# 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 2017

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 2017 (the "**Reporting Period**").

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

* *For identification purpose only*

## FINANCIAL INFORMATION

## CONSOLIDATED BALANCE SHEETS

| | Note | **2017.12.31**<br>***RMB*** | 2016.12.31<br>*RMB* |
|---|---|---|---|
| **Current Assets:** | | | |
| Cash and bank balances | | **1,068,203,328** | 844,840,438 |
| Notes receivable | | **1,550,000** | – |
| Accounts receivable | *3* | **1,359,421,297** | 1,692,790,112 |
| Prepayments | | **662,157,731** | 1,198,834,416 |
| Other receivables | | **169,933,613** | 257,294,217 |
| Inventories | | **1,789,719,995** | 1,724,194,672 |
| Other current assets | | **215,668,600** | 293,270,673 |
| **Total Current Assets** | | **5,266,654,564** | 6,011,224,528 |
| **Non-current Assets:** | | | |
| Available-for-sale financial assets | | **11,398,000** | 29,753,200 |
| Investment properties | | **196,314,596** | 134,563,814 |
| Fixed assets | | **1,043,875,757** | 1,076,062,296 |
| Construction in progress | | **108,751,566** | 108,915,935 |
| Intangible assets | | **318,169,810** | 196,656,797 |
| Goodwill | | **86,673,788** | 86,673,788 |
| Long-term prepaid expenses | | **465,880,487** | 531,022,968 |
| Deferred tax assets | | **22,813,175** | 22,812,594 |
| Other non-current assets | | **179,720,029** | 184,762,165 |
| **Total Non-current Assets** | | **2,433,597,208** | 2,371,223,557 |
| **TOTAL ASSETS** | | **7,700,251,772** | 8,382,448,085 |

| | Notes | **2017.12.31** | 2016.12.31 |
|---|---|---|---|
| | | ***RMB*** | *RMB* |
| **Current Liabilities:** | | | |
| Short-term borrowings | | **2,716,210,442** | 2,006,169,441 |
| Notes payable | *4* | **264,839,684** | 598,656,860 |
| Accounts payable | *4* | **1,070,616,083** | 1,224,230,304 |
| Advance from customers | | **379,071,193** | 465,966,914 |
| Payroll payable | | **1,649,123** | 2,111,358 |
| Taxes payable | | **65,970,300** | 94,974,541 |
| Dividends payable | | **4,380,377** | 3,796,189 |
| Other payables | | **171,713,583** | 202,354,948 |
| Non-current liabilities due within one year | | **749,068,225** | – |
| Other current liabilities | | **62,901,543** | 865,282,645 |
| **Total Current Liabilities** | | **5,486,420,553** | 5,463,543,200 |
| **Non-current Liabilities:** | | | |
| Long-term borrowings | | **–** | – |
| Bonds payable | | **–** | 747,573,030 |
| Provision | | **–** | – |
| Deferred income | | **33,351,013** | 30,426,639 |
| Deferred tax liabilities | | **3,612,252** | 2,071,925 |
| Other non-current liabilities | | **25,241,705** | 20,555,175 |
| **Total Non-current Liabilities** | | **62,204,970** | 800,626,769 |
| **TOTAL LIABILITIES** | | **5,548,625,523** | 6,264,169,969 |
| **SHAREHOLDERS' EQUITY:** | | | |
| Share capital | | **412,220,000** | 412,220,000 |
| Capital reserves | | **605,008,846** | 609,501,004 |
| Other comprehensive income | | **6,625,801** | 2,672,758 |
| Surplus reserves | | **147,748,597** | 142,729,211 |
| Undistributed profits | *5* | **498,085,598** | 476,230,980 |
| **Total Equity Attributable to Shareholders of the Parent Company** | | **1,669,688,842** | 1,643,353,953 |
| **Minority interests** | | **481,937,407** | 474,924,163 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **2,151,626,249** | 2,118,278,116 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **7,700,251,772** | 8,382,448,085 |

