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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 2021

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 2021 (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

	<i>Notes</i>	2021.12.31 <i>RMB</i> (Audited)	2020.12.31 <i>RMB</i> (Audited) (Restated)
Current Assets:			
Cash and bank balances		1,125,814,037	1,189,823,325
Notes receivable		1,535,600	6,617,315
Accounts receivable	3	936,229,470	968,168,935
Prepayments		824,722,793	845,291,921
Other receivables		165,898,618	195,341,949
Inventories		1,618,527,017	1,503,337,631
Other current assets		<u>174,255,461</u>	<u>129,197,554</u>
Total current assets		<u>4,846,982,996</u>	<u>4,837,778,630</u>
Non-current assets:			
Other non-current financial assets		104,782,276	131,508,869
Investment properties		161,533,071	170,223,635
Fixed assets		786,288,242	854,530,354
Construction in progress		152,597,710	138,005,745
Right-of-use assets		981,615,797	1,008,151,388
Intangible assets		265,128,095	280,151,222
Goodwill		86,673,788	86,673,788
Long-term prepaid expenses		245,441,646	298,550,451
Deferred tax assets		23,237,989	20,880,124
Other non-current assets		<u>187,810,862</u>	<u>183,997,659</u>
Non-current assets		<u>2,995,109,476</u>	<u>3,172,673,235</u>
TOTAL ASSETS		<u>7,842,092,472</u>	<u>8,010,451,865</u>

CONSOLIDATED BALANCE SHEET

		2021.12.31	2020.12.31
	Notes	RMB	RMB
		(Audited)	(Audited)
			(Restated)
Current Liabilities:			
Short-term borrowings		2,381,030,839	2,334,237,881
Notes payable	4	467,332,344	449,442,574
Accounts payable		740,337,043	720,959,512
Advance payment		9,075,871	7,094,294
Contract liabilities		361,858,117	459,132,615
Payroll payable		1,545,319	1,621,215
Taxes payable		35,920,244	47,897,918
Other payables		198,824,807	237,031,259
Including: Interest payable		—	—
Dividends payable		5,333,891	6,389,222
Non-current liabilities due within one year		167,827,272	158,537,320
Other current liabilities		59,968,477	65,446,387
Total current liabilities		4,423,720,333	4,481,400,975
Non-current liabilities:			
Bonds payable		403,545,776	402,932,044
Lease liabilities		897,255,777	911,131,824
Deferred income		26,720,324	34,039,487
Deferred tax liabilities		24,076,718	30,427,271
Total non-current liabilities		1,351,598,595	1,378,530,626
TOTAL LIABILITIES		5,775,318,928	5,859,931,601
SHAREHOLDERS' EQUITY			
Share capital		412,220,000	412,220,000
Capital reserves		605,177,454	605,043,091
Other comprehensive income		—	309,414
Surplus reserves		169,059,880	169,059,880
Undistributed profits	5	487,060,672	550,756,039
Total equity attributable to shareholders of the parent company		1,673,518,006	1,737,388,424
Minority interests		393,255,538	413,131,840
TOTAL SHAREHOLDERS' EQUITY		2,066,773,544	2,150,520,264
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,842,092,472	8,010,451,865

CONSOLIDATED INCOME STATEMENT

	NOTES	2021 RMB (Audited)	2020 RMB (Audited) (Restated)
I. Total operating income	6	11,056,555,323	11,979,644,554
Including: Operating income		11,056,555,323	11,979,644,554
II. Total operating costs	6	11,013,360,087	11,929,045,279
Including: Operating cost		8,933,390,747	9,718,869,692
Taxes and surcharges		41,011,568	45,097,342
Selling expenses		1,610,843,878	1,745,482,015
Administrative expenses		283,285,515	250,277,786
Financial expenses		144,828,379	169,318,444
Add: Other income		20,268,221	24,506,275
Investment income		14,399,875	1,197,882
Gains or losses on changes in fair value		(25,559,594)	89,236,083
Impairment losses on credits		(11,549,723)	(16,856,248)
Gains on disposal of assets		5,483,155	7,184,727
III. Operating profit		46,237,170	155,867,994
Add: Non-operating income		12,662,382	17,411,628
Less: Non-operating expense		15,560,145	10,397,447
IV. Total profit		43,339,407	162,882,175
Less: Income tax expense	7	32,394,925	80,079,106
V. Net profit		10,944,482	82,803,069
(I) Classified by business continuity			
1. Net profit from continued operations		10,944,482	82,803,069
2. Net profit from discontinued operations		—	—
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company		(22,474,226)	54,660,554
2. Profit or loss attributable to minority interests		33,418,708	28,142,515
VI. Net value of other comprehensive income after tax		—	—
Net value of other comprehensive income attributable to shareholders of the parent company after tax		—	—
Other comprehensive income which can be reclassified into profit or loss subsequently		—	—
Translation differences of financial statements denominated in foreign currencies		—	—
Net value of other comprehensive income attributable to minority of interests after tax		—	—
VII. Total comprehensive income		10,944,482	82,803,069
Total comprehensive income attributable to shareholders of the parent company		(22,474,226)	54,660,554
Total comprehensive income attributable to minority interests		33,418,708	28,142,515
VIII. Earnings per share			
(I) Basic earnings per share	8	(0.05)	0.13
(II) Dilutive earnings per share		N/A	N/A

Notes:

1. GENERAL INFORMATION

Beijing Jingkelong Company Limited (the “**Company**”) is a joint stock limited company incorporated in the People’s Republic of China (the “**PRC**”). On 1 November 2004, upon the approval by Beijing Administration for Industry and Commerce (北京市工商局), the Company was transformed from Beijing Jingkelong Supermarket Chain Group Limited (the “**Beijing Jingkelong Supermarket Chain Company Limited**” before renamed) and the registered capital of the Company was RMB412,220,000. The Company’s unified social code is 91110000101782670P. The registered office and the principal place of business of the Company is located at Block No. 45, Xinyuan Street, Chaoyang District, Beijing. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the retail and wholesale distribution of daily consumer commodities.

On 25 September 2006, the Company was listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“**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 2021.

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

2. BASIS OF PREPARATION

The Group has adopted the Accounting Standards for Business Enterprises and other related provisions issued by the Ministry of Finance of the PRC. In addition, the Group also discloses relevant financial information required by the Companies Ordinance (Cap. 622) of Hong Kong and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

3. ACCOUNTS RECEIVABLE

Aging analysis of the accounts receivable based on the date when revenue is recognized is as follows:

Aging	2021.12.31			
	RMB			
	(Audited)			
	Carrying amount	Proportion %	Impairment losses on credits	Net book value
Within 1 year	893,486,191	92	–	893,486,191
1-2 years	17,114,839	2	831,981	16,282,858
2-3 years	13,959,645	1	1,568,202	12,391,443
3-4 years	13,596,552	1	3,597,002	9,999,550
4-5 years	8,138,856	1	4,069,428	4,069,428
Over 5 years	31,064,973	3	31,064,973	–
Total	<u>977,361,056</u>	<u>100</u>	<u>41,131,586</u>	<u>936,229,470</u>

The Group normally allows a credit period of no more than 90 days to its customers with a longer credit period of 180 days granted to its major customers.

