188,723	173,685
Amortisation of intangible assets	2,928	2,934
Recognition of prepaid lease payments	5,524	6,587
Minimum lease payments under operating leases on properties	203,733	177,724
Losses on disposal of items of property, plant and equipment, net	3,046	1,232
Impairment of trade and other receivables, net	1,703	–
Impairment of property, plant and equipment	–	888
Gross rental income from investment properties	14,173	10,904
Less:		
Direct operating expense incurred for investment properties that generated rental income during the year	(1,968)	(1,467)
Net rental income from investment properties	12,205	9,437
Auditors' remuneration	1,583	1,959
Staff costs:		
Directors' emoluments	8,855	7,791
Other staff costs:		
Wages, salaries and social security costs	505,363	442,119
Retirement benefit contributions	54,485	44,961
	559,848	487,080
	568,703	494,871
Foreign exchange differences	415	(41)

7. FINANCE COSTS

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Interest on bank loans and bank overdraft wholly repayable within five years	142,365	107,930
Interest on debentures wholly repayable within five years	<u>17,591</u>	<u>18,371</u>
	159,956	126,301
Less: Interest capitalised	<u>(1,180)</u>	<u>(1,011)</u>
	<u>158,776</u>	<u>125,290</u>

The weighted average capitalisation rate on bank loans generally is 5.57% (2011: 5.46%) per annum.

8. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group is not liable for income tax in Hong Kong as it does not have assessable income currently arising in Hong Kong. Under the prevailing PRC income tax law, the Group is subject to corporate income tax at a rate of 25% on their respective taxable income.

The income tax in the consolidated income statement of the Group comprises the following:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Current income tax – PRC	56,565	82,842
Deferred income tax	<u>1,259</u>	<u>(2,885)</u>
	<u>57,824</u>	<u>79,957</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the Group's effective rate, and a reconciliation of the statutory rate to the effective tax rate, are as follows:

	2012		2011	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit before tax	229,628		352,968	
Income tax at the PRC statutory income tax rate	57,407	25	88,242	25
Expenses not deductible for tax	1,872	0.8	1,400	0.4
Tax effect of tax losses not recognised	246	0.1	1,007	0.3
Tax effect of non-taxable income	(1,452)	(0.6)	(2,703)	(0.8)
Utilization of tax losses previously not recognised	(249)	(0.1)	(7,989)	(2.3)
Tax charge at the Group's effective rate	57,824	25.2	79,957	22.6

9. DIVIDENDS

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Dividends recognised as distributions during the year:		
2011 final, paid – RMB20.0 cents per share		
(2011: 2010 final, paid RMB 20.0 cents per share)	82,444	82,444
Proposed 2012 final – RMB10.0 cents		
(2011: 2011 final RMB 20.0 cents) per share	41,222	82,444

10. EARNINGS PER SHARE

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Earnings		
Earnings for the purpose of basic earnings per share		
(profit for the year attributable to owners of the parent)	105,104	210,160

	2012 '000	2011 '000
Number of ordinary shares for the purpose of basic earnings per share	<u>412,220</u>	<u>412,220</u>

No diluted earnings per share is presented as there is no potential ordinary shares outstanding during both years.

11. TRADE RECEIVABLES

The Group normally allows a credit period of not more than 90 days to its customers. A longer credit period is granted to its major customers with long term relationship. The Group seeks to maintain strict control over its outstanding receivables. Before accepting any new customers, the Group will assess the potential credit quality and define credit limits. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing except for amounts due from Beijing Shoulian Trading Company Limited ("Shoulian"), an independent third party, which bore interest at a rate of 6.63% (2011: 6.5%) per annum.