## CONSOLIDATED INCOME STATEMENT

| | Notes | 2017 RMB | 2016 RMB |
|---|---|---|---|
| **I. Total operating income** | 6 | **11,955,737,287** | 11,881,573,977 |
| Including: Operating income | | **11,955,737,287** | 11,881,573,977 |
| **II. Total operating costs** | 6 | **11,823,502,835** | 11,780,020,654 |
| Including: Operating costs | | **9,259,177,609** | 9,502,184,820 |
| Tax and surcharges | | **50,981,899** | 52,261,797 |
| Selling expenses | | **2,049,163,192** | 1,791,313,559 |
| Administrative expenses | | **298,938,999** | 282,603,851 |
| Financial expenses | | **163,457,153** | 146,270,584 |
| Impairment losses on assets | | **1,783,983** | 5,386,043 |
| Add: Investment income | | **2,525,469** | 1,061,767 |
| Gain on disposal of assets | | **161,944** | 133,548 |
| Other income | | **25,806,245** | – |
| **III. Operating profit** | | **160,728,110** | 102,748,638 |
| Add: Non-operating income | | **7,813,863** | 36,787,397 |
| Including: Gains from spoilage and obsolescence of non-current assets | | **12,006** | 52,622 |
| Less: Non-operating expenses | | **20,352,843** | 5,085,998 |
| Including: Losses from spoilage and obsolescence of non-current assets | | **5,147,245** | 3,788,604 |
| **IV. Total profit** | | **148,189,130** | 134,450,037 |
| Less: Income tax expense | 7 | **53,346,663** | 59,129,332 |
| **V. Net profit** | | **94,842,467** | 75,320,705 |
| (I) Classified by business continuity | | | |
| 1. Net profit from continuing operations | | **94,842,467** | 75,320,705 |
| 2. Net profit from discontinued operations | | **–** | – |
| (II) Classified by ownership | | | |
| 1. Profit or loss attributable to minority interests | | **47,357,463** | 48,634,899 |
| 2. Net profit attributable to shareholders of the parent company | | **47,485,004** | 26,685,806 |
| **VI. Net value of other comprehensive income after tax** | | **4,958,979** | 717,190 |
| Net value of other comprehensive income attributable to shareholders of the parent company after tax | | **3,953,043** | 574,300 |
| Other comprehensive income which can be reclassified into profit or loss subsequently | | **3,953,043** | 574,300 |
| 1. Gains or losses from changes in fair value of available-for-sale financial assets | | **3,940,597** | 577,316 |
| 2. Translation differences of financial statements denominated in foreign currencies | | **12,446** | (3,016) |
| Net value of other comprehensive income attributable to minority interests after tax | | **1,005,936** | 142,890 |
| **VII. Total comprehensive income** | | **99,801,446** | 76,037,895 |
| Total comprehensive income attributable to shareholders of the parent company | | **51,438,047** | 27,260,106 |
| Total comprehensive income attributable to minority interests | | **48,363,399** | 48,777,789 |
| **VIII. Earnings per share:** | | | |
| (I) Basic earnings per share | 8 | **0.12** | 0.06 |
| (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 ("Beijing Jingkelong Supermarket Chain Company Limited" before renamed) and the registered capital of the Company was RMB412,220,000. The company's unified social credit code is 91110000101782670P. The registered office and the principal place of business of the Company is located at Block No. 45, Xinyuan Street, Chaoyang District, Beijing. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the retail and wholesale distribution of daily consumer products.

On 25 September 2006, the Company was listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**SEHK**") 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 2017.

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

## 2. BASIS OF PREPARATION

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

## 3. ACCOUNTS RECEIVABLE

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

| | 2017.12.31 | | | |
|---|---|---|---|---|
| **Aging** | **Carrying amount** | **Proportion %** | **Bad debt provision** | **Net book value** |
| Within 1 year | 1,289,547,706 | 94 | – | 1,289,547,706 |
| 1-2 years | 42,964,556 | 3 | 1,288,937 | 41,675,619 |
| 2-3 years | 21,772,826 | 2 | 2,177,282 | 19,595,544 |
| 3-4 years | 11,469,904 | 1 | 2,867,476 | 8,602,428 |
| 4-5 years | – | – | – | – |
| Over 5 years | – | – | – | – |
| Total | 1,365,754,992 | 100 | 6,333,695 | 1,359,421,297 |

A credit period of no more than 90 days is normally allowed with a longer credit period of 180 days granted to its major customers.

On 31 December 2017, the total accounts receivable due from Beijing Wu-mart Store Co., Ltd., Beijing Carrefour Commercial Co. Ltd., Beijing Lotus Supermarket Chain Co., Ltd., Beijing Yonghui Superstores Co. Ltd., Beijing Jingdong Century Trade Co., Ltd., Jumei International Holdings Limited, Vipshop (China) Holdings Limited and Lefeng (Shanghai) Information Technology Company Limited amounted to RMB428,485,860 (31 December 2016: RMB374,369,708) 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 recourses 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 2017 and 31 December 2016, 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** | **2017.12.31** | 2016.12.31 |
|---|---|---|
| Within 1 year | **1,051,560,123** | 1,203,278,502 |
| 1-2 years | **9,033,806** | 10,459,241 |
| 2-3 years | **2,809,359** | 6,307,175 |
| Over 3 years | **7,212,795** | 4,185,386 |
| Total | **1,070,616,083** | 1,224,230,304 |

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** | **Proportion of appropriation** |
|---|---|---|
| **For the year ended at 31 December 2017** | | |
| Undistributed profits at the beginning of year | **476,230,980** | |
| Add: Net profit attributable to the shareholders of the parent company for the year | **47,485,004** | |
| Less: Appropriation to statutory surplus reserve | **5,019,386** | **10%** |
| Ordinary shares' dividends payable | **20,611,000** | |
| Undistributed profits at the end of the year | **498,085,598** | |
| For the year ended at 31 December 2016 | | |
| Undistributed profits at the beginning of year | **473,625,451** | |
| Add: Net profit attributable to the shareholders of the parent company for the year | **26,685,806** | |
| Less: Appropriation to statutory surplus reserve | **3,469,277** | 10% |
| Ordinary shares' dividends payable | **20,611,000** | |
| Undistributed profits at the end of the year | **476,230,980** | |

### (1) Appropriation to statutory surplus reserve

On 31 December 2017, the undistributed profits of the Group included surplus reserves of subsidiaries totaling in the period RMB18,941,023 (31 December 2016: RMB17,280,421).

### (2) Cash dividend approved and subject to be approved of in the annual general meeting

According to the notice of the annual general meeting on 26 May 2017, a final dividend of RMB0.05 per share in respect of year ended 31 December 2016 was declared and paid to the shareholders of the Company. The aggregated amount of the final dividend declared and paid was RMB20,611,000.