On 31 December 2021, the total accounts receivable due from Wumart South Development Company Limited, Carrefour (家樂福), Beijing Lotus Supermarket Chain Company Limited, Yonghui (永輝), Beijing Jingdong Century Trade Company Limited, Tianjin jumei.com Technology Company Limited, Vipshop (唯品會), BHG (華聯) and Shanxi MeetAll Chain Supermarket Company Limited amounted to RMB219,608,971 (31 December 2020: RMB183,096,337) were limited by being factored to secure certain bank loans of the Group.

Pursuant to the factoring agreement between the Group and HSBC, HSBC provided a bank loan for amount of not exceeding 70% of accounts receivable factoring to the Group. HSBC collected the entire amount of accounts receivable and is only required to pay the Group any amount it collects in excess of the loan amount. As the Group has not transferred specifically identifiable cash flows, fully proportionate share of all or part of the cash flows or part of specifically identifiable cash flows, the Group cannot apply the derecognition model to part of the factored accounts receivable.

Since factored accounts receivable is on full recourse basis, the Group has not transferred the significant risks and rewards relating of these receivables, it continues to recognize the receivables and has recognized the cash received from the bank as accounts receivable secured loan.

On 31 December 2021 and 31 December 2020, there were no accounts receivable due from shareholders holding 5% (inclusive) or more of the Company's shares with voting right.

4. ACCOUNTS PAYABLE

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

Item	2021.12.31	2020.12.31
	<i>RMB</i>	<i>RMB</i>
	(Audited)	(Audited) (Restated)
Within 1 year	713,061,607	682,838,845
1-2 years	10,562,073	23,355,999
2-3 years	8,401,232	6,533,160
Over 3 years	<u>8,312,131</u>	<u>8,231,508</u>
Total	<u>740,337,043</u>	<u>720,959,512</u>

The majority of accounts payable aging over 1 year consist of the final payments for suppliers. There was no accounts payable due to shareholders holding 5% (inclusive) or more of the Company's shares with voting right.

5. UNDISTRIBUTED PROFITS

Item	Amount RMB	Proportion of appropriation
For the year ended 31 December 2021 (Audited)		
Undistributed profits at the beginning of year	550,756,039	
Add: Net profit attributable to the shareholders of the parent company for the year	(22,474,226)	
Less: Appropriation to statutory surplus reserve	–	10%
Ordinary shares' dividends payable	41,222,000	
Other	(859)	
Undistributed profits at the end of the year	487,060,672	
For the year ended 31 December 2020 (Audited) (Restated)		
Undistributed profits at the beginning of year before adjustment	550,263,661	
Adjustment of the total amount of undistributed profits at the beginning of the period	(12,857,911)	
Undistributed profits at the beginning of the year after adjustment	537,405,750	
Add: Net profit attributable to the shareholders of the parent company for the year	54,660,554	
Less: Appropriation to statutory surplus reserve	8,332,665	10%
Ordinary shares' dividends payable	32,977,600	
Other	–	
Undistributed profits at the end of the year	550,756,039	

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

Pursuant to the ordinary resolutions passed at the 2020 annual general meeting held on 21 May 2021, a final dividend of RMB0.10 per share in respect of year ended 31 December 2020 was declared and paid to the shareholders of the Company. The aggregated amount of the final dividend declared and paid was RMB41,222,000.

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

On 30 March 2022, the Board proposed the payment of a dividend of RMB0.05 per share to shareholders of the Company in respect of the year ended 31 December 2021. The proposal for the distribution of the final dividend above is subject to the consideration and approval at the upcoming 2021 annual general meeting of the Company (the “**2021 Annual General Meeting**”) to be held on 13 May 2022. After approval, the final dividend will be paid on or before 30 June 2022. This recommendation has not been incorporated in the consolidated financial statements as a liability. The estimated amount of dividends in aggregate is RMB20,611,000.

(2) Surplus reserves of subsidiaries

On 31 December 2021, the undistributed profits of the Group included surplus reserves of subsidiaries totaling in the period RMB22,036,753 (31 December 2020: RMB23,985,965).

(3) Explanation on adjustment of undistributed profits at the beginning of the period

Due to the correction of major accounting errors, the undistributed profit at the beginning of the period was affected by RMB 12,857,911. Please refer to Note 11 for details.

6. OPERATING INCOME AND OPERATING COST

(1) Operating income and operating cost

Item	2021 RMB (Audited)		2020 RMB (Audited) (Restated)	
	Income	Cost	Income	Cost
Principal operating	10,100,311,991	8,891,142,620	11,000,470,884	9,710,155,779
Other operating	956,243,332	42,248,127	979,173,670	8,713,913
Total	<u>11,056,555,323</u>	<u>8,933,390,747</u>	<u>11,979,644,554</u>	<u>9,718,869,692</u>

(2) Principal operating (classified by industry segments)

Item	2021 RMB (Audited)		2020 RMB (Audited) (Restated)	
	Principal operating income	Principal operating cost	Principal operating income	Principal operating cost
Retail	3,243,962,948	2,671,620,921	4,287,437,692	3,552,264,461
Wholesale	6,843,854,319	6,211,649,311	6,697,784,004	6,143,868,324
Others	12,494,724	7,872,388	15,249,188	14,022,994
Total	<u>10,100,311,991</u>	<u>8,891,142,620</u>	<u>11,000,470,884</u>	<u>9,710,155,779</u>

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

7. INCOME TAX EXPENSE

(1) Details of income tax expense

Item	2021 RMB (Audited)	2020 RMB (Audited) (Restated)
Current income tax expense	41,105,907	68,150,796
Deferred income tax expense	<u>(8,710,982)</u>	<u>11,928,310</u>
Total	<u>32,394,925</u>	<u>80,079,106</u>

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

Item	2021 RMB (Audited)	2020 RMB (Audited) (Restated)
Total profit	43,339,407	162,882,175
Income tax expenses calculated at statutory/applicable tax rate	10,834,852	40,720,544
Effect of subsidiaries adopting different tax rates	(407,862)	657,358
Effect of adjusting the previous years' income tax	241,449	(13,497)
Effect of non-taxable income	–	(945,090)
Effect of non-deductible costs, expenses and losses	1,456,730	3,109,826
Effect of using deductible losses of previously unrecognized deferred tax assets	(26,637,253)	(825,880)
Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets	<u>46,907,009</u>	<u>37,375,845</u>
Total	<u>32,394,925</u>	<u>80,079,106</u>