An aged analysis of the trade receivables of the Group as at the end of the Reporting Period, based on the invoice date which approximated the respective revenue recognition dates and net of allowance for doubtful debts, is as follows:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Within 2 months	767,402	795,116
2 to 6 months	462,744	427,455
6 months to 1 year	78,087	50,737
1 to 2 years	10,813	85,568
Over 2 years	<u>80,000</u>	<u>—</u>
	<u>1,399,046</u>	<u>1,358,876</u>

12. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables as at the end of Reporting Period, based on the invoice date, is analysed as follows:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Within 2 months	1,039,808	1,096,575
2 to 6 months	28,734	203,606
6 months to 1 year	4,090	14,662
1 to 2 years	1,214	4,392
Over 2 years	<u>1,742</u>	<u>4,292</u>
	<u>1,075,588</u>	<u>1,323,527</u>

The trade and bills payables are non-interest-bearing and are normally settled on 60-day terms. As at 31 December 2012, the bills payable of the Group amounting to RMB21 million (31 December 2011: RMB130.5 million) were secured by certain of the Group's pledged time deposits amounting to RMB4.2 million (31 December 2011: RMB36.4 million).

13. INTEREST-BEARING BANK LOANS

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Current		
Bank loans-secured	–	230,000
Bank loans-trade receivables factored	50,000	–
Bank loans-unsecured	2,287,707	1,681,519
	2,337,707	1,911,519
Non-current		
Bank loans-secured	200,000	200,000
	2,537,707	2,111,519

All of the Group's bank loans, which are denominated in RMB, bear annual interest rates ranging from 5.0% to 7.2% (2011: 5.1% to 7.2%).

As at 31 December 2012, the secured bank loans of the Group amounting to RMB200 million were secured by certain of the Group's buildings and investment properties with aggregate carrying amounts of approximately RMB89.2 million and RMB6.6 million, respectively.

As at 31 December 2011, the secured bank loans of the Group amounting to RMB430 million were secured by certain of the Group's buildings, investment properties and prepaid lease payments with aggregate carrying amounts of approximately RMB138.4 million, RMB13.5 million, and RMB23.3 million, respectively.

As at 31 December 2012, bank loans amounting to RMB50 million (2011: nil) was secured by factoring certain of the Group's trade receivables with carrying amount of approximately RMB89.6 million.

Except for the bank loans of the Group amounting to RMB1,059.6 million (2011: RMB750 million) guaranteed by the Company and RMB758.1 million (2011: RMB731.5 million) guaranteed by a subsidiary Beijing Chaopi Trading Company Limited ("Chaopi Trading"), the Group's bank loans amounting to RMB470 million (2011: RMB200 million) were unsecured as at 31 December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the year of 2012, domestic economy remained subdued and situated in the middle of the recession period amongst the rapid growth over the past 10 years. The traditional industry of retailing and wholesaling of daily consumer products faced fierce competition and obvious impact, and the operating situations were difficult. The Group experienced the most difficult year since the 2008 financial crisis. The Group believes that by undergoing reviews, identifying the issues and implementing appropriate improvement and reformation measures, we will be able to resume growth in the near future.

During the Reporting Period, the Group adhered to its long term sustainable development strategy and continued to expand its retail network and focus on adjusting and modifying its procurement, distribution, marketing and management process. The annual sales figure increased, but under the high pressure of labour cost, rentals and finance cost, the Group's profit decreased significantly compared to last year.

RETAIL BUSINESS

Prudently expanding the retail network

During the Reporting Period, the Group continued to adhere to its strategy of regional development, and opened 17 retail stores in Beijing and Hebei Province, comprising 13 directly-operated retail outlets (including 2 hypermarkets, 4 supermarkets and 7 convenience stores) and 4 franchise-operated convenience stores. The net operating area of directly-operated retail outlets was increased. In addition, the Group renovated and upgraded 5 existing stores, and in turn improved the shopping environment.