According to the notice of the annual general meeting on 27 May 2016, a final dividend of RMB0.05 per share in respect of year ended 31 December 2015 was declared and paid to the shareholders of the Company. The aggregated amount of the final dividend declared and paid was RMB20,611,000.

On 21 March 2018, the directors of the Company proposed the payment of a dividend of RMB0.06 per share to shareholders in respect of year ended 31 December 2017. The proposal of dividend distribution mentioned above is subject to be approved by the shareholders at Annual General Meeting of the Company. This recommendation has not been incorporated in the consolidated financial statements as a liability. The estimated amount of dividends in aggregate is RMB24,733,200.

## 6. OPERATING INCOME AND OPERATING COSTS

### (1) Operating income and operating costs

| | 2017 | | 2016 | |
|---|---|---|---|---|
| **Item** | **Income** | **Cost** | Income | Cost |
| Principal operating | **10,786,227,182** | **9,251,355,087** | 10,847,004,705 | 9,493,825,874 |
| Other operating | **1,169,510,105** | **7,822,522** | 1,034,569,272 | 8,358,946 |
| Total | **11,955,737,287** | **9,259,177,609** | 11,881,573,977 | 9,502,184,820 |

### (2) Principal operating income and principal operating costs (classified by industry segments)

| | 2017 | | 2016 | |
|---|---|---|---|---|
| **Item** | **Principal operating income** | **Principal operating costs** | Principal operating income | Principal operating costs |
| Retail | **4,513,255,270** | **3,748,109,906** | 4,470,274,950 | 3,725,014,979 |
| Wholesale | **6,227,140,323** | **5,466,211,783** | 6,330,672,053 | 5,727,568,739 |
| Others | **45,831,589** | **37,033,398** | 46,057,702 | 41,242,156 |
| Total | **10,786,227,182** | **9,251,355,087** | 10,847,004,705 | 9,493,825,874 |

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

## 7. INCOME TAX EXPENSE

### (1) Details of income tax expense

| Item | 2017 | 2016 |
|---|---|---|
| Current income tax expense calculated in accordance with tax laws and relevant requirements | **53,288,085** | 50,581,544 |
| Deferred income tax expense | **58,578** | 8,547,788 |
| Total | **53,346,663** | 59,129,332 |

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

| Item | 2017 | 2016 |
|---|---|---|
| Accounting profit | **148,189,130** | 134,450,037 |
| Income tax expense calculated at tax rate of 25% | **37,047,283** | 33,612,509 |
| Effect of subsidiary companies to adapt different tax rates | **180,543** | (102,603) |
| Effect of non-deductible expenses | **3,011,983** | 2,396,148 |
| Effect of non-taxable income | **(876,625)** | (756,195) |
| Effect of using deductible losses of previously unrecognized deferred tax assets | **(436,259)** | (4,577) |
| Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets | **15,016,348** | 17,681,083 |
| Effect of deductible losses recover of previously recognized deferred tax assets | **–** | 6,799,186 |
| Effect of adjusting the previous years' income tax | **(596,610)** | (496,219) |
| Total | **53,346,663** | 59,129,332 |

## 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 | 2017 | 2016 |
|---|---|---|
| Net profit attributable to ordinary shareholders for the current year | **47,485,004** | 26,685,806 |
| Including: Net profit from continuing operations | **47,485,004** | 26,685,806 |

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 | 2017 | 2016 |
|---|---|---|
| Number of ordinary shares outstanding | **412,220,000** | 412,220,000 |

**Earnings per share**

| Item | 2017 | 2016 |
|---|---|---|
| Calculated based on net profit and net profit from continuing operations attributable to shareholders of the parent company: | | |
| Basic earnings per share | **0.12** | 0.06 |
| Diluted earnings per share | **N/A** | N/A |

At date of report, the Company had no dilutive potential ordinary shares.

## 9. NET CURRENT ASSETS

| Item | 2017.12.31 | 2016.12.31 |
|---|---|---|
| Current assets | **5,266,654,564** | 6,011,224,528 |
| Less: Current liabilities | **5,486,420,553** | 5,463,543,200 |
| Net current assets | **(219,765,989)** | 547,681,328 |

## 10. TOTAL ASSETS LESS CURRENT LIABILITIES

| Item | 2017.12.31 | 2016.12.31 |
|---|---|---|
| Total assets | **7,700,251,772** | 8,382,448,085 |
| Less: Current liabilities | **5,486,420,553** | 5,463,543,200 |
| Total assets less current liabilities | **2,213,831,219** | 2,918,904,885 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the Reporting Period, with the rising momentum at a stable pace in the domestic macro economy, the Group geared up to monitor the changes in consumption structure resulting from the changes in consumer's age and family lifestyle, as well as the accompanying changes relating to consumption such as habits, patterns and demand. The consumption mode of domestic consumers has shifted from the consumption with impulsion, random selection and inducement into the rational and constructive personalized consumption, which presented the Group with opportunities and challenges. Insisting on transformation upgrading, the Group was dedicated to studying and assessing the changes in consumer expectation for products including quality, price, deliver and related services, while closely focusing on the "product+service" policy to optimize the standardization system of business operations management. By leveraging on various information analysis in customer flow, category, connective sales, update rate, price zone and pin rate, the Group continued to make adjustments of commodity mix, and enlarge the products range for the needs of consumption upgrading, accelerate the pace of the business mode innovation of live and fresh produce stores in the communities, and promote the integration of online and offline development, with an aim to enhance the competitiveness for the Group.

