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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 2022
AND
PROPOSED AMENDMENT OF ARTICLES OF ASSOCIATION

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 2022 (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 purposes only

FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEETS

	<i>Notes</i>	2022.12.31 RMB (Audited)	2021.12.31 RMB (Audited)
Current Assets:			
Cash and bank balances		890,618,687	1,125,814,037
Notes receivable		1,004,300	1,535,600
Accounts receivable	3	1,014,114,292	936,229,470
Prepayments		1,022,670,499	824,722,793
Other receivables		169,850,426	165,898,618
Inventories		1,596,827,988	1,618,527,017
Other current assets		169,238,077	174,255,461
Total current assets		<u>4,864,324,269</u>	<u>4,846,982,996</u>
Non-current assets:			
Other equity instrument investment		43,000,000	–
Other non-current financial assets		72,026,699	104,782,276
Investment properties		152,842,214	161,533,071
Fixed assets		786,775,909	786,288,242
Construction in progress		110,406,206	152,597,710
Right-of-use assets		763,621,890	981,615,797
Intangible assets		274,403,617	265,128,095
Goodwill		86,673,788	86,673,788
Long-term prepaid expenses		176,114,532	245,441,646
Deferred tax assets		22,347,534	23,237,989
Other non-current assets		134,553,384	187,810,862
Non-current assets		<u>2,622,765,773</u>	<u>2,995,109,476</u>
TOTAL ASSETS		<u>7,487,090,042</u>	<u>7,842,092,472</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	2022.12.31 <i>RMB</i> (Audited)	2021.12.31 <i>RMB</i> (Audited)
Current Liabilities:			
Short-term borrowings		2,213,490,330	2,381,030,839
Notes payable		846,578,955	467,332,344
Accounts payable	4	857,203,456	740,337,043
Advance payment		10,860,356	9,075,871
Contract liabilities		406,071,621	361,858,117
Payroll payable		1,713,302	1,545,319
Taxes payable		48,905,387	35,920,244
Other payables		199,841,555	198,824,807
Including: Interest payable		-	-
Dividends payable		6,956,028	5,333,891
Non-current liabilities due within one year		189,705,641	167,827,272
Other current liabilities		69,442,163	59,968,477
Total current liabilities		<u>4,843,812,766</u>	<u>4,423,720,333</u>
Non-current liabilities:			
Bonds payable		-	403,545,776
Lease liabilities		670,592,637	897,255,777
Estimated liabilities	5	10,018,930	-
Deferred income		21,830,069	26,720,324
Deferred tax liabilities		16,278,917	24,076,718
Total non-current liabilities		<u>718,720,553</u>	<u>1,351,598,595</u>
TOTAL LIABILITIES		<u>5,562,533,319</u>	<u>5,775,318,928</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	2022.12.31 RMB (Audited)	2021.12.31 RMB (Audited)
SHAREHOLDERS' EQUITY			
Share capital		412,220,000	412,220,000
Capital reserves		605,177,454	605,177,454
Surplus reserves		169,059,880	169,059,880
Undistributed profits	6	<u>370,378,977</u>	<u>487,060,672</u>
Total equity attributable to shareholders of the parent company		<u>1,556,836,311</u>	<u>1,673,518,006</u>
Minority interests		<u>367,720,412</u>	<u>393,255,538</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,924,556,723</u>	<u>2,066,773,544</u>
TOTAL LIABILITES AND SHAREHOLDERS' EQUITY		<u>7,487,090,042</u>	<u>7,842,092,472</u>