The total number of the Group's retail outlets was 250 as at 31 December 2012. The following table sets out the number and net operating area of the Group's retail outlets as at 31 December 2012:

	Department Stores	Hypermarket	Supermarket	Convenience stores	Total
Number of retail outlets					
Directly-operated	2	10	77	71	160
Franchise-operated	—	—	1	89	90
Total	<u>2</u>	<u>10</u>	<u>78</u>	<u>160</u>	<u>250</u>
Net operating area (square metres):					
Directly-operated	39,742	79,058	160,572	15,964	295,336
Franchise-operated	—	—	880	16,779	17,659
Total	<u>39,742</u>	<u>79,058</u>	<u>161,452</u>	<u>32,743</u>	<u>312,995</u>

Diversified of marketing

In regards to the dampened consumption sentiment, the Group has attempted to utilise various marketing activities, such as the procurement of tailor made products to attract more customers with lower prices and at the same time ensure a certain level of gross profit. The Group has put more efforts in introducing import goods in the selected stores to cater to the upgrading consumption demand. The Group has also established the “3+2” vegetable procurement channels, i.e. the three supply rings and the two procurement bases around Beijing, developed the direct procurement bases, combined the order agriculture model with direct distributions to the stores to improve the efficiency of the fresh food supply chain. Further, the Group focused on the operation of fresh produce and adopted meticulous management approaches in relation to procurement, display, sales techniques and timely stock clearances which improved the overall operational management level in respect of fresh produce, attracted market awareness and in turn enhanced sales. In particular, targeting the consumers’ needs in the northern areas of China during the winter season, the live and fresh produce logistics centre has unified the process of distribution of beef and lamb slices and made inspection and installation of relevant sales facilities in all stores, which resulted in a significant increase in the sales figures of the in-house branded beef and lamb slices.

Increasing service functions to attract more customers

In addition to the installation of all-in-one cards (一卡通), lakala (拉卡拉), Electronic Funds Transfer at Point of Sale (繳費易) and ATM services, the Group has also introduced the convenient project (便民三通服務項目) of “Wanbosi” (萬博思), we also upgraded the service functions of the convenience stores, including credit card fees and bills payment service, purchase of lottery tickets, ticket reservations and weather forecast services, for the purpose of attracting more traffic to the stores.

Enhancing the basic store management

In order to cope with inflation, food safety issues, fierce competition and the increasing awareness of consumers’ rights, the Group has arranged experience sharing among stores in the Group and from other industry participants through data analysis, inspection of business operations and reviewing selected topics, with an aim to overcome the unfavorable operating environment and to bring the business back to growth. The Group has adopted relevant measures in category management, layout management, display management, pricing management, stock management, and service management and differentiation operation strategy from surrounding competitors to seek the room for the increase in sales and gross profit.

Improving the efficiency of the logistics system

The Group's normal-temperature logistics centre focused on the supervision and review process against the sorting packing and procedures, with an aim to decrease damage to products and errors arising from such procedures. The Group implemented the "no inspection upon receipt" policy for directly supplied merchandise, to improve the distribution efficiency, and lower logistics cost, as well as save labour cost in stores in the front end. Through receipt reservation service, the normal-temperature logistics centre provided a "green pathway " to VIP suppliers by utilizing designated loading docks coupled with designated personnel, which, in terms of an efficient receiving process, has significantly enhanced the overall service level and working standard of the centre. After refining its salary policy by introducing the piece rate approach in despatching, sorting, delivery and disassembling since 2011, the Group has further adopted the performance-related pay in 2012 in respect of areas of stock supplement, despatching, receiving and warehouse safe keeping, which reduced the number of staff required but improved work efficiency.

The Group has constructed the daily distribution product warehouse and put into use in live and fresh produce logistics centre, which united distribution for daily distribution products for convenience stores and further for small and medium supermarkets and assisted to resolve certain problems encountered by those stores such as shortage of stock and poor timing on replenishment of stock. The Group has adopted techniques and procedures to keep vegetables fresh and hence reduced the amount of damaged goods, applied and promoted the successful experience on the pilot programmes concerning the modified atmosphere packaging of pork produce, packaged fruits and vegetables, beef and lamb slices to enrich the unified supply of processed and enhance the operational fresh produce level.