### RETAIL BUSINESS

#### Adjustment of store developing strategy and expansion of Live and Fresh Produce Convenience Stores

During the Reporting Period, the Group took the opportunity of relieving Beijing of functions non-essential to its role as the capital, and the coordinated development of Beijing, Tianjin and Hebei, and sped up expanding its own brand "Jingjie" Live and Fresh Produce Convenience Store and "Love Home" Convenience Store, to give full play to its supplementary function to the market. In particular, the Group focused on satisfying the daily necessities of community residents such as meat, eggs, fruits, vegetables and milk, etc. During the Reporting Period, 13 traditional convenience stores mature communities were transformed into "Jingjie" Live and Fresh Produce Convenience Stores or "Love Home" Convenience Stores. By the end of 2017, 27 "Jingjie" Live and Fresh Produce Convenience Stores and "Love Home" Convenience Stores had been established, and a more mature operation model had been formed.

During the Reporting Period, the Group renovated and upgraded 10 convenience stores. Throughout the year, the Group opened 13 convenience stores (including 5 directly-operated convenienced stores and 8 franchised convenience stores). Due to reasons such as the expiration of the terms of leasing, the closure of loss-making outlets and government demolition, during the Reporting Period, the Group closed down 1 hypermarket, 5 supermarkets, 11 directly-operated convenience stores, and 24 franchised convenience stores.

The total number of the Group's retail outlets was 220 as at 31 December 2017. The following table sets out the number and net operating area of the Group's retail outlets as at 31 December 2017:

| | **Department Stores** | **Hypermarkets** | **Supermarkets** | **Convenience stores** | **Total** |
|---|---|---|---|---|---|
| Number of retail outlets: | | | | | |
| Directly-operated | 2 | 11 | 61 | 98 | 172 |
| Franchise-operated | – | – | 1 | 47 | 48 |
| Total | **2** | **11** | **62** | **145** | **220** |
| Net operating area (square metres): | | | | | |
| Directly-operated | 39,742 | 78,817 | 137,687 | 19,257 | 275,503 |
| Franchise-operated | – | – | 880 | 10,834 | 11,714 |
| Total | **39,742** | **78,817** | **138,567** | **30,091** | **287,217** |

**Improvement of product profitability**

During the Reporting Period, the Group continued to strengthen product contribution analysis and create different standards and catalogues according to different grades and types of stores; accelerate introduction and renewed of products, with a focus of introducing healthy, green and distinctive products with geographical features to adapt to consumption upgrade; pay attention to consumption demands of young customers, and introduce innovative, trendy and imported products to increase the stores' attractiveness to young customers; reduce cost and improve profitability of key products through bulk buyout or customization.

**Continuous improvement of operation of live and fresh produce operation**

Based on version 2.0 of live and fresh produce operation, the Group improved standard of live and fresh food operation and upgraded into version 3.0 of Jingkelong live and fresh produce operation: put forward processing of fruit and vegetables into planting bases from the stores, cooperate with suppliers to determine style, specification and cost of packaging, make operation instructions of all processing links, integrate packaging and labeling, resulting the resolving different problems such as high labor cost, high consumption, lack of unified processing standards and pricing policy for store individual; make *Jingkelong Store Fruit and Vegetable Operation Instruction*, to control the standard procedure relating to the operation of fruits and vegetables in eight aspects such as order management, acceptance management, storage management, stock launching, display of goods, tallying and replenishing of goods, processing and clearance, and convert from a result management approach to a process management approach so as to improve standards; adjust the structure of live and fresh produce by way of introducing high-end beef and mutton such as Angus beef sirloins, high-end rib-eye steaks, New Zealand mutton product series into large-scale or mid-scale stores; and sales experts were invited to participate in designing operation zones of beef and mutton, making processing standards, environmental and high hygiene control, marketing plans, diversify beef and mutton product grades through transforming the original single variety to diversity with medium to high-end and popular products.

**Continuous promotion of online business development**

The Group improved the functions of the self-owned online shopping platform, Jingkelong APP, and updated eight versions within the year, introduced new functions such as recommendation gift, value-added redemption, voucher gift and electronic invoice and others, and optimised the visual effects and user-friendliness. During the Reporting Period, 20,600 items of products were listed in the Jingkelong APP. In addition, the quantitative packaging jointly developed with base suppliers enriched online fruit and vegetable products with a variety of more than 400 and increased the product selection efficiency of stores. During the Reporting Period, the Group cooperated with four third-party platforms such as Jingdong Daojia, Meituan Waimai, Eleme and Baidu Waimai to provide customers with more convenient 1-hour-delivery shopping experience, which expanded new sales channels, increased sales of stores and attracted customers. Through using new media platforms such as WeChat, Alipay, websites and Microblog, the Group continuously publicized the brands, and significantly increased online orders and sales, which consolidated the goal of online and off-line integrated development.