8. CALCULATION PROCESS OF BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

While calculating basic earnings per share, net profit attributable to ordinary shareholders for the current year is as follows:

Item	2021 RMB (Audited)	2020 RMB (Audited) (Restated)
Net profit attributable to ordinary shareholders for the current year	(22,474,226)	54,660,554
Including: Net profit from continuing operations	<u>(22,474,226)</u>	<u>54,660,554</u>

While calculating basic earnings per share, the denominator is the weighted average number of ordinary shares outstanding and its calculation process is as follows:

Item	2021 RMB (Audited)	2020 RMB (Audited)
Number of ordinary shares outstanding	<u>412,220,000</u>	<u>412,220,000</u>

Earnings per share

Item	2021 RMB (Audited)	2020 RMB (Audited) (Restated)
Calculated based on net profit and net profit from continuing operations attributable to shareholders of the parent company		
Basic earnings per share	(0.05)	0.13
Diluted earnings per share	<u>N/A</u>	<u>N/A</u>

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

9. NET CURRENT ASSETS

Item	2021.12.31 RMB (Audited)	2020.12.31 RMB (Audited) (Restated)
Current assets	4,846,982,996	4,837,778,630
Less: Current liabilities	<u>4,423,720,333</u>	<u>4,481,400,975</u>
Net current assets	<u>423,262,663</u>	<u>356,377,655</u>

10. TOTAL ASSETS LESS CURRENT LIABILITIES

Item	2021.12.31 RMB (Audited)	2020.12.31 RMB (Audited) (Restated)
Total assets	7,842,092,472	8,010,451,865
Less: Current liabilities	<u>4,423,720,333</u>	<u>4,481,400,975</u>
Total assets less current liabilities	<u>3,418,372,139</u>	<u>3,529,050,890</u>

11. CORRECTION OF PRIOR PERIOD ERRORS

Jinan Chaopi Linda Trading Company Limited (“**Jinan Chaopi Company**”) is a secondary-level subsidiary of the Company. Since the establishment of Jinan Chaopi Company, its financial statements have been included in the consolidated scope of the Group. Since November 2015, there was an unresolved dispute between the minority shareholder of Jinan Chaopi Company and the major shareholder, Beijing Chaopi Trading Company Limited (a first-level subsidiary of the Company (“**Chaopi Trading**”). Since November 2019, the minority shareholder of Jinan Chaopi Company had refused to hand over items and materials such as the company’s business license, bank account opening permit, company seal, special financial seal, financial account books and vouchers that it originally controlled, cut off the ERP system, and refused to be audited or to provide materials for auditing. The unaudited financial statements of Jinan Chaopi Company for the period from January to November 2019 and the period from January to November 2020 were included in the Group’s 2019 and 2020 consolidated financial statements, respectively. Therefore, the auditor has issued audited reports with qualified opinion on the Group’s 2019 and 2020 consolidated financial statements on this matter.

In 2021, the minority shareholders of Jinan Chaopi Company transferred their equity interest in Jinan Chaopi Company to other natural persons, and the members of the Board and the supervisors of Jinan Chaopi Company were changed. Chaopi Trading sent financial and internal auditing staff to inspect the financial information of Jinan Chaopi Company, and checked and made adjustments as to the accuracy of each item in its balance sheet as at 31 December 2021.

The correction of the previous errors on the financial statements has been reviewed and approved at the 19th meeting of the Sixth Session of the Board. After the correction of the previous errors, it resulted in a reduction of RMB3,167,356 in the Group's net profit in 2020, a reduction of RMB24,773,202 in the Group's undistributed profits at the beginning of 2020, and a reduction of RMB27,940,558 in the Group's undistributed profits at the beginning of 2021. The amounts subject to correction for each consolidated financial statement items affected are presented below:

(1) Effects on the consolidated balance sheet

Affected items	Amount before the adjustment RMB	2020.12.31 Adjusted amount RMB	Amount after the adjustment RMB
Cash and bank balances	1,190,302,319	(478,994)	1,189,823,325
Accounts receivable	975,479,676	(7,310,741)	968,168,935
Prepayments	890,477,970	(45,186,049)	845,291,921
Other receivables	200,158,379	(4,816,430)	195,341,949
Inventories	1,503,939,573	(601,942)	1,503,337,631
Other current assets	129,005,227	192,327	129,197,554
Total current assets	4,895,980,459	(58,201,829)	4,837,778,630
Fixed assets	854,541,694	(11,340)	854,530,354
Intangible assets	280,216,222	(65,000)	280,151,222
Other non-current assets	183,899,094	98,565	183,997,659
Total non-current assets	3,172,651,010	22,225	3,172,673,235
Total assets	8,068,631,469	(58,179,604)	8,010,451,865
Accounts payable	720,957,209	2,303	720,959,512
Contract liabilities	462,447,201	(3,314,586)	459,132,615
Taxes payable	46,799,947	1,097,971	47,897,918
Other payables	264,625,097	(27,593,838)	237,031,259
Other current liabilities	65,877,283	(430,896)	65,446,387
Total current liabilities	4,511,640,021	(30,239,046)	4,481,400,975
Total liabilities	5,890,170,647	(30,239,046)	5,859,931,601
Undistributed profits	565,257,886	(14,501,847)	550,756,039
Total equity attributable to shareholders of the parent company	1,751,890,271	(14,501,847)	1,737,388,424
Minority interests	426,570,551	(13,438,711)	413,131,840
Total shareholders' equity	2,178,460,822	(27,940,558)	2,150,520,264
Total liabilities and shareholders' equity	8,068,631,469	(58,179,604)	8,010,451,865

(2) Effects on the consolidated income statement

Affected Statement Accounts	Amount before the adjustment RMB	2020 Adjusted amount RMB	Amount after the adjustment RMB
Operating income	11,983,797,935	(4,153,381)	11,979,644,554
Operating cost	9,720,906,586	(2,036,894)	9,718,869,692
Taxes and surcharges	45,117,958	(20,616)	45,097,342
Selling expenses	1,742,320,397	3,161,618	1,745,482,015
Administrative expenses	250,296,132	(18,346)	250,277,786
Financial expenses	171,561,580	(2,243,136)	169,318,444
Operating profit	158,864,001	(2,996,007)	155,867,994
Non-operating income	17,412,428	(800)	17,411,628
Non-operating expenses	10,397,698	(251)	10,397,447
Total profit	165,878,731	(2,996,556)	162,882,175
Income tax expense	79,908,305	170,801	80,079,106
Net profit	85,970,426	(3,167,357)	82,803,069
Net profit attributable to shareholders of the parent company	56,304,490	(1,643,936)	54,660,554
Profit or loss attributable to minority interests	29,665,936	(1,523,421)	28,142,515