Operation results of retail business

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

	2012	2011	Increase/ (Decrease)
	RMB'000	RMB'000	(%)
Directly-operated retail outlets:			
Hypermarkets	1,184,770	1,179,164	0.48%
Supermarkets	3,003,756	2,789,847	7.67%
Convenience stores	323,240	317,395	1.84%
Department stores	49,857	46,295	7.69%
(including commission)	(42,183)	(37,778)	
Total retail revenue	4,561,623	4,332,701	5.3%
Gross profit margin (%)	15.1	16.2	-1.1

During the Reporting Period, the retail revenue of the Group increased by approximately 5.3%. This was mainly attributable to (i) the contributions from sales of newly opened stores, and renovated and reopened stores opened in the second half of 2011 and during the Reporting Period, and (ii) the Group adopted multiple promotion and enhanced service function to attract more customers and increase in revenue.

WHOLESALE BUSINESS

Expanding the distribution network coverage

To further develop its wholesale business, The Group has, during the Reporting Period, introduced tailor made product, continued to explore new sole distributorship channels, and new product categories, and on the other hand, built new regional distribution network by setting up two new subsidiaries in Beijing, one new subsidiary in Datong, Shanxi province. The subsidiary set up in the end of 2011 in Jinan area, Shandong province has commenced operations with positive sales results. The distribution network coverage both in product line and region has been expanded.

Actively explore distribution channels to e-commerce

To cope with the development of the market trend, the Group has utilised our resources to explore distribution channels to e-commerce service providers, including seeking the support from suppliers of well-known brands on e-commerce distribution channels, engaging in online promotions and marketing, which formed one of the new sources of sales and profit growth.

Diversify business team by nature and management

To cope with business development trends, the Group has adjusted the model of operational management and set up a general operation department, divided the marketing centre into units and strengthened specialised management on sub-urban businesses in Beijing and e-commerce distribution channels, thereby optimising resource allocation and improved the level of specialised management.

Optimising and upgrading the logistics system

The construction of the No.4 warehouse in the distribution centre has been completed, which increased the floor area of the warehouses by nearly 2,000 square meters in order to meet with the wholesale business development needs. The Group has initiated strategic alliances with key customers and launched the construction of a mutual distribution centre to target the distribution of high frequency distributions involving multiple brands of small quantities, and has adopted the model of alternate despatching where inspection has been exempted to enhance distribution efficiency.

Operation results of wholesale business

The wholesale revenue and gross profit margin are analyzed as follows:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>	Increase/ (Decrease) (%)
Revenue recognised by Chaopi Group	5,122,822	4,833,722	6.0%
Less: Intersegment sales	(536,489)	(568,491)	-5.6%
Sales to franchisees by the Company	12,144	15,182	-20.0%
Consolidated wholesale revenue	<u>4,598,477</u>	<u>4,280,413</u>	7.4%
Gross profit margin*(%)	<u><u>12.3</u></u>	<u><u>11.6</u></u>	0.7

* It represents gross profit margin recognised by Beijing Chaopi Trading Company Limited and its subsidiaries (collectively the “Chaopi Group”) including intersegment sales.

During the Reporting Period, the increase in the wholesale revenue recognized by Chaopi Group of approximately 6.0% was mainly due to (i) various marketing efforts arranged with suppliers to increase market shares; (ii) the sales contribution from the new subsidiary and the Reporting Period which were established in the second half of 2011; and (iii) the sales contribution from newly introduced distributorship brands.

During the Reporting Period, the increase in the gross profit margin of Chaopi Group of approximately 0.7% was mainly due to (i) the continuous optimization of product mix targeting to increase sales of higher gross profit margin products; and (ii) the increase of bargaining power with supplier due to the increase in business scale and logistics capacities.