**Exploration of innovative marketing mode**

The Group made use of a mechanism that evaluates the mode of marketing, so as to conduct a comparative data analysis on the status, promotion effects, product selection and promotional efforts of various aspects of marketing plans such as promotion periods, sales promotion areas and promotional items, and provided a timely and accurate reflection of marketing results, promoting a shift from a broad-brushed approach to a more delicate approach in respect of marketing mode; conducted questionnaire surveys on shopping habits, poster contents, promotion modes, product demand and online shopping methods, identifying the focus of promotional activities; adopted a new series of marketing mode towards members through increasing member promotions, increasing members' privileges, enriching members' experience, unifying online and off-line methods, securing member customers; conducted unified online and offline marketing activities through allowing the use of APP gift vouchers obtained from offline shopping in online shopping and the use of gift vouchers from online shopping in offline shopping, allowing the interaction between and integrating the development of online and offline shopping. Besides traditional festivals and international days, a number of festivals were held, including the Jingkelong Spring Festival Gift Day, Spring Outing Travel Festival, Summer Cold Drink Festival, Beer Festival, Cold Vegetable Dish Festival, Fruit and Vegetable Festival, Winter Hot Pot Festival and Imported Food Festival. In addition, based on the 24 solar terms, the Group launched different forms of promotions, which stimulated on-site sales atmosphere and increased sales.

**Strengthening of logistics network**

The normal-temperature distribution center reorganised the positioning and batches of store deliveries and adjusted the positioning of the points according to different operation segments of hypermarkets, supermarkets and convenience stores and the time points of all operation links in the distribution center were accordingly adjusted, which avoided the overlapping time between order picking and acceptance. After the adjustment and planning of operation procedure, the products ordered by the stores could be delivered the next day, which reducing the time of delivery, solved the problem of inventory difference of goods in transit, and alleviates out-of-stock situations on APP and third party e-commerce platforms due to goods being in transit. The Group made best use of efficient automatic picking equipments, strengthened management of replenishment, storage and allocation of goods, and improved logistics quality and efficiency. The Group have set up a unified goods replenishment team, increased turnover rate and sales rate of goods raised the accuracy rate and delivery rate of goods replenishment in stores. Live and fresh produce logistics center has strength product quality acceptance and detection, improved operation of all links such as quality control, workshop and transportation to ensure quality of distributed goods; provided convenience stores with processing and delivery service of fruit and vegetables, helping the convenience stores could sell packaged live-fresh produce instead of in bulk; implemented the combined delivery of poultry, eggs, frozen products, fruit and vegetables, and daily distributed goods to reduced the number of times of delivery to stores, and increase operation efficiency of stores.

**Attention to food safety management**

During the Reporting Period, the Group perfected food safety management system, made timely updates to documents relating to suppliers' licenses and qualifications and related inspections, imposed restrictions over product management, strictly controlled product access, strengthened self-inspection and submission for inspection of goods, and conducted on-site inspections against high-risk factories to ensure all products satisfy relevant quality and safety requirements, monitored the quality of products; in particular, strengthened the daily management of live and fresh produce, created processing standards and established multi-point quality sampling inspection systems of bases, workshops and stores during the development of version 3.0 of live and fresh produce, strengthened inventory monitoring of stores, and conducted timely rectification once a problem is identified, providing a systemic guarantee in respect of live and fresh produce quality; enhanced employees' awareness towards food safety, compiled and created a set of training materials on food safety according to the Operation Standardization of Food Sellers and the Third-party Check and Inspection Guide for Large-scale Food Sale and Operation Enterprise published by the State Food and Drug Administration, conducted self-inspection on food safety and made timely rectification to problems identified; strictly enforced the Group's responsibility regarding food safety by way of strengthening the quality and safety management of agriculture products such as meat and vegetables, and has actively participated in the "Quality-assured Meat and Vegetable Demonstration Supermarket" activity in accordance with the relevant requirements of the Beijing Food and Drug Safety Committee, so as to provide consumers with quality and safe meat and vegetables, creating a safe shopping environment.

**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:

| | **2017** | 2016 | Increase/ (Decrease) |
|---|---|---|---|
| | ***RMB'000*** | *RMB'000* | |
| **Retail business** | | | |
| Hypermarkets | **1,251,443** | 1,231,707 | 1.6% |
| Supermarkets | **2,826,421** | 2,819,204 | 0.3% |
| Convenience stores | **349,287** | 321,456 | 8.7% |
| Department stores | **41,469** | 41,531 | (0.1%) |
| (including commissions) | **35,063** | 35,381 | (0.9%) |
| Online retail business | **44,635** | 56,377 | (20.8%) |
| **Total retail principal operating income** | **4,513,255** | 4,470,275 | 1.0% |
| Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%) | **16.3%** | 16.1% | 0.2p.p |

During the Reporting Period, the retail principal operating income of the Group increased by approximately 1.0%. This was mainly attributable to (i) the pickup of consumer traffic through sustainable improvement of live and fresh produce operation; and (ii) the increased sales in online APP sales and the introduction of third party e-commerce platforms during the Reporting Period.

During the Reporting Period, the sales growth in the same store was 2.98%, as compared to a decrease in 3.38% the year of 2016.

The gross profit margin generated from the directly-operated retail business (excluding department stores) increased slightly from approximately 16.1% in 2016 to approximately 16.3% in the Reporting Period, this was mainly due to (i) reducing the purchasing cost constantly by the means of buy-out and custom-made; (ii) adjusting commodity mix according to the change of the consumption; and (iii) the loss and wastage reduction as a result of improvement of live and fresh produce operation.