The main reasons for the adjustments stated above are as follows:

- Due to the incomplete and unaudited data in 2019 and 2020, the auditors have reconfirmed data for 2019 and 2020, thus, the total assets of the beginning of 2021 was adjusted for a decrease of RMB35,487,990, and the total liabilities of the beginning of 2021 was adjusted for a decrease of RMB36,327,325. The net profit for 2020 was adjusted for a decrease of RMB114,817; the undistributed profit at the beginning of 2020 was adjusted for an increase of RMB954,152, the undistributed profit at the beginning of 2021 was adjusted for an increase of RMB839,335.
 - The total assets at the beginning of 2021 were adjusted for a decrease of RMB35,487,990, of which: cash and bank balances was adjusted for a decrease of RMB478,994, accounts receivable was adjusted for an increase of RMB481,176, prepayments was adjusted for a decrease of RMB31,355,564, other receivables was adjusted for a decrease of RMB3,747,218, inventories was adjusted for a decrease of RMB601,942, other current assets was adjusted for an increase of RMB192,327, fixed assets was adjusted for a decrease of RMB11,340, intangible assets was adjusted for a decrease of RMB65,000, other non-current assets was adjusted for an increase of RMB98,565.
 - The total liabilities at the beginning of 2021 were adjusted for a decrease of RMB36,327,325, of which: accounts payable was adjusted for a decrease of RMB4,972,344, contract liabilities were adjusted for a decrease of RMB3,314,586, taxes payable was adjusted for an increase of RMB508,120, other payables was adjusted for a decrease of RMB28,117,619, other current liabilities was adjusted for a decrease of RMB430,896.
 - The net profit for 2020 was adjusted for a decrease of RMB114,817, of which: operating income was adjusted for a decrease of RMB4,153,381, operating cost was adjusted for a decrease of RMB2,036,894, taxes and surcharges were adjusted for a decrease of RMB20,616, selling expenses was adjusted for an increase of RMB109,078, administrative expenses was adjusted for a decrease of RMB18,346, financial expenses was adjusted for a decrease of RMB2,243,136, the total adjustment of non-operating income and non-operating expenses were RMB -549, income tax expense was adjusted for an increase of RMB170,801.
- Due to the other accounting errors, the total assets at the beginning of 2021 were adjusted for a decrease of RMB22,691,614; the total liabilities at the beginning of 2021 were adjusted for an increase of RMB6,088,276; the net profit for 2020 was adjusted for a decrease of RMB3,052,540; the undistributed profit at the beginning of 2020 was adjusted for a decrease of RMB25,727,353, the undistributed profit at the beginning of 2021 was adjusted for a decrease of RMB28,779,893.

(1) Adjustment of accounts receivable of RMB7,791,917

Through verification of account reconciliation data, interviews with relevant personnel, etc., it was confirmed that the book balance of accounts receivable of RMB10,151,046 could not be recovered, of which: RMB7,196,885 should have included as the promotion service fee but was not included as expenses, and RMB2,954,161 was accounts receivable. Since the accounts receivable of RMB2,954,161 was long-term debt and its age has exceeded five years, so the full amount of bad debt provision must be made. Provision for bad debts for the accounts receivable of RMB2,359,129 was made and the provision for bad debts should be made up of RMB595,032. The above amount affected the profit (or loss) in total of RMB7,791,917. Since the business occurred before 2020, the undistributed profit at the beginning of 2020 was reduced by RMB7,791,917.

(2) Adjustment of other receivables of RMB1,069,212

Through verification of account reconciliation data, interviews with relevant personnel, etc., it was confirmed that the book balance of other receivables of RMB1,235,400 could not be recovered. Among them, RMB305,400 should be recognized as a promotional service fee, the remaining balance of other receivables was RMB930,000, of which RMB166,188 has been accrued for provision for bad debts, and the remain RMB763,812 should be made up for bad debts. The above amount affected the profit (or loss) of RMB1,069,212 in total, and since the business occurred before 2020, the undistributed profit at the beginning of 2020 was reduced by RMB1,069,212.

(3) Adjustment of prepayments of RMB13,830,485

Through the verification of the reconciliation data and interviews with relevant personnel, it was confirmed that the book balance of the prepayments of RMB13,830,485 was the promotion service fee advanced on behalf of the Company, but was not included as expenses. According to the time of business occurrence, the sales expenses in 2020 was increased by RMB3,052,540, and the net profit in 2020 was reduced by RMB3,052,540; the undistributed profits at the beginning of 2020 was reduced by RMB10,777,945, and the undistributed profits at the beginning of 2021 was reduced by RMB13,830,485.

(4) Adjustment of accounts payable of RMB-4,974,647

Long-term pending accounts payable in previous years (debit balance) RMB-4,974,647, which was actually the discount from suppliers that should be received, but the relevant documents of the suppliers' written confirmation were not obtained and should be included in the operating cost. Due to the business occurred before 2020, and the undistributed profits at the beginning of 2020 were decreased by RMB4,974,647.

(5) Adjustment of other payable of RMB523,781

Long-term outstanding other payables (debit balance) in previous years RMB-161,129, which were mainly promotional service fees, etc., and were not included as expenses; the inspection revealed that no accounting treatment were made for the renovation fees of RMB362,640. The above two items were in total of RMB523,781. All business occurred before 2020, and the undistributed profit at the beginning of 2020 was decreased by RMB523,781.

(6) The income tax expense of RMB589,851 shall be accrued because of the adjustments and the undistributed profit at the beginning of 2020 was reduced by RMB589,851.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2021, the downward pressure placed on the domestic and foreign economic environment remained relatively substantial, especially with the changing and evolving COVID-19 pandemic situations. According to the National Bureau of Statistics, the Consumer Price Index (CPI) slightly rose by 0.9% for 2021 as compared to that in the previous year, the growth rate of which was 1.6 percentage points lower than that in 2020. From the first quarter to the fourth quarter of 2021, the growth rate of the gross domestic product (GDP) and retail sales of social consumer goods continued weakening, and economic development was under the pressure from shrinking demand and the expectation of its weakening, and thus traditional chain business faced relatively great challenges. During the Reporting Period, the Group was affected by the pandemic and economic downturn, and faced the fierce competition brought about by new channels such as group buying in the community and live broadcasting supported by huge capital. In the face of highly differentiated consumer demands, highly dispersed consumer scenarios and highly diversified sales channels, the Group insisted on returning to the business basics and based on “goods + services”, introduced category management, restructured the customer-centered business operating system, transformed the corporate profitability model by creating value and providing services for its customers. Meanwhile, the Group continued to strengthen cares and protection for employees, so as to increase their sense of gain and loyalty; strictly implemented various pandemic prevention and control measures for providing employees with a safe working environment, customers with safe shopping places, and become a warm and trustworthy company for our customers and employees.