CONSOLIDATED INCOME STATEMENT

	<i>NOTES</i>	2022.12.31 RMB (Audited)	2021.12.31 RMB (Audited)
I. Total operating income		9,541,354,189	11,056,555,323
Including: Operating income	7	9,541,354,189	11,056,555,323
II. Total operating costs		9,539,946,608	11,013,360,087
Including: Operating costs	7	7,494,516,539	8,933,390,747
Taxes and surcharges		33,375,835	41,011,568
Selling expenses		1,599,853,457	1,610,843,878
Administrative expenses		283,268,707	283,285,515
Financial expenses		128,932,070	144,828,379
Add: Other income		13,986,027	20,268,221
Investment income		13,789,674	14,399,875
Gains on changes in fair value		(31,168,457)	(25,559,594)
Impairment losses on credits		(8,632,574)	(11,549,723)
Gains on disposal of assets		19,549,060	5,483,155
III. Operating profit		8,931,311	46,237,170
Add: Non-operating income		7,082,628	12,662,382
Less: Non-operating expense		39,643,535	15,560,145
IV. Total profit		(23,629,596)	43,339,407
Less: income tax expense	8	44,787,732	32,394,925
V. Net profit		(68,417,328)	10,944,482
(I) Classified by business continuity			
1. Net profit from continued operations		(68,417,328)	10,944,482
2. Net profit from discontinued operations		-	-
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company		(96,070,695)	(22,474,226)
2. Profit or loss attributable to minority interests		27,653,367	33,418,708
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 that cannot be reclassified into profit or loss subsequently		-	-
Changes in fair value of other equity instrument investments		-	-
Net value of other comprehensive income attributable to minority of interests after tax		-	-
VII. Total comprehensive income		(68,417,328)	10,944,482
Total comprehensive income attributable to shareholders of the parent company		(96,070,695)	(22,474,226)
Total comprehensive income attributable to minority interests		27,653,367	33,418,708
VIII. Earnings per share			
(I) Basic earnings per share	9	(0.23)	(0.05)
(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 (formerly known as “Beijing Jingkelong Supermarket Chain Company Limited”) and the registered capital of the Company was RMB412,220,000. The Company’s unified social code is 91110000101782670P. The registered office and the principal place of business of the Company is located at Block No. 45, Xinyuan Street, Chaoyang District, Beijing. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the retail and wholesale distribution of daily consumer products.

On 25 September 2006, the Company was listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“**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 2022.

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”), an enterprise established in the PRC.

2. BASIS OF PREPARATION

The financial statements are presented on a going concern basis. The financial statements are prepared based on the actual transactions and events and in accordance with “Accounting Standards for Business Enterprises-Basic Standard” (issued by Ministry of Finance No.33 and revised by Ministry of Finance No.76), 42 specific accounting standards, implementation guidelines and explanations of enterprise accounting standards and other relevant provisions issued on 15 February 2006 and those updated afterwards (Hereafter collectively referred to as “**ASBE**”), and the disclosure requirements of the Company Ordinance (Cap. 622) of Hong Kong and the the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

In accordance with Accounting Standards for Business Enterprises, the Group has adopted the accrual basis of accounting. Except for certain financial instruments, the Company adopts the historical cost as the principle of measurement in the financial statements. When assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

3. ACCOUNTS RECEIVABLE

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

Aging	2022.12.31			
	RMB			
	(Audited)			
	Carrying		Impairment	
	amount	Proportion%	losses on	Net book value
			credits	
Within 1 year	978,760,271	92	–	978,760,271
1-2 years	22,130,361	2	663,911	21,466,450
2-3 years	5,837,215	1	942,986	4,894,229
3-4 years	6,813,087	1	1,906,493	4,906,594
4-5 years	12,168,722	1	8,081,974	4,086,748
Over 5 years	<u>36,391,393</u>	<u>3</u>	<u>36,391,393</u>	<u>–</u>
Total	<u><u>1,062,101,049</u></u>	<u><u>100</u></u>	<u><u>47,986,757</u></u>	<u><u>1,014,114,292</u></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 2022, the total accounts receivable due from MeetAll (美特好) amounted to RMB7,609,413, which were limited by being factored to secure certain bank loans of the Group.

Pursuant to the factoring agreement between the Group and the Hongkong and Shanghai Banking (China) Corporation Limited Beijing Branch (“HSBC”), HSBC provides a bank loan for amount of not exceeding 70% of accounts receivable factoring to the Group. HSBC collected the entire amount of accounts receivable and is only required to pay the Group any amount it collects in excess of the loan amount. As the Group has not transferred specifically identifiable cash flows, fully proportionate share of all or part of the cash flows or part of specifically identifiable cash flows, the Group cannot apply the derecognition model to part of the factored accounts receivable.