## WHOLESALE BUSINESS

### Continuing promotion of in-depth cooperation with upstream and downstream firms and expanding channel resources

Besides maintaining connection and cooperation with traditional channels such as major supermarkets and hypermarkets during the Reporting Period, the Group also expanded new e-commerce channels and new retail business models as well as small channels such as convenience stores, suburbs and catering under the influence of the new retail market trend; continued to promote in-depth cooperation with major e-commerce platforms, and established separate warehouses in Guangzhou, Shanghai and Chengdu during the Reporting Period to satisfy logistics needs of nationwide e-commerce platforms, and expanded its logistics business to other regions outside Beijing such as Shanghai, Wuhan, Guangzhou and Chengdu, and promoted online and off-line integrated development; accelerated nationwide brand operation, especially the imported goods and self-owned brands, by expanding marketing scale on nationwide e-commerce platforms while establishing outline sales network channels in other regions outside Beijing; expending the scale of marketing sales.

### Further strengthening brand development strategy

During the Reporting Period, the Group continuously enriched brand resources, introduced traditional famous brands, developed self-owned brands and expanded overseas directly-sourced international brands. The Group kept enriching the commodity varieties such as nut series, imported pre-packaged food series, alcohol products and live and fresh produce series, and improving sales network of self-owned brands which have covered 12 provinces municipalities and regions such as North China, Central China, South China and Northwest China; The Group paid more attention on importing and introducing more international brands in wine and alcohol, drinks, healthcare products, daily products cosmetics, pet food, condiments, pre-packaged food, live and fresh produce and other internationally renowned brands, and expanded the domestic market through using both online and off-line channel resources.

**Scoring new development in logistics business**

During the Reporting Period, the Group provided new-style chain convenience stores, on the base of third-party distribution experience, the logistics services for normal temperature, cold storage and refrigeration services to mode in chain convenience stores, and low-temperature logistics operation effectively satisfying the market demand for cold chain services; expanded new third-party logistics service customers base by relying on current advantage, which significantly increased revenue from third-party logistics. The Group continued to upgrade logistics system, completing multi- and single-warehouse docking, optimizing supply and distribution systems, adding new functions such as multi-warehouse management, transferring order processing flow, and QR code printing, simplified the logistics, towered manual intervention and improved accuracy of logistics operation.

**Operation results of wholesale business**

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

| | **2017** | 2016 | Increase/ (Decrease) |
|---|---|---|---|
| | ***RMB'000*** | *RMB'000* | |
| Wholesale principal operating income recognized by Chaopi Group* | **6,691,314** | 6,822,481 | (1.9%) |
| Less: Intersegment Sales | **(467,011)** | (495,624) | (5.8%) |
| Sales to franchises | **2,837** | 3,815 | (25.6%) |
| Total wholesale principal operating income | **6,227,140** | 6,330,672 | (1.6%) |
| Gross profit margin **(%) | **11.4%** | 8.8% | 2.6p.p |

* *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 decreased by approximately 1.6% and was mainly due to (i) adjusting the sales structure; and (ii) the sales from new E-commerce suppliers tend to be stable.

During the Reporting Period, gross profit margin of wholesale business recognized by Chaopi Group increased by approximately 2.6 percent mainly due to (i) continuing optimization of the commodity mix; (ii) adjusting the marketing strategies, and paid more attention on the profitability of marketing campaigns.

## FINANCIAL RESULTS

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* | Increase/<br>(Decrease) |
|---|---|---|---|
| Principal operating income | **10,786,227** | 10,847,005 | (0.6%) |
| Gross profit | **1,534,872** | 1,353,179 | 13.4% |
| Gross profit margin (%) | **14.2** | 12.5 | 1.7p.p |
| Earnings before interest and tax | **311,341** | 283,504 | 9.8% |
| Net profit | **94,842** | 75,321 | 25.9% |
| Net profit margin (%) | **0.9** | 0.7 | 0.2p.p |
| Net profit attributable to shareholders of the parent company | **47,485** | 26,686 | 77.9% |
| Net profit margin attributable to shareholders of the parent company (%) | **0.4** | 0.2 | 0.2p.p |

## PRINCIPAL OPERATING INCOME

During the Reporting Period, the Group's principal operating income decreased by approximately 0.6%, of which retail principal operating income increased by approximately 1.0%, and wholesale principal operating income decreased by approximately 1.6%.

## GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group increased by approximately 13.4% compared with the last corresponding period. During the Reporting Period, the gross profit margin was 14.2% (2016: 12.5%).

## OTHER OPERATING INCOME

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

The Group's other operating income increased from RMB1,034,569,272 in 2016 to RMB1,169,510,105 by approximately 13.0% during the Reporting Period, mainly due to the increase of income from promotional activities, which were in line with the increase in revenue, and the increase of rental income and the third-party logistics revenue from stores.

## SELLING EXPENSES

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

The Group's selling expenses were RMB2,049,163,192 during the Reporting Period, representing an increase of approximately 14.4% compared to the corresponding period in 2016. The increase was primarily due to (i) the increased in advertisement fees and promotional fees targeted at the customers of the wholesale business in 2017; (ii) the increase in transportation expenses, especially the cost on the logistics of distribution in the wholesale business; and (iii) an increase in the spending on leased assets soared accordingly during the Reporting Period.