RETAIL BUSINESS

The total number of the Group's retail outlets was 161 as at 31 December 2021. The following table sets out the number and net operating area of the Group's retail outlets as at 31 December 2021:

	Department Stores	Hypermarkets	Supermarkets	Convenience stores	Total
Number of retail outlets:					
Directly-operated	1	10	54	84	149
Franchise-operated	—	—	—	12	12
Total	1	10	54	96	161
Net operating area (square metres):					
Directly-operated	27,800	69,010	121,713	16,874	235,397
Franchise-operated	—	—	—	3,294	3,294
Total	27,800	69,010	121,713	20,168	238,691

During the Reporting Period, the Group renovated and upgraded two stores (including a supermarket and a convenience store), opened five directly-operated convenience stores. Due to the expiration of leases and modifications to the operation strategy, the Group closed down two supermarkets, a directly-operated convenience store and a franchise-operated convenience store.

Enhancing commodity profitability on the basis of “goods + services”

During the Reporting Period, the Group introduced category management and categorized eight types of commodities such as, fruits, frozen foods, cooked foods, etc. in the first stage. The commodities on sale were reviewed based on consumer decision tree; the number of commodities were reduced selectively, the commodities and commodity categories that were lacking were replenished. The Group adjusted the display of goods in stores according to the proportion of category sales and the proportion of single commodity sales, continued to optimize the commodity structure; strengthened live and fresh produce supply chain construction, developed new vegetables bases, further strengthened direct sourcing of fruits, enhanced the proportion of direct sourcing, allowed consumers to obtain the freshest produce at cost-effective prices, and maintained the competitiveness of the Group’s fresh produce.

Continuously improving the standard of marketing and services

During the Reporting Period, focusing on satisfying customer demands, the Group made efforts in refining themed displays throughout the year, launched a variety of online and offline marketing activities, continuously created excitement, released consumption vitality, and actively attracted customers. The Group launched “Wechat service Group” at store level to directly communicate with consumers in the surrounding communities in a timely manner, combining offline key commodity display management and consumer scenarios interactive reconstruction, created a shopping scene with warmth, emotion and memory, offered customers with safe, hygienic and pleasant shopping experience and created reasons for customers to visit the store repeatedly.

Increasing the capabilities of the stores for fulfilling online orders

The Group continued to improve the online-to-home business performance: implemented inventory sharing of fresh produce being sold in-store and online, effectively solving the issue of shortage of fresh produce sold online; selected stores in core business districts, and extended online business hours as appropriate to satisfy the online consumer demands in different time periods and regions; adjusted the business performance indicators system, re-planned the picking zones according to the actual situation of the stores, and improved the stores’ picking performance capacity; with intelligent technology, the system will automatically identify the delivery service provider at the best price to minimize the logistics cost.

Food safety management

Facing the new normal status of pandemic control and the uncertainty of minor and frequent outbreaks, the Group continued to pay attention to the COVID-19 development, stayed vigilant with food safety management, and focused on strengthening disease control measures, high-risk food management, commodity review process, supply chain source management; took advantage of the testing room of the fresh food distribution center, and cooperated with professional testing institutions for fast inspection in warehouses to effectively ensure the safety of fruits and vegetables in the business; strengthened the quality and safety management of import process from channels, customs, wholesale, transportation, distribution, to acceptance, and processing, storage, sales and other aspects. The Group took food safety management measures in the aspect of suppliers, origins, logistics and distribution and store sales, to fill the food safety loopholes and protect the safety and health of consumers with professionalism and quality.

Strengthening logistics security and increasing delivery efficiency

During the Reporting Period, our two distribution centers strictly followed the requirements for delivery in the normalization of pandemic control, developed pandemic control system, transport system, emergency response system etc, to fully secure the transport stability and emergency responses. The normal temperature distribution center carefully carried out the daily management of anti-pandemic materials storage and emergency reserve zone, to secure the safety and supply of grains, fruits and vegetables for Beijing; actively promoted the supplier automatic booking system for delivery to fully realize automatic warehouse appointments and enhanced delivery efficiency; utilized electronic locks to strengthen the management of delivery vehicles in transit. Our fresh food distribution center promotes the fresh food warehouse appointments, and currently, all fruit and vegetable suppliers have been included in the warehouse appointment scope, which effectively improved the timeliness and accuracy of distribution.

Operation results of retail business

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

	For the 12 months ended 31 December		
	2021 <i>RMB'000</i> (Audited)	2020 <i>RMB'000</i> (Audited)	Increase/ (Decrease)
Retail business			
Hypermarkets	888,404	1,161,619	(23.5%)
Supermarkets	2,062,477	2,732,459	(24.5%)
Convenience stores	280,880	380,195	(26.1%)
Department stores	12,202	13,165	(7.3%)
(including commissions)	<u>9,562</u>	<u>9,784</u>	<u>(2.3%)</u>
Total retail principal operating income	<u>3,243,963</u>	<u>4,287,438</u>	<u>(24.3%)</u>
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	<u>17.4%</u>	<u>17.0%</u>	<u>0.4%</u>

During the Reporting Period, the retail principal operating income of the Group decreased by approximately 24.3%, which was mainly attributable to (i) the weakened consumption expectations during the Reporting Period due to the combined impact of the evolving situations of COVID-19 and the economic downturn; (ii) under the competitive environment created by online channels such as group buying in the community and live broadcasting, there was obvious customer diversion from the physical stores. The above factors resulted in a decrease in customer flow and a 22.9% decrease in same-store sales.

The gross profit margin generated from the directly-operated retail business (excluding department stores) increased slightly from approximately 17.0% in the corresponding period in 2020 to approximately 17.4% in the Reporting Period, which remained stable.

WHOLESALE BUSINESS

Progressively optimizing the operating system

During the Reporting Period, the Group continued to introduce new suppliers according to changing consumer demands, adjusted the commodity structure by adding new commodities; further strengthened in-depth cooperation with the existing e-commerce platforms, and explored newly emerging e-commerce channels, continued to strengthen cooperation with large quality centralized procurement clients, and expanded new sales channels; continued to actively expand our private brands, and expand the commodity types and sales scale of our own brands through autonomous development or cooperative customization, in leisure foods, condiments, general merchandise and daily chemicals.