FINANCIAL RESULTS

	2012	2011	Increase/ (Decrease)
	RMB'000	RMB'000	(%)
Revenue	9,183,922	8,632,531	6.4
Gross profit	1,361,164	1,297,070	4.9
Gross profit margin (%)	14.8	15.0	-0.2
Other income and gains	679,172	600,580	13.1
Selling and distribution expenses	(1,328,500)	(1,153,666)	15.2
Administrative expenses	(265,792)	(212,687)	25.0
Other expenses	(57,640)	(53,039)	8.7
Finance costs	(158,776)	(125,290)	26.7
Income tax expense	(57,824)	(79,957)	-27.7
Profit for the year	171,804	273,011	-37.1
Net profit margin (%)	1.9	3.2	-1.3
Profit attributable to equity holders of the parent	105,104	210,160	-50.0
Net profit margin attributable to equity holders of the parent (%)	1.1	2.4	-1.3
Basic earnings per share-RMB (yuan)	0.25	0.51	

REVENUE

Revenue represents the net invoiced value of goods sold, after deduction of the relevant taxes and allowances for returns and trade discounts.

The increase of the Group's revenue by approximately 6.4% during the Reporting Period was primarily due to the increase in retail and wholesale revenue by approximately 5.3% and 7.4%, respectively.

GROSS PROFIT

During the Reporting Period, the gross profit of the Group increased by approximately 4.9% as compared to 2012 mainly due to the sales and margin increase in wholesale business.

OTHER INCOME AND GAINS

Other income and gains mainly comprise income from suppliers, rental income from leasing and sub-leasing of properties and counters, and interest income.

The Group's other income and gains increased from approximately RMB600,580,000 to approximately RMB679,172,000 by approximately 13.1% during the Reporting Period, mainly due to the increase of income from suppliers which were in line with the increase in revenue, and the increase of rental income from newly-opened stores.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs mainly comprise of salary and welfare, depreciation expenses, energy fee, rental expenses, repair and maintenance expenses, transportation expenses, packaging expenses, and advertising and promotion expenses.

The Group's selling and distribution costs were approximately RMB1,328,500,000 during the Reporting Period, representing an increase of approximately 15.2 % compared to 2011. The increase was primarily due to (i) the selling and distribution expenses of the new stores, the renovated stores and the new subsidiaries of wholesale business; (ii) the increase labor cost attributable to the compliance with legal requirement for the increase in minimum wages; (iii) During the Reporting Period, more marketing activities were launched in response to the market downturn and e-commerce; and (iv) the rental was increased to reduce the connected rental transaction with the holding shareholder.

ADMINISTRATIVE EXPENSES

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

The Group's administrative expenses were approximately RMB265,792,000 during the Reporting Period, representing an increase of approximately of 25.0% compared to 2011. The increase was mainly because of the increased labor cost comprised of performance based bonus relating to the previous years, retirement benefit contribution, housing reserves, and other social insurance.

OTHER EXPENSES

Other expenses primarily comprise business tax, city construction tax and surcharges mainly charged on rental income and service income.

The Group's other expenses increased from approximately RMB53,039,000 in 2011 to approximately RMB57,640,000 in 2012. The increase was mainly because of the loss incurred in disposal of non-current assets resulting from the closure of stores.

FINANCE COSTS

Finance costs represent interest on bank loans, bank overdraft and debentures.

The Group's finance cost increased from approximately RMB125,290,000 in 2011 to approximately RMB158,776,000 in 2012, and was primarily due to increased short term bank loans from business requirement.

INCOME TAX EXPENSE

The Group was not subject to Hong Kong profit tax as the Group had no assessable profit arising in or deriving from Hong Kong during the Reporting Period.

The 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 approximately RMB79,957,000 in 2011 to approximately RMB57,824,000 in 2012, primarily due to the decrease in 2012 taxable profits.

PROFIT FOR THE YEAR

Profit for the year decreased by approximately 37.1 % from approximately RMB 273,011,000 in 2011 to approximately RMB171,804,000 in 2012. The decrease was mainly attributable to (i) under the press of fierce competition and unfavorable economic condition, more promotions has been held to attract more customers, allowing more profits to the customers; and (ii) the increase of labor cost, rental and financing cost.

BASIC EARNINGS PER SHARE

The Group recorded basic earnings per share of approximately RMB25 cents for 2012, which was calculated on the basis of the number of 412,220,000 shares, representing approximately 50% lower than the RMB51 cents of last year.