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

On 31 December 2022 and 31 December 2021, 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	2022.12.31	2021.12.31
	RMB	RMB
	(Audited)	(Audited)
Within 1 year	830,347,926	713,061,607
1-2 years	8,037,613	10,562,073
2-3 years	7,459,344	8,401,232
Over 3 years	<u>11,358,573</u>	<u>8,312,131</u>
Total	<u><u>857,203,456</u></u>	<u><u>740,337,043</u></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. ESTIMATED LIABILITIES

Item	2022.12.31	2021.12.31
	RMB	RMB
	(Audited)	(Audited)
Pending litigation	<u>10,018,930</u>	<u>—</u>
Total	<u><u>10,018,930</u></u>	<u><u>—</u></u>

Note: On 31 August 2022, the Company received the civil judgement (2022) J0106 MC No.6227 about a dispute case concerning the Company's early termination of the contract for the House Lease Agreement signed with Beijing Yuquan Xingye Investment Management Company* (北京玉泉興業投資有限公司)("Yuquan Xingye") served by the People's Court of Fengtai District, Beijing* (北京市豐台區人民法院), which ruled that the Company should pay a penalty of RMB10,018,930 to Yuquan Xingye. In September 2022, the Company has filed an appeal to the Beijing Second Intermediate People's Court *(北京市第二中級人民法院), which has not made any decision as at 31 December 2022. Thus, the Company has accrued estimated liabilities of RMB10,018,930.

As of the date of this announcement, the Company has received the judgment from the Beijing Second Intermediate People's Court *(北京市第二中級人民法院) which upheld the original judgment.

6. UNDISTRIBUTED PROFITS

Item	Amount RMB	Proportion of appropriation
For the year ended at 31 December 2022 (Audited)		
Undistributed profits at the beginning of year	487,060,672	
Add: Net profit attributable to the shareholders of the parent company for the year	(96,070,695)	
Less: Appropriation to statutory surplus reserve	–	10%
Ordinary shares' dividends payable	20,611,000	
Other	–	
Undistributed profits at the end of the year	370,378,977	
For the year ended at 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	

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

Pursuant to the ordinary resolutions passed at the 2021 annual general meeting held on 13 May 2022, a final dividend of RMB0.05 per share in respect of year ended 31 December 2021 was declared and paid to the shareholders of the Company. The aggregated amount of the final dividend declared and paid was RMB20,611,000.

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.

As the net profit (loss) attributable to the shareholders of the parent company for the Reporting Period was RMB(96,070,695) on 30 March 2023, the Board of the Company proposed not to pay a final dividend to its shareholders, which means there will be no cash dividend distribution, nor will the capital reserves be capitalized or other forms of distribution be made in respect of the year ended 31 December 2022 in order to ensure the continuous and stable operation and the long-term interest of the shareholders of the Company, after taking into account the operation plans and capital needs of the Company in 2023. The above proposal of not distributing a final dividend is subject to the consideration and approval at the upcoming 2022 annual general meeting of the Company (the “**2022 Annual General Meeting**”) to be held on 17 May 2023.

(2) Surplus reserves of subsidiaries

On 31 December 2022, the undistributed profits of the Group included surplus reserves of subsidiaries totaling in the amount of RMB19,457,101 (31 December 2021: RMB22,036,753).

7. OPERATING INCOME AND OPERATING COST

(1) Operating income and operating cost

Item	2022 RMB (Audited)		2021 RMB (Audited)	
	Income	Cost	Income	Cost
Principal operating	8,661,081,792	7,460,838,561	10,100,311,991	8,891,142,620
Other operating	<u>880,272,397</u>	<u>33,677,978</u>	<u>956,243,332</u>	<u>42,248,127</u>
Total	<u>9,541,354,189</u>	<u>7,494,516,539</u>	<u>11,056,555,323</u>	<u>8,933,390,747</u>

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

Item	2022 RMB (Audited)		2021 RMB (Audited)	
	Principal operating income	Principal operating cost	Principal operating income	Principal operating cost
Retail	3,398,362,021	2,819,066,691	3,243,962,948	2,671,620,921
Wholesale	5,245,553,833	4,630,150,734	6,843,854,319	6,211,649,311
Others	<u>17,165,938</u>	<u>11,621,136</u>	<u>12,494,724</u>	<u>7,872,388</u>
Total	<u>8,661,081,792</u>	<u>7,460,838,561</u>	<u>10,100,311,991</u>	<u>8,891,142,620</u>

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

8. INCOME TAX EXPENSE

(1) Details of income tax expense

Item	2022 RMB (Audited)	2021 RMB (Audited)
Current income tax expense	51,695,078	41,105,907
Deferred income tax expense	<u>(6,907,346)</u>	<u>(8,710,982)</u>
Total	<u>44,787,732</u>	<u>32,394,925</u>