Steadily optimizing the development of logistics and enhancing overall competence

During the Reporting Period, the Group strictly implemented the normalized epidemic prevention and control measures, enhanced coordination and communication with governmental authorities and transport companies, rationally allocated various livelihood materials, solved the impact of “time and route restrictions” during the disease control period, enabled 24-hour uninterrupted logistics and distribution services, and ensured stable supply in the market; continued to improve the integration, standardization and professional management level of logistics and distribution, and improved the utilization efficiency of the existing warehouse by reasonably adjusting the layout and configuration of commodities and sorting equipment in the warehouse area of the existing logistics centers; upon installation of equipment in the warehouse storage area, continued to promote the construction project of an automated storage and retrieval system logistics project in Fangshan, for the purpose of continuously enhancing the core competitiveness of the Group by increasing the hardware level of logistics and distribution facilities, and building a smart warehousing and logistics system.

Operation results of wholesale business

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

	For the 12 months ended 31 December		
	2021	2020	Increase/
	<i>RMB'000</i>	<i>RMB'000</i>	(Decrease)
	(Audited)	(Audited)	
		(Restated)	
Wholesale principal operating income recognized by Chaopi Group*	7,185,388	7,098,380	1.2%
Less: Intersegment Sales	(343,532)	(403,265)	(14.8%)
Sales to franchisees	1,998	2,669	(25.1%)
Total wholesale principal operating income	6,843,854	6,697,784	2.2%
Gross profit margin **(%)	8.8%	7.8%	1.0%

- * *Chaopi Group represents Beijing Chaopi Trading Company Limited (“**Chaopi Trading**”) and its subsidiaries.*
- ** *This represents gross profit margin recognized by Chaopi Group including intersegment sales.*

During the Reporting Period, the wholesale principal operating income recognized by Chaopi Group increased by approximately 2.2% and was mainly due to: (i) expansion into emerging e-commerce sales channels during the Reporting Period; (ii) introduction of new distribution brands and the private brand commodities to generate sales growth.

During the Reporting Period, the gross profit margin of Chaopi Group was 8.8% as compared to 7.8% for the corresponding period last year, the growth is mainly because of the continual adjustment to the commodity structure to reduce the operation of commodity categories with low gross margin contribution rate.

FINANCIAL RESULTS

	For the 12 months ended 31 December		
	2021 <i>RMB'000</i> (Audited)	2020 <i>RMB'000</i> (Audited) (Restated)	Increase/ (Decrease)
Principal operating income	10,100,312	11,000,471	(8.2%)
Gross profit	1,209,169	1,290,315	(6.3%)
Gross profit margin (%)	12.0%	11.7%	0.3%
Earnings before interest and tax	189,685	333,144	(43.1%)
Net profit	10,944	82,803	(86.8%)
Net profit margin(%)	0.1%	0.8%	(0.7%)
Net profit attributable to shareholders of the parent company	(22,474)	54,661	(141.1%)
Net profit margin attributable to shareholders of the parent company (%)	(0.2%)	0.5%	(0.7%)

PRINCIPAL OPERATING INCOME

During the Reporting Period, the Group's principal operating income decreased by approximately 8.2%, of which retail principal operating income decreased by approximately 24.3%, and wholesale principal operating income increased by approximately 2.2%.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group decreased by approximately 6.3% compared with the last corresponding period. During the Reporting Period, the gross profit margin was 12.0% (2020: 11.7%).

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 decreased from RMB979,173,670 in 2020 to RMB956,243,332 for the Reporting Period, representing a decrease of approximately 2.3%, mainly due to the decrease in revenue from promotional activities from suppliers resulting from the reduction of promotional activities affected by COVID-19.

GAINS OR LOSSES ON CHANGES IN FAIR VALUE

The gains or losses on changes in fair value only comprises of the gains or losses on changes in the fair value of Wuliangye No.1 Fund products subscribed by Chaopi Trading, a non-wholly subsidiary of the Company, in April 2018.

During the Reporting Period, the loss on changes in fair value was RMB25,559,594 as compared to the gain on changes in fair value in RMB89,236,083 in 2020, representing a decrease of approximately 128.6%, which was mainly due to the mark-to-market effect.

OPERATING EXPENSES

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

The Group's operating expenses were RMB1,610,843,878 during the Reporting Period, representing a decrease of approximately 7.7% compared to the corresponding period in 2020. The decrease was primarily due to the decrease in advertising expenses and promotion expenses as a result of such activities having been affected by COVID-19.

ADMINISTRATIVE EXPENSES

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

The Group's administrative expenses were RMB283,285,515 in 2021, representing an increase of approximately 13.2% compared to the corresponding period in 2020.

The increase was mainly because during the COVID-19 outbreak in the corresponding period in 2020, the government reduced or exempted the expenditure of pension insurance and unemployment insurance borne by enterprises.

FINANCIAL EXPENSES

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

The Group's financial expenses decreased from RMB169,318,444 in 2020 to RMB144,828,379 in 2021.

The main reasons for the reduction are: (i) the domestic loan benchmark interest rate has been reduced and the cost of loan funds obtained by the Group has decreased compared to the last corresponding period; and (ii) the receivables recovered by the Group increased and thus less funds were locked up.

INCOME TAX EXPENSE

The Group's subsidiaries, Chaopi Maolisheng (Hong Kong) Company Limited (**"Maolisheng (Hong Kong)"**) and Chaopi International Trading (Hong Kong) Co., Ltd. (**"International Trading Hong Kong"**) are companies incorporated 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 International Trading Hong Kong, other members of the Group were subject to corporate income tax at a rate of 25% during the Reporting Period on their respective taxable profit pursuant to the relevant PRC tax laws and regulations.

Income tax expense decreased from RMB80,079,106 in 2020 to RMB32,394,925 in 2021, which was primarily due to the decrease of taxable profits in 2021.

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

The net profit attributable to shareholders of the parent company decreased by approximately 141.1% from RMB54,660,554 in 2020 to RMB-22,474,226 in 2021. This was mainly due to: (i) the decrease in gross profit by RMB81.146 million due to the decrease of principal operating income, which is in turn resulted from the decrease in in-store customer flow due to the changing and evolving COVID-19 pandemic situations, and the increasing competition from the online sales channels to the Group's offline in-store sales; and (ii) the decrease in the fair value of the financial assets which have been held by the Company's non-wholly owned subsidiary since April 2018, in the amount of RMB25,559,594 for the Reporting Period due to the mark-to-market effect.

BASIC EARNINGS PER SHARE

The Group recorded basic earnings per share of approximately RMB-0.05 for 2021, which was calculated on the basis of the number of 412,220,000 shares. The basic earnings per share for 2020 was RMB0.13. The decrease in earning per share was mainly due to the decrease of net profit attributable to shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group mainly financed its operations through internally generated cash flows, bank borrowings and debentures.

As at 31 December 2021 the Group had non-current assets of RMB2,995,109,476 (comprising of fixed assets, investment properties and land use rights of RMB1,184,924,768), and non-current liabilities of RMB1,351,598,595 (comprising of bonds payable of RMB403,545,776).