## ADMINISTRATIVE EXPENSES

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

The Group's administrative expenses were RMB298,938,999 during the Reporting Period, representing an increase of approximately 5.8% compared to the corresponding period in 2016. The increase was mainly because of the increased costs involving retirement benefit contribution, housing reserves and other social insurance relating to the wages.

## FINANCIAL EXPENSES

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

The Group's financial expenses increased from RMB146,270,584 in 2016 to RMB163,457,153 during the Reporting Period. The main reason for the increasement is due to: (i) the storage of capital in domestic financial market which caused the market interest rate increased during the reporting period, so the financing cost of the Group increased accordingly; (ii) the increased of fees charged by bank, Wechat and Alipay according to popularized use of bank cards, Wechat payment and Alipay.

## INCOME TAX EXPENSE

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

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

Income tax expense decreased from RMB59,129,332 in 2016 to RMB53,346,663 in 2017, primarily due to the decrease in 2017 taxable profits.

## NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

The net profit attributable to shareholders of the parent company increased by approximately 77.9% from RMB26,685,806 in 2016 to RMB47,485,004 in 2017. This was mainly attributable to the increase of gross profit and other income, which lead to higher operating profit.

## BASIC EARNINGS PER SHARE

The Group recorded basic earnings per share of approximately RMB0.12 in 2017, which was calculated on the basis of the number of 412,220,000 shares. The basic earnings per share in 2016 was RMB0.06. The increase in earning per share was main 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.

On 31 December 2017, the Group had non-current assets of RMB2,433,597,208 (comprising of fixed assets, investment properties and land use rights of RMB1,513,330,633), and non-current liabilities of RMB62,204,970.

On 31 December 2017, the Group had current assets of RMB5,266,654,564. Current assets mainly comprised of cash and cash equivalents of RMB929,508,884, inventories of RMB1,789,719,995, Accounts receivable of RMB1,359,421,297 and prepayments and other receivables of RMB832,091,344. The Group had current liabilities of RMB5,486,420,553. Current liabilities mainly comprised of accounts payable and notes payables of RMB1,335,455,767, short-term borrowings of RMB2,716,210,442 and advance from customers and other payables of RMB550,784,776.

## INDEBTEDNESS AND PLEDGE OF ASSETS

On 31 December 2017, the Group had bank loans of RMB2,716,210,442, which consisted of accounts receivable factored bank loans of RMB117,179,353, unsecured bank loans of RMB2,599,031,089. All the Group's bank loans bear interest rates ranging from 1.15% to 5.39%.

Certain of the Group's margin deposits of RMB122,714,742 were pledged for notes payable of RMB264,839,684 on 31 December 2017.

On 31 December 2017, the Group's gearing ratio* is approximately 72.1%, which is slightly lower than that of 74.7% on 31 December 2016.

* *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 2017, the Group employed 6,842 employees in the PRC (2016: 7,608). The total staff costs (including directors' and supervisors' remunerations) of the Group for the Reporting Period amounted to approximately RMB730,286,237 (2016: RMB719,809,741). The staff emolument (including directors and supervisors) of the Group are based on position, duty, experience, performance, and market rates, in order to maintain their remunerations at a competitive level.

As required by the PRC laws and regulations, the Group participates in the defined contribution retirement benefits scheme for its employees operated by the relevant local government authorities in the PRC. The Group is required to make contributions for those employees who are registered as permanent residents in the PRC at a rate of 20% (2016: 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 RMB69,056,508 for the Reporting Period (2016: RMB71,109,628).

During the Reporting Period, the Group hosted trainings with various format and topics for its employees to improve their skills and professional knowledge. The Group held 59 seminars during the year, and 6,900 employees have benefited from them.

## CHANGES OF EQUITY INTEREST IN THE ONE SUBSIDIARY

On 16 February 2017, pursuant to three agreements entered into between Chaopi Trading and three independent third parties, the said three independent third parties in aggregate disposed of 22.25% of the equity interest in Beijing Chaopi Huilong Trading Company Limited (the "**Chaopi Huilong**") to Chaopi Trading for a consideration of RMB4,077,636. After the completion of the transfer, the Company held an indirect interest of approximately 79.85% in Chaopi Huilong.

## ESTABLISHMENT OF TWO SUBSIDIARIES

On 14 July 2017, the Group, through its non-wholly owned subsidiary Chaopi Trading established a subsidiary, Beijing Chaopi Huansheng International Trading Company Limited (the "**Chaopi Huansheng**"), to mainly engage in wholesaling and retailing food and health food; import and export of goods; import and export agents. The registered capital of Chaopi Huansheng was RMB15,000,000, which has been fully paid by Chaopi Trading and the existing investors. The Company held an indirect equity interest of approximately 40.72% in Chaopi Huansheng.

On 27 July 2017, the Group established a subsidiary, Beijing Jingkelong Fresh Convenience Store Company Limited (the "**Jingkelong Fresh**"), to engage in selling food. The registered capital of Jingkelong Fresh was RMB10,000,000, which, as at date of this announcement, has not been fully paid by the Company. The Company held an equity interest of 100% in Jingkelong Fresh.