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

Item	2022 RMB (Audited)	2021 RMB (Audited)
Total profit	(23,629,596)	43,339,407
Income tax expenses calculated at statutory/applicable tax rate	(5,907,399)	10,834,852
Effect of subsidiary companies adopting different tax rates	1,051,717	(407,862)
Effect of adjusting the previous years' income tax	(373,235)	241,449
Effect of non-taxable income	(358,457)	–
Effect of non-deductible costs, expenses and losses	2,822,156	1,456,730
Effect of using deductible losses of previously unrecognized deferred tax assets	(12,148,101)	(26,637,253)
Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets	<u>59,701,051</u>	<u>46,907,009</u>
Total	<u>44,787,732</u>	<u>32,394,925</u>

9. 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	2022 RMB (Audited)	2021 RMB (Audited)
Net profit attributable to ordinary shareholders for the current year	(96,070,695)	(22,474,226)
Including: Net profit from continuing operations	<u>(96,070,695)</u>	<u>(22,474,226)</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	2022 (Audited)	2021 (Audited)
Number of ordinary shares outstanding	<u>412,220,000</u>	<u>412,220,000</u>

Earnings per share

Item	2022 RMB (Audited)	2021 RMB (Audited)
Calculated based on net profit and net profit from continuing operations attributable to shareholders of the parent company		
Basic earnings per share	(0.23)	(0.05)
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.

10. NET CURRENT ASSETS

Item	2022.12.31 RMB (Audited)	2021.12.31 RMB (Audited)
Current assets	4,864,324,269	4,846,982,996
Less: Current liabilities	<u>4,843,812,766</u>	<u>4,423,720,333</u>
Net current assets	<u>20,511,503</u>	<u>423,262,663</u>

11. TOTAL ASSETS LESS CURRENT LIABILITIES

Item	2022.12.31 RMB (Audited)	2021.12.31 RMB (Audited)
Total assets	7,487,090,042	7,842,092,472
Less: Current liabilities	<u>4,843,812,766</u>	<u>4,423,720,333</u>
Total assets less current liabilities	<u>2,643,277,276</u>	<u>3,418,372,139</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, in the face of various challenges including a complex and severe international environment and repeated outbreaks of COVID-19, the national economy maintained an overall recovery momentum due to the adjustment and optimization of a series of measures and the introduction of various policies to stabilize the economy. According to the data released by the National Bureau of Statistics, the total retail sales of consumer goods in 2022 was RMB43,973.3 billion, representing a decrease of 0.2% as compared to the previous year; among them, the retail sales excluding automobiles was RMB3.94 trillion, representing a year-on-year decrease of 0.4% (while the online retail sales was RMB13.79 trillion, representing a year-on-year increase of 4.0%; the online retail sales of physical goods was RMB11.96 trillion, representing a year-on-year increase of 6.2%, accounting for 27.2% of the total retail sales of consumer goods). In the face of repeated and frequent outbreaks of COVID-19 and the accompanying changes in consumer demand, consumption habits and consumption patterns, by centering on the customer-centric business philosophy and relying on the Group's integrated online and offline operation basis and its strong logistics distribution system, the Group implemented category management based on the consumer demand of target customers, optimized the supply chain, focused on the core competence building, strived to efficiently meet online orders, improved offline shopping experience, and maintained a basically stable sales under the diversified competition situation.

RETAIL BUSINESS

The total number of the Group's retail outlets was 142 as at 31 December 2022. The following table sets out the number and net operating area of the Group's retail outlets as at 31 December 2022:

	Department Stores	Hypermarkets	Supermarkets	Convenience stores	Total
Number of retail outlets:					
Directly-operated	1	10	50	69	130
Franchise-operated	–	–	–	12	12
Total	1	10	50	81	142
Net operating area (square metres):					
Directly-operated	27,800	49,265	88,804	12,904	178,773
Franchise-operated	–	–	–	3,391	3,391
Total	27,800	49,265	88,804	16,295	182,164

During the Reporting Period, the Group opened four convenience stores (including three directly-operated convenience stores and one franchise-operated convenience stores). Due to the expiration of leases and modifications to the operation strategy, the Group closed down four supermarkets, 18 directly-operated convenience stores and a franchise-operated convenience store.