As at 31 December 2021, the Group had current assets of RMB4,846,982,996. The current assets mainly comprised of cash and cash equivalents of RMB1,018,462,092, inventories of RMB1,618,527,017, accounts receivable and notes receivable of RMB937,765,070 and prepayments and other receivables of RMB990,621,411. The Group had current liabilities of RMB4,423,720,333. Current liabilities mainly comprised of accounts payable and notes payables of RMB1,207,669,387, short-term borrowings of RMB2,381,030,839, contract liabilities of RMB361,858,117 and other payables of RMB198,824,807.

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 31 December 2021, the Group had bank loans of RMB2,381,030,839, which consisted of accounts receivable factored bank loans of RMB5,775,305, unsecured bank loans of RMB2,291,953,954. In terms of pledged loans, Chaopi Trading provided a pledge guarantee to HSBC Bank (China) Co., Ltd. Beijing Branch with a time deposit certificate of RMB20,980,702 under its name as security for the loan to International Trading Hong Kong, a subsidiary of Chaopi Trading, and the loan amount obtained was USD 11,665,480, which was converted into RMB74,375,600 at the exchange rate of USD1.0000 to RMB6.3757 on 31 December 2021, Chaopi Trading provided a pledge guarantee to Bank of Jiangsu Co., Ltd. Shanghai Branch with a time deposit certificate of RMB14,050,000 under its name as security for the loan to International Trading Hong Kong, a subsidiary of Chaopi Trading, and the loan amount obtained was USD1,400,000, which was converted into RMB8,925,980 at the exchange rate of USD1.0000 to RMB6.3757 on 31 December 2021. All of the Group's bank loans bear interest rates ranging from 1.25% to 4.35%.

Certain margin deposits of the Group of RMB72,321,243 were pledged for notes payable of RMB467,332,344 as at 31 December 2021.

As at 31 December 2021, the Group's gearing ratio* is approximately 73.6%, which is slightly higher than that of 73.0% as at 31 December 2020.

* *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 2021, the Group employed 4,781 employees in the PRC (31 December 2020: 5,300). The total staff costs (including directors' and supervisors' remunerations) of the Group for the Reporting Period amounted to approximately RMB724,005,881 (2020: RMB710,886,421). 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 16% (2020: 16%) 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 RMB64,657,918 for the Reporting Period (2020: RMB39,734,686).

During the Reporting Period, the Group hosted trainings in various format and topics for its employees to improve their skills and professional knowledge. The Group held about 110 seminars during the year, and all employees have benefited from them.

ACQUISITION OF THE PROPERTY LOCATED IN HUAIROU DISTRICT, BEIJING CITY, THE PRC

Reference is made to the circular of the Company dated 23 December 2020 in relation to the Acquisition (as defined below) and the announcement of the Company dated 11 January 2021 in relation to the voting results of the extraordinary general meeting of the Company held on 11 January 2021 (the "EGM").

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

At the EGM, the resolution in relation to the approval of the Acquisition was duly passed by the shareholders of the Company. Accordingly, all conditions precedent to the Acquisition were fulfilled and completion of the Acquisition took place on 11 January 2021 and title transfer and registration procedures in relation to the Property have been completed on 6 January 2022.

CHANGE IN THE COMPOSITION OF CONNECTED PERSONS AT THE ISSUER LEVEL

Given that the State-owned Assets Supervision and Administration Commission of Beijing Chaoyang District approved the transfer of 100% of the equity interest of Beijing Hongchao Weiye State-owned Assets Management Co., Ltd. (“**Hongchao Weiye**”) and Beijing Jin Chaoyang State-owned Capital Operation Management Co., Ltd. (“**Jin Chaoyang**”), respectively, to Chaofu Company, the controlling shareholder of the Company, for nil consideration (the “**Gratuitous Transfer**”), which has completed, and following the completion of the Gratuitous Transfer, Hongchao Weiye and Jin Chaoyang had completed the relevant business registration procedures and thereafter each of them became a subsidiary of Chaofu Company, hence connected persons of the Company. As a result, certain continuing transactions under then existing leases with Hongchao Weiye and Jin Chaoyang became connected transactions of the Company. For further details, please refer to the announcement of the Company dated 5 March 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no material contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

In respect of the Acquisition, the title transfer and registration procedures in relation to the Property have been completed on 6 January 2022. For further details of the Acquisition, please refer to the section headed “Acquisition of the Property Located in Huairou District, Beijing City, the PRC” in this announcement.

As the date of this announcement, save as disclosed in this announcement, no other important events affecting the operation and financial performance of the Group significantly have occurred since 31 December 2021.

STRATEGIES AND PLANS

In 2022, with effective control over the pandemic and the unremitting efforts in economic recovery, the world economy and China's economy are rebounding amidst the fluctuations. However, the Group faces challenges in terms of the potential accelerating economic downturn, weak tenacity, accelerating population aging, and green transformation. The Group will unite our efforts, seek for our original purpose, and constantly insist on “goods + services” to build a trustworthy commercial brand.

In retailing business, the Group as a traditional retailer is facing the opportunities and challenges brought by the Internet, mobile internet, artificial intelligence and other technological elements to corporate upgrading and transformation. Although there are difficulties in sales and profit due to client flow diversion, the Group clearly recognises that we will continue to focus on goods and services, insist on retail business nature, reshape our corporate culture centering on consumers, suppliers and employees, and explore Jingkelong featured development path in the era of digital economy; insist on the consumer-based marketing strategy and operating philosophy, follow the theme of “consumer life itinerary”, coordinate the internal marketing-procurement-operation-delivery functions, to promote category management, tap consumer demands, carry out “52-week marketing”, and re-attract consumers by providing cost-effective, fresh, healthy goods and convenient, precise and unique services; solidify our strategic partnership with suppliers, reshape the stable, flexible, open and efficient supply chain system; human-based, care for employees, establish the career growth platform for our employees, cultivate their motivation and innovation capabilities, and trigger the source of corporate development.

In wholesale business, the Group will focus on transformation and upgrading, quality improvement and efficiency enhancement, deepen in-depth cooperation with suppliers, steadily develop cross-border e-commerce business, and continuously explore international markets; continuously improves the logistics service capability for distribution customers by improving the personalized customer service; expand sales channels, develops new customer resources such as group purchase and centralized procurement, and realize sustainable, high-quality and healthy development.

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 effective for the year ended 31 December 2021 (the “**Corporate Governance Code**”) as set out in Appendix 14 of the Listing Rules during the Reporting Period, save for the directors' retirement by rotation as set out below.