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 2012, the Group had non-current assets of approximately RMB2,377,251,000, which mainly comprised property, plant and equipment of approximately RMB1,897,049,000, and non-current liabilities of approximately RMB226,612,000 mainly including interest-bearing bank borrowings of RMB200,000,000 and deferred tax liabilities of approximately RMB11,061,000.

As at 31 December 2012, the Group had the net current liabilities of approximately RMB150,591,000. Current assets mainly comprised cash and cash equivalents (mainly denominated in “Renminbi”) of approximately RMB461,110,000, inventories of approximately RMB1,535,946,000, trade receivables of approximately RMB1,399,046,000 and prepayments, deposits and other receivables of approximately RMB711,998,000. Current liabilities mainly comprised of trade and bills payables of approximately RMB1,075,588,000, interest-bearing bank borrowings of approximately RMB2,337,707,000, and other payables and accruals of approximately RMB666,689,000.

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 31 December 2012, the Group had an aggregate borrowings (all denominated in Renminbi) of approximately RMB2,537,707,000, consisting of trade receivables factored bank loans of approximately RMB50,000,000, unsecured short-term bank loans of RMB2,287,707,000 and non-current secured long-term bank loans of RMB200,000,000. All the Group's bank loans bear fixed interest rates ranging from 5.0% to 7.2% per annum. The secured bank loans were secured by certain of the Group's buildings and investment properties with an aggregate carrying value of approximately RMB95,800,000 as at 31 December 2012. As at 31 December 2012, the Group had approximately RMB4,200,000 time deposits used as collaterals for bills payable.

As at 31 December 2012, bank loans amounting to RMB50 million (2011: nil) was secured by factoring certain of the Group's trade receivables with carrying amount of approximately RMB89.6 million.

As at 31 December 2012, the Group's gearing ratio* is approximately 71%, which is slightly higher than 70% at 31 December 2011.

* which is net debt divided by the total capital plus net debt.

According to an independent legal opinion, all the borrowings incurred in 2012 are in compliance with the relevant PRC applicable laws.

FOREIGN CURRENCY RISK

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

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 2012, the Group employed 8,386 employees in the PRC (2011: 8,249). The total staff costs (including directors' and supervisors' remunerations) of the Group for the Reporting Period amounted to approximately RMB568,703,000 (2011: approximately RMB494,871,000). The staff emolument (including for directors and supervisors) of the Group are based on position, duty, experience, performance, and market rates, in order to maintain their remunerations at a competitive level.

As required by the PRC laws and regulations, the Group participates in the defined contribution retirement benefits scheme for its employees operated by the relevant local government authorities in the PRC. The Group is required to make contributions for those employees who are registered as permanent residents in the PRC at a rate of 20% (2011: 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 annual contributions. The Group's contributions to the defined contribution retirement benefits schemes amounted to approximately RMB54,616,000 for the Reporting Period (2011: RMB45,081,000).

During the Reporting Period, the Group continuously insisted on competitive employment system, adjusted relevant policy boldly, enhanced multiple assessment method, completed the recruitment process, of multiple store managers, deputy store managers and administrative staff of headquarters, fully adopted assessment system based on work performance, mobilized employee, launched human resource information platform which cover whole retail system, it could summarize, search and analyze those information timely, also make HR management standardized, efficient and logically. The Group enhanced the specific contents of trainings, it held 52 seminars during the year, up to 5866 employee has benefited from it.

PROPOSE A SHARE ISSUE

An extraordinary general meeting and class meetings of the H shareholders and domestic shareholders were held on 28 May 2012 for considering and approving, the proposed A Share Issue. The China Securities Regulatory Commission took the application on 19 July 2012. Details of proposed A share issue were disclosed in the announcement dated 23 March 2012 and circular published on 13 April 2012.