Fighting against the pandemic and securing supplies which demonstrates the willingness to bear responsibilities by state-owned enterprises

During the Reporting Period, in the face of the recurrence of COVID-19, the Group strictly and timely implemented various prevention and control requirements and timely adjusted and optimized various pandemic prevention and control measures. As a key supply assurance enterprise, all staff of the Group resolutely joined the front line of fighting the pandemic and securing supplies; all stores opened early and operated until they closed naturally, and stores affected by the pandemic closed and opened as appropriate to ensure supply and stabilisation of public sentiment; during the pandemic period, the Group actively deployed resources, and increased the reserves of daily necessities such as meat, eggs, vegetables, milk, rice, noodles, grain and oil; relying on the advantages of the 10 major vegetable bases, we deployed 5 times the amount of vegetables in the market every day, and further strengthened the monitoring of the sales data of each store, replenished the supply at any time, and stabilized panic buying mentality. Our two distribution centres overcame difficulties for around-the-clock uninterrupted delivery to meet supply demand of stores and complete the distribution of various packs such as “food pack” and “vegetable pack” in a timely manner. In view of the changes of the pandemic, and faced with the serious shortage of manpower in stores, the surge of online orders, and the increasing tasks of supply assurance, all staff supported each other, and our staff at the headquarters reinforced the front line, and worked together to successfully complete the task of ensuring supply for many times.

Optimizing business model based on category management

During the Reporting Period, the Group insisted on returning to the essence of the retail industry, centered on the business philosophy of “customer-centric”, adjusted the business operation processes based on the category management and integrated its procurement, marketing, operations and e-commerce departments. Through in-depth insight into customer needs, the Group continuously optimized its commodity structure, implemented category management as planned, and the indicators such as the quantity of commodities sold and the number of days of inventory turnover were better than those of the corresponding period in last year, which significantly improved product efficiency.

Exploring marketing innovation on the basis of customer needs

During the Reporting Period, on the basis of customer needs and by adhering to the marketing purpose of “all for customers, serving customers’ needs” (想顧客所想，集顧客所需), the Group continuously optimized commodity structure, introduced regional products, “freshly-made” (現制) and “Kuaishou” (快手) products to cater to the preferences of young consumer groups; integrated online and offline resources to form marketing forces, and carried out marketing activities through multiple channels such as its own applications, mini-programs, Weibo, “serving for you” (為您服務群) group in stores, TikTok to attract and guide consumption. Moreover, the Group hoped that the customers could be influenced by the lively shopping atmosphere when they visit our stores and strived to increase the visual beauty and shopping pleasure of customers, hence improving customer stickiness and customer experience. The Group has been able to meet the consumption needs of customers of different age groups through deep integration of online and offline resources and improvement of services.

Improving the operational level of stores

During the Reporting Period, the Group continued to strengthen operational management of fresh food commodities and enhance the ability to attract customers of stores. The Group focused on the young customers' demand for shopping time, continuously managed the evening operation of stores, provided more quality goods for office workers, and improved the sales of stores in key periods. The Group carried out experience sharing in stores to boost confidence in store operation and improve the operation capability. The Group also improved the service efficiency of the headquarters to the stores, continuously optimized the first-line process, simplified the store operations, and constantly improved the operational efficiency of stores.

Continuously strengthening food safety management

Food safety management has always been a top priority for the Group. In order to ensure food safety for people in the capital, in addition to management measures such as regular food safety training, channel control and commodity quality tracking, the Group also developed a quarterly sampling inspection plan for commodities for sale, and conducted random inspections on fresh fruits and vegetables, baked goods, staple foods and other commodities as planned, so as to effectively monitor the quality and safety of commodities for sale, such arrangements also raised suppliers' attention to the quality of their products and improved food safety from the source. The Group also carried out multiple rounds of store inspections from multiple aspects such as food safety, cold chain management, on-site production and sales, and pandemic prevention and control, implemented food safety measures, constantly improved ordinary food safety management level of stores, and eliminated food safety loopholes.

Further optimizing the logistics services

During the Reporting Period, in the face of repeated outbreaks of pandemic and the task of ensuring supply for the Beijing Winter Olympic Games and the Winter Paralympic Games, the fresh food distribution centre and the ambient temperature distribution centre gave full play to the Group's logistics and distribution advantages, and efficiently completed the tasks of daily commodity distribution and temporary distribution. The fresh food distribution centre continued to promote refined management and specified management measures, took the quality control of commodities as the top priority, and strictly controlled the safety of commodity storage and distribution. The ambient temperature distribution centre adjusted the type of commodity storage at any time according to the commodity storage location, commodity delivery frequency and daily inventory by utilising data management, which not only improved the usage efficiency of full pallet storage space, but also enhanced the efficiency of picking products in the storage area, and further improved the logistics efficiency.