## ACQUISITION OF 85% EQUITY INTEREST IN LIAN CHAO

On 8 August 2017, the Company entered into the equity transfer agreement with the Vendor, Beijing Shoulian Company Limited (the "**Shoulian**") for the acquisition of the 85% interest of Beijing Lianchao Company Limited (the "**Lian Chao**") at a total consideration of RMB244,020,502. Details of this acquisition have been disclosed in the Company's announcements and notices dated 8 August 2017 and the Company's circulars dated 13 September 2017.

## CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no material contingent liabilities.

## EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2017, the Group had the following significant event:

On 27 February 2018, Chaopi Trading contributed an additional capital injection of RMB4,800,000, which has been fully paid up, into a non-wholly-owned subsidiary of the Company, Chaopi International Trading (Shanghai) Company (the "**Chaopi International Trading**"), increading the registered capital of Chaopi International Trading from RMB5,000,000 to RMB9,800,000. After the increase of registered capital, the Company will become a holder of an indirect equity interest of approximately 79.85% in Chaopi International Trading.

## STRATEGIES AND PLANS

In 2018, the Group, in respect of retail and wholesale industry in which it operates, will upgrade the procurement, marketing and logistics of products by taking advanced technologies including big data and artificial intelligence, together with the transformation and upgrading in the integration of online and offline development:

**Speeding up the construction of community live and fresh produce store**

The demand of community residents to purchase fresh, safe and affordable fresh produce nearby is ever-increasing with the relief of Beijing's non-capital functions of Beijing. Firmly upholding this opportunity, the Group will speed up its pace in operation segment upgrading and the transformation of the traditional convenience stores, the proportion of fresh produce will be improved, and the quantitative packaged products will be also constantly increased to meet the needs of consumers' convenience. While strengthening operating capacity of live and fresh produce, the version "3.0" live and fresh produce operation will be promoted steadily with implementation of the version "2.0" to further catering for the consumer demand for home cooking besides the basic demands for purchasing fresh, safe, affordable produce.

**Utilizing mobile internet technologies for the integration of online and offline development**

In terms of online, the Group will transform the current operation mode of "Jingkelong app" by virtue of continuous optimisation and improvement, in management functions, marketing and promotion capabilities and user experience, in order to heighten customer stickiness; constantly provide more social logistics for providing customers with a faster shopping experience of one-hour delivery with the third-party e-commerce platform. With the aid of leveraging the resources in stores, the Group will keep on accelerating the adjustment of the operation segment and commodity mix and develop value-added services for the convenience of the citizens, also will enhance the operations of live and fresh produce to offer various healthy, green and functional products for customers, so as to accomplish the integration of online and offline development through customer flow interaction both online and offline.

**Steadily development the sustainable development of wholesale business**

The Group will further strengthen the strategic cooperation with upstream manufacturers and online & offline distribution channels, expand the in-depth cooperation with international enterprises, consolidate its leading position in wholesale business, and enhance market competitiveness in reliance upon its superior supply chain resources, modernized logistics support, diversified sales channels, comprehensive commodities varieties, and brand service capability.

## OTHER INFORMATION

### Corporate Governance

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

Provision A4.2 of the Corporate Governance Code requires that every director (including those appointed for a specific term) of a listed issuer shall be subject to retirement by rotation at least once every three years. The Articles of Association of the Company stipulates that each director shall be elected by the general meeting of the Company for a term of not more than three years, and be 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 2017 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 Ruihua Certified Public Accountants LLP**

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 2017 as set out in the Annual Results Announcement are consistent with and the same as that set out in the audited consolidated financial statements of the Group, are prepared by the Group's auditor, Ruihua Certified Public Accountants LLP. The work performed by Ruihua Certified Public Accountants LLP 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 Ruihua Certified Public Accountants LLP on the Annual Results 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 RMB0.06 (2016: RMB0.05) per share (tax inclusive) in respect of the Reporting Period to shareholders on the register of members on 7 June 2018. 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 2017 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 2017 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 2017 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 2017 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, 7 June 2018. 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, 7 June 2018 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 2017 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 2017 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 2017 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 "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 residency of the Individual H Shareholders based on the registered addresses as recorded in the register of members of the Company on Thursday, 7 June 2018 (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 ultimately 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 ultimately 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 2018. 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 ultimately 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 ultimately 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 ultimately withheld and paid, the Individual H Shareholder shall notify and provide relevant supporting documents to the Company on or before 31 July 2018. 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, 5 May 2018 to Friday, 25 May 2018, 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, 4 May 2018 are entitled to attend and vote at the 2017 Annual General Meeting following completion of the registration procedures. To qualify for attendance and voting at the 2017 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, 4 May 2018. 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, 4 May 2018 are entitled to attend and vote at the 2017 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 Saturday, 2 June 2018 to Thursday, 7 June 2018, 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, 7 June 2018 are entitled to the 2017 final dividend (if any) to be approved in the 2017 Annual General Meeting. To qualify for entitlement of the 2017 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, 1 June 2018 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 2017 Annual General Meeting will be held on Friday, 25 May 2018. The notice of the 2017 Annual General Meeting will be sent to the shareholders of the Company together with the 2017 Annual Report, and will also be available on the HKExnews (the "**HKExnews**") website of Hong Kong Exchanges and Clearing Limited and the website of the Company.

## PUBLICATION OF 2017 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 2017 Annual Report will be available on the HKExnews and the website of the Company, and despatched to Shareholders on or about Monday, 9 April 2018.

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

Beijing, PRC
21 March 2018

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