Provision A.4.2 of the Corporate Governance Code requires that every director (including those appointed for a specific term) of a listed issuer shall be subject to retirement by rotation at least once every three years. The Articles of Association of the Company stipulates that each director shall be elected by the general meeting of the Company for a term of not more than three years, and eligible for re-election upon the expiry of the term. Having taken into account of the continuity of the Group's operation and management policies, the Company's Articles of Association contains no express provision for the directors' retirement by rotation and thus deviate from the aforementioned provision of the Corporate Governance Code.

Audit Committee

The audit committee of the Company has reviewed the Group's 2021 audited annual results and discussed with the management and the external auditors on the accounting principles and practices adopted by the Group, internal control and financial reporting matters.

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

The figures in respect of the Group's consolidated balance sheets, consolidated income statement and the related notes thereto for the year ended 31 December 2021 as set out in the this announcement have been agreed by the Group's auditor, Da Hua Certified Public Accountants (Special General Partnership), to the amounts set out in the audited consolidated financial statements of the Group. The work performed by Da Hua Certified Public Accountants (Special General Partnership) in this respect did not constitute an assurance engagement in accordance with China Auditing Standards, China Standards on Review or China Standards on Assurance Engagements issued by the Chinese Institute of Certified Public Accountants and consequently no assurance has been expressed by Da Hua Certified Public Accountants (Special General Partnership) on this announcement.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period and up to the date of this announcement.

Distribution of Dividends

The Board recommend the payment of a final dividend of RMB0.05 (2020: RMB0.10) per share (tax inclusive) in respect of the Reporting Period to shareholders on the register of members on 26 May 2022. The proposed final dividend is expected to be paid to the shareholders on or before 30 June 2022. 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 2021 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 the 2021 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 2021 Annual General Meeting at which the final dividends is approved by the shareholders).

Pursuant to the “Enterprise Income Tax Law of the PRC” and the “Detailed Rules for the Implementation of the Enterprise Income Tax Law of the PRC”, commencing from 1 January 2008, any Chinese domestic enterprise which pays dividends to a non-resident enterprise shareholder (i.e. legal person shareholder) in respect of accounting periods beginning from 1 January 2008 shall withhold and pay enterprise income tax for such shareholder. Since the Company is an H share listed company in Hong Kong, the proposed 2021 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, 26 May 2022. 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, 26 May 2022 who are non-resident enterprises (i.e. legal person shareholders) (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 2021 final dividends after deducting income tax of 10%.

Pursuant to the State Administration of Taxation Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) (the “**SAT Notice**”) dated 28 June 2011, and the letter titled “Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland companies” (the “**Stock Exchange Letter**”) issued by The Stock Exchange of Hong Kong Limited dated 4 July 2011, the Company is required to withhold and pay the individual income tax in respect of the 2021 final dividends paid to the individual H shareholders whose names appear in the register of H-Shares Registrar of the Company (the “**Individual H Shareholders**”) when distributing the 2021 final dividends in accordance with the law, as a withholding agent on behalf of the same. However, the Individual H Shareholders may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries in which the Individual H Shareholders are domiciled and the tax arrangements between Mainland China and Hong Kong (Macau). The Company will finally withhold and arrange for the payment of the withholding tax pursuant to the above the SAT Notice and the Stock Exchange Letter and other relevant laws and regulation, (including the “**Public Notice on the Administrative Measures on Non-resident Taxpayers Claiming Tax Treaty Benefits**” (STA Public Notice [2019] No. 35) (《國家稅務總局關於發佈<非居民納稅人享受稅收協定待遇管理辦法>的公告》(國家稅務總局公告2019年第35號)) (the “**Tax Treaties Notice**”). The Company will determine the country of domicile of the Individual H Shareholders based on the registered addresses as recorded in the register of members of the Company on Thursday, 26 May 2022 (the “**Registered Address(es)**”). The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the Individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the Individual H Shareholders or any disputes over the withholding mechanism or arrangements. Details of arrangements are as follows:

- (i) For Individual H Shareholders who are Hong Kong or Macau residents and those whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholder;
- (ii) For Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders. If the relevant Individual H Shareholders would like to apply for a refund of the additional amount of tax withheld and paid, the Company can assist the relevant shareholder to handle the application for the underlying preferential tax benefits pursuant to the tax treaties, provided that the relevant shareholder shall submit to the Company the information required under the Tax Treaties Notice on or before the fifteenth day of the month following the actual payment date of the final dividend. Upon examination and approval by competent tax authorities, the Company will assist in refunding the additional amount of tax withheld and paid;
- (iii) For Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will finally withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty; and

- (iv) For Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or a country which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will finally withhold and pay individual income tax at the rate of 20% on behalf of the Individual H Shareholders. If the domicile of an Individual H Shareholder is not the same as the Registered Address or if the Individual H Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the Individual H Shareholder shall notify and provide relevant supporting documents to the Company on or before the fifteenth day of the month following the actual payment date of the final dividend. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding provisions and arrangements. Individual H Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the Tax Treaties Notices if they do not provide the relevant supporting documents to the Company within the time period stated above.

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

Closure of Register of Members

The register of members of the Company will be closed from Saturday, 7 May 2022 to Friday, 13 May 2022, 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, 6 May 2022 are entitled to attend and vote at the 2021 Annual General Meeting following completion of the registration procedures. To qualify for attendance and voting at the 2021 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, 6 May 2022. 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, 6 May 2022 are entitled to attend and vote at the 2021 Annual General Meeting following completion of the registration procedures. Holders of Domestic Shares should contact the secretary to the board of directors of the Company (the “**Secretary to the Board**”) for details concerning registration of transfers of Domestic Shares. The contact details of the Secretary to the Board are: 3rd Floor, Block No.45, Xinyuan Street, Chaoyang District, Beijing, The People’s Republic of China. Telephone No.: 86(10) 6460 3046. Facsimile No.: 86(10) 6461 1370.

The register of members of the Company will also be closed Saturday, 21 May 2022 to Thursday, 26 May 2022, 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, 26 May 2022 are entitled to the 2021 final dividend (if any). To qualify for entitlement of the 2021 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, 20 May 2022. 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 2021 Annual General Meeting will be held on Friday, 13 May 2022. The notice of the 2021 Annual General Meeting will be sent to the shareholders of the Company together with the 2021 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 2021 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 2021 Annual Report will be available on the HKEXnews and the website of the Company, and despatched to Shareholders on or about Thursday, 21 April 2022.

By Order of the Board
Beijing Jingkelong Company Limited
Zhang Liwei
Chairman

Beijing, PRC
30 March 2022

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Liwei, Ms. Li Chunyan and Mr. Li Shenlin; the non-executive directors are Mr. Li Jianwen, Ms. Zhang Yan and Mr. Li Shunxiang; and the independent non-executive directors are Mr. Wang Liping, Mr. Chen Liping and Mr. Choi Onward.