Operation results of retail business

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

	For the 12 months ended 31 December		
	2022 <i>RMB'000</i> (Audited)	2021 <i>RMB'000</i> (Audited)	Increase/ (Decrease)
Retail business			
Hypermarkets	923,553	888,404	4.0%
Supermarkets	2,190,602	2,062,477	6.2%
Convenience stores	283,518	280,880	0.9%
Department stores	689	12,202	(94.4%)
(including commissions)	689	9,562	(92.8%)
Total retail principal operating income	<u>3,398,362</u>	<u>3,243,963</u>	<u>4.8%</u>
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	<u>17.0%</u>	<u>17.4%</u>	<u>(0.4%)</u>

During the Reporting Period, the retail principal operating income of the Group increased by approximately 4.8%. This was mainly attributable to (i) an overall same-store sales increase of approximately 6.26% during the Reporting Period; and (ii) during the pandemic period, the Group, as a daily necessities support enterprise, has been benefited from an increase in retail sales.

The gross profit margin generated from the directly-operated retail business (excluding department stores) decreased slightly from approximately 17.4% in the corresponding period in 2021 to approximately 17.0% in the Reporting Period, which remained stable.

WHOLESALE BUSINESS

Further leveraging our advantages in logistics resources

During the Reporting Period, the Group comprehensively planned, deployed and strictly implemented various pandemic prevention measures, ensured adequate supplies and reserves for pandemic prevention and control, took on the responsibility of ensuring daily necessities and stabilizing people's livelihood, and was determined to take up the responsibilities as a state-owned enterprise. Having integrated various resources to strengthen value-added services of the logistics business, the diversified needs of customers have been met. Further, the Group continuously enhanced the service awareness of third-party logistics business to ensure the sustainable growth of such logistics business; continued to promote the construction project of a warehouse with automated storage and retrieval system in Fangshan, built a smart warehousing and logistics system, continuously enhanced the comprehensive management capability of logistics warehouses, and rationally allocated commodity storage in the warehouse area, improved the utilization rate of warehouse area, and continuously enhanced the core competitiveness of the Group's wholesale business.

Continuously promoting the development of logistics, and improving the level of management

During the Reporting Period, the Group continued to implement the business philosophy of "goods + services", optimized the business structure, comprehensively coordinated the needs of brands and clients, continuously developed in-depth cooperation with end customers of the sale side, and promoted the sound development of the wholesale business structure. The Group steadily promoted the "one for delivery" (一件代發) business and accelerated cooperation in e-commerce warehouse projects. During the Reporting Period, the Group actively expanded its own-brand products, established a nationwide general agency business with new suppliers, effectively built the brand alliance, and continued to explore new sales growth points and future business cooperation opportunities.

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		
	2022 RMB'000 (Audited)	2021 RMB'000 (Audited)	Increase/ (Decrease)
Wholesale principal operating income recognized by Chaopi Group*	5,587,535	7,185,388	(22.2%)
Less: Intersegment Sales	(343,853)	(343,532)	0.1%
Sales to franchisees	<u>1,872</u>	<u>1,998</u>	<u>(6.3%)</u>
Total wholesale principal operating income	<u>5,245,554</u>	<u>6,843,854</u>	<u>(23.4%)</u>
Gross profit margin ^{**} (%)	<u>11.0%</u>	<u>8.8%</u>	<u>2.2%</u>

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

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

During the Reporting Period, the wholesale principal operating income decreased by approximately 23.4%, mainly due to: (i) the inability to accept or distribute commodity normally due to the pandemic restriction measures for the sales business and the reduction of sales orders under the continuous impact of the COVID-19 pandemic throughout the year, which had greater impact on the cross-border e-commerce business; (ii) the adjustment to the commodity structure; and (iii) the decline of the sales of commodities such as wine, beverage, etc due to the impact of the COVID-19 pandemic.

During the Reporting Period, the gross profit margin of Chaopi Trading and its subsidiaries was approximately 11.0%, compared with approximately 8.8% in the same period last year, mainly due to the optimization of commodity structure and termination of operation of commodities with lower profitability.