ESTABLISHMENT OF THREE SUBSIDIARIES

During the Reporting Period, the Group, through its non-wholly owned subsidiary, Beijing Chaopi Trading Company Limited (“Chaopi Trading”), established three subsidiaries, Beijing Chaopi Tianhua Trading Company Limited (“Chaopi Tianhua”), Beijing Chaopi Shenglong Trading Company Limited (“Chaopi Shenglong”), Datong Chaopi Beichen Trading Company Limited (“Datong Beichen”). Chaopi Tianhua engages in the wholesale of food and beverage business. Chaopi Shenglong engages liquor wholesale business, Datong Beichen engage in the wholesale of general merchandise in Datong district, Shanxi province. Up to the date of this announcement, the Company holds an indirect equity interest of approximately 42.66%, 47.11% and 55.90% in Chaopi Tianhua, Chaopi Shenglong and Datong Beichen. The registered capital of Chaopi Tianhua, Chaopi Shenglong, and Datong Beichen are RMB10,000,000, RMB20,000,000 and RMB26,000,000, which has been fully paid up by Chaopi Trading.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group had no material contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2012, the Group had the following significant event:

- (a) Pursuant to an agreement entered into between Chaopi Trading, Datong Beichen and an independent third party on 24 Jan 2013, Chaopi Trading would transfer 30% of its equity interest in Datong Beichen for a consideration of RMB7,800,000, which approximated the fair values of the identifiable assets and liabilities of Datong Beichen at that date to the independent third party. After the completion of the transfer of this equity interest, the Company holds an indirect interest of 55.9% in Datong Beichen.
- (b) On 21 February 2013, the Company applied for issuing a debenture in aggregate not exceeding amount of RMB750 million, with a term of maturity of no more than 10 years on the Shanghai Stock Exchange. The debenture will be guaranteed by an independent third party, Beijing Chaoyang District National Capital Operating Management Center, a state-owned enterprise.

STRATEGY AND PLANS

In the year of 2013, the Group will take the opportunity to undergo adjustment and transformation by evaluating all areas of operational management and comparing with leading participants in the industry, in order to identify opportunities to overcome unfavourable situations and in turn reverse the currently declining operating results:

- **Enhancing marketing ability of retail business.** On the basis of our current information management system, we will improve timeliness and extensiveness of the data in the existing database, and provide up-to-date supporting data and business intelligence analysis. We will continuously develop tailor made products, in-house branded products, imported merchandise and well-known fresh produce, optimise our product mix, adapt to the change in consumer demands and the consumption upgrade, improve competitiveness through adopting different operational management with the surrounding competitors, increase contributions of products through increasing gross profit rate and turnover, promote diversified marketing plans, strengthen sales data analysis, transform price oriented promotions to demand oriented precise promotions and fully utilise bank card promotion, mobile phone services and other third party service system to increase sales.
- **Expanding the wholesale distribution network.** The Group will continue to expand the wholesale distribution network through consolidating Beijing market share, exploring the potentials of its subsidiaries in local market on the basis of the further substantial cooperation with its suppliers and better marketing and logistics to its customers. The Group will introduce more and more brands and product lines to keep the sale growth, and explore the distribution channels to e-commerce, group purchase.
- **Improving the competitiveness of services.** The Group will gradually implement refurbishment work on the shopping environment of current stores, actively set up community service platforms surrounding the stores and provide more convenient service in order to attract more local customers.
- **Improving the logistics and distribution system.** The operation efficiency of the new daily distribution product warehouse built in 2012 will be improved. Other than providing daily distribution products to convenience stores, we will expand our distribution coverage to more small and medium sized supermarkets and suburban stores with a wider product range, reduce stock shortage and improve rate of replenishment of stock. Through satisfying our customer's daily needs in respect of daily distribution products, we will attract more customers into the stores. We will also enhance the efficiency of our normal-temperature logistics centre to increase the internal synergy effect between the logistics, the stores on the front end and our procurement department. This will include: adopting a “no inspection upon receipt” policy in the stores upon lowering the error rate of distribution, exploring internal logistics cost accounting and charging system during the whole process of inbound, storage, sorting, outbound to increase net product operating profit, increasing the scope of cross docking logistics to enhance logistics efficiency. We will further construct a vegetable processing centre to increase the added value of vegetable products via rough processing, meticulous processing and exquisite processing, and in turn increase the operating profit.