FINANCIAL RESULTS

	For the 12 months ended		
	31 December		
	2022	2021	Increase/ (Decrease)
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Audited)	(Audited)	
Principal operating income	8,661,082	10,100,312	(14.2%)
Gross profit	1,200,243	1,209,169	(0.7%)
Gross profit margin (%)	13.9%	12.0%	1.9%
Earnings before interest and tax	103,023	189,685	(45.7%)
Net profit	(68,417)	10,944	(725.2%)
Net profit margin(%)	(0.8%)	0.1%	(0.9%)
Net profit attributable to shareholders of the parent company	(96,071)	(22,474)	(327.5%)
Net profit margin attributable to shareholders of the parent company (%)	(1.1%)	(0.2%)	(0.9%)

PRINCIPAL OPERATING INCOME

During the Reporting Period, the Group's principal operating income decreased by approximately 14.2%, of which retail principal operating income increased by approximately 4.8% compared with the corresponding period in last year, and wholesale principal operating income decreased by approximately 23.4% compared with the corresponding period in last year.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group decreased by approximately 0.7% compared with the corresponding period in last year. During the Reporting Period, the gross profit margin was approximately 13.9% (2021: approximately 12.0%).

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 by approximately 7.9% from RMB956,243,332 in 2021 to RMB880,272,397 during the Reporting Period, mainly due to (i) the reduction of rental income of micro, small and medium-sized enterprises in accordance with national policies during the COVID-19 pandemic period; and (ii) the decrease in sales in the wholesale business has resulted in a decrease in revenue from suppliers.

SELLING EXPENSES

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

The Group's selling expenses were RMB1,599,853,457 during the Reporting Period, representing a decrease of approximately 0.7% compared to the corresponding period in 2021. The decrease was primarily due to (i) the decreased in advertisement fees and promotional fees which were due to the impact of the COVID-19 pandemic; and (ii) decrease in rental expenses due to store closure in retail business and the decline of orders in wholesale business.

ADMINISTRATIVE EXPENSES

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

The Group's administrative expenses were RMB283,268,707 during the Reporting Period (2021: RMB283,285,515), remaining stable compared to the corresponding period in 2021.

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 RMB144,828,379 in the corresponding period in 2021 to RMB128,932,070 in the Reporting Period. The main reasons are: (i) the decrease in borrowings and that the Group has negotiated with banks to borrow at interest rate at a level lower than the market benchmark interest rate which resulted in a decrease in interest expenses; and (ii) the decrease in lease financing expenses accounted for Accounting Standards for Business Enterprises No. 21 - Leasing Standards.

INCOME TAX EXPENSE

The Group's subsidiary Chaopi International Trading (Hong Kong) Co., Ltd. ("**International Trading Hong Kong**") was companies incorporated in Hong Kong. In accordance with Hong Kong taxation law, the relevant corporate income tax rate was 16.5%

Except for 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 increased from RMB32,394,925 in 2021 to RMB44,787,732 in 2022, primarily due to full recovery of the losses in previous years of Chaopi Trading, a subsidiary of the Group, and the provision of income tax expense based on its total profits in the current period.

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

The net profit attributable to shareholders of the parent company decreased by approximately 327.5% from net loss of RMB22,474,226 in 2021 to net loss of RMB96,070,695 in 2022, which was mainly due to : (i) a one-off amortization of improvement expenses in the amount of approximately RMB23,435,865 in connection with the Group's decision to cease rental of a premises from January 2022 which was mainly used for the operation of a supermarket and to early terminate a lease agreement entered into with the lessor; (ii) during the Reporting Period, the loss on changes in fair value of the financial assets which have been held by the Company's non-wholly subsidiary since April 2018, in the amount of approximately RMB31,168,457 when compared to the loss on changes in fair value of such financial assets in the amount of approximately RMB25,559,594 in the same period last year, due to the mark-to-market effect; and (iii) the rentals waived by the Group (as lessor) during the Reporting Period in an aggregate amount of approximately RMB53,538,919 (tax inclusive) pursuant to the rental waiver plan adopted by the Group on 27 May 2022 which was determined in accordance with the government policies relating to the mandatory rental waiver for the micro- or small-sized enterprises and individual business operators in the service industries. .

BASIC EARNINGS PER SHARE

The Group recorded basic earnings (loss) per share of approximately RMB(0.23) for 2022, which was calculated on the basis of the number of 412,220,000 shares. The basic earnings (loss) per share for 2021 was RMB(0.05), which was mainly due to the increase of the loss in the net profit attributable to shareholders of the parent company.

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 2022, the Group had non-current assets of RMB2,622,765,773 (mainly comprising of fixed assets, investment properties and land use rights in an aggregate amount of RMB1,191,905,093), and non-current liabilities of RMB718,720,553 (mainly comprising of leases liabilities of RMB670,592,637).