OTHER INFORMATION

Corporate Governance

In the opinion of the directors, the Company has applied the principles and complied with all the Code Provisions set out in the Corporate Governance Code (applicable to financial reports covering the period after 1 April 2012) and the former Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Corporate Governance Code”) during the Reporting Period, save for the directors’ retirement by rotation as explained below.

Provision A4.2 of the Corporate Governance Code requires that every director, including those appointed for a specific term, of a listed issuer should 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 in 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 deviating from the aforesaid provision of the Code.

Audit Committee

The audit committee of the Company has reviewed the Group’s 2012 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 Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2012 as set out in the Preliminary Announcement have been agreed by the Group’s auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary 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 RMB10.0 cents (2011: RMB20.0 cents) per share (tax inclusive) in respect of the Reporting Period to shareholders on the register of members on 6 June 2013. 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 above dividend distribution proposal is subject to the approval by the shareholders at 2012 Annual General Meeting of the Company. The dividends to be distributed will be denominated and declared in Renminbi. Distribution of the final 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 2012 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 a H share listed company in Hong Kong, the proposed 2012 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, 6 June 2013. 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, 6 June 2013 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 2012 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" issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange Letter") dated 4 July 2011, the Company is required to withhold and pay the individual income tax in respect of the 2012 Final Dividends paid to the Individual H Shareholders whose names appear in the register of H-Shares Registrar of the Company ("Individual H Shareholders") when distributing the 2012 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 (regions) 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 "Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax

Treaties (Tentative)” (Guo Shui Fa [2009] No.124) (《國家稅務總局關於印發<非居民享受稅收協定待遇管理辦法(試行)>的通知》(國稅發[2009]124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, 6 June 2013 (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 31 July 2013. 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 31 July 2013. 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 Wednesday, 8 May 2013 to Tuesday, 28 May 2013, both days inclusive, during which no transfer of shares of the Company will be effective. Holders of H Shares whose names appear on the register of H Shares kept at Computershare Hong Kong Investor Services Limited (the “H-Shares Registrar”) at 4:30 p.m., the close of business on Tuesday, 7 May 2013 are entitled to attend and vote at the 2012 Annual General Meeting following completion of the registration procedures. To qualify for attendance and voting at the 2012 Annual General Meeting, documents on transfers of H Shares, accompanied by the relevant share certificates, must be lodged at the transfer office of the Company’s H-Shares Registrar, at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Tuesday, 7 May 2013. Holders of Domestic Shares of the Company whose names appear on the register of shareholders of the Company at 4:30 p.m., the close of business on Tuesday, 7 May 2013 are entitled to attend and vote at the 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 (“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 from Saturday, 1 June 2013 to Thursday, 6 June 2013, 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-Shares Registrar and holders of Domestic Shares of the Company whose names appear on the register of shareholders of the Company on Thursday, 6 June 2013 are entitled to the 2012 final dividend (if any). To qualify for entitlement of the 2012 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-Shares Registrar at above address, not later than 4:30 p.m. on Friday, 31 May 2013. 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 2012 Annual General Meeting will be held on Tuesday, 28 May 2013. The Notice of the 2012 Annual General Meeting, which constitutes part of the circular to Shareholders, will be sent together with the 2012 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 2012 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 2012 Annual Report will be available on the website of HKExnews and the Company, and despatched to Shareholders on or about Friday, 12 April 2013.

By Order of the Board
Beijing Jingkelong Company Limited
Wei Tingzhan
Chairman

Beijing, the PRC
25 March 2013

As at the date of this announcement, the executive directors of the Company are Mr. Wei Tingzhan, Mr. Li Jianwen, Ms. Li Chunyan and Mr. Liu Yuejin; the non-executive directors are Mr. Gu Hanlin and Mr. Li Shunxiang; and the independent non-executive directors are Mr. Wang Liping, Mr. Chen Liping and Mr. Choi Onward.