As at 31 December 2022, the Group had current assets of RMB4,864,324,269 Current assets mainly comprised of cash and cash equivalents of RMB735,318,661, inventories of RMB1,596,827,988, Accounts receivable and notes receivable of RMB1,015,118,592 and prepayments and other receivables of RMB1,192,520,925. The Group had current liabilities of RMB4,843,812,766. Current liabilities mainly comprised of accounts payable and notes payables of RMB1,703,782,411, short-term borrowings of RMB2,213,490,330, contract liabilities of RMB406,071,621 and other payables of RMB199,841,555.

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 31 December 2022, the Group had bank loans of RMB2,213,490,330, which consisted of accounts receivable factored bank loans of RMB7,609,413, and unsecured bank loans of RMB2,205,880,917. All the Group's bank loans bear interest rates ranging from 2.85% to 4.30%.

The Group has pledged deposits of RMB155,300,026 for notes payable of RMB846,578,955 as at 31 December 2022.

As at 31 December 2022, the Group's gearing ratio* is approximately 74.3%, which is slightly higher than that of 73.6% as at 31 December 2021.

* *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 2022, the Group employed 4,458 employees in the PRC (31 December 2021: 4,781). The total staff costs (including directors' and supervisors' remunerations) of the Group for the year 2022 amounted to approximately RMB729,020,479 (2021: RMB724,005,881). The staff emolument (including directors and supervisors) of the Group are based on position, duty, experience, performance, and market rates, in order to maintain their remunerations at a competitive level.

As required by the PRC laws and regulations, the Group participates in the retirement benefits contribution 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% (2021: 16%) of the employees' salaries, bonuses and certain allowances. The Group has no further obligation associated with the retirement benefits contribution scheme beyond the above mentioned annual contributions. The Group's contributions to the retirement benefits contribution scheme amounted to approximately RMB67,901,952 for the Reporting Period (2021: RMB64,657,918).

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 89 seminars during the year for all of its employees.

ENTERING INTO PARTNERSHIP AGREEMENT

Chaopi Trading (a non-wholly owned subsidiary of the Company) (as limited partner), 宜賓五糧液基金管理有限公司 (Yibin Wuliangye Fund Management Company Limited*), Yibin Fund (as general partner and manager) and 33 other limited partners entered into the partnership agreement on 5 December 2022 for investing in the 宜賓五商股權投資基金（有限合夥）(Yibin Wushang Equity Interest Investment Fund (Limited Partnership)*) (the “**Partnership Enterprise**”)(the “**Partnership Agreement**”). Pursuant to the Partnership Agreement, the scale of the Partnership Enterprise shall be RMB1,012,231,200, among which Chaopi Trading (as limited partner) made a capital contribution of RMB43,000,000. For further details, please refer to the announcement of the Company dated 5 December 2022.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no material contingent liabilities.

PENDING LITIGATION

In 2002, the Company entered into a land acquisition and compensation agreement with the People's Government of Guanzhuang Township, Chaoyang District, Beijing* (北京市朝陽區管莊鄉人民政府) (the “**Guanzhuang Township Government**”), pursuant to which the Guanzhuang Township Government transferred 243.71 unit of area (in mu) of collective land under the jurisdiction of Guanzhuang Township Government to the Company for the construction of a distribution and fresh food processing center, and the Company shall pay the total compensation of RMB60,440,000 to the Guanzhuang Township Government. On 13 November 2006, the Company and the Guanzhuang Township Government entered into a supplementary agreement in respect of the above land transfer, and the Guanzhuang Township Government increased the compensation to RMB97,484,000. On 20 November 2006, the Company entered into a supplementary agreement with the Guanzhuang Township Government and the Guanzhuang Agricultural, Industrial and Commercial Joint Corporation of Chaoyang District, Beijing* (北京市朝陽區管莊農工商聯合公司)(the “**AICC**”) in respect of the above land transfer matters, and the Guanzhuang Township Government authorized the AICC to collect compensation. Upon the signing of the above agreements, the Company has paid a total compensation of RMB45,132,000 to Guanzhuang Township Government and the AICC. Due to the change of planned use and other reasons, the contract purpose of the Company (i.e construction of distribution and fresh processing center) cannot be fulfilled, and the above agreements cannot be continued to perform. In order to recover the compensation paid and safeguard the legal rights of the Company, the Company filed a lawsuit with the Beijing Chaoyang District People's Court* (北京市朝陽區人民法院) in July 2022, requiring that the land compensation agreement and supplementary agreement entered into with the Guanzhuang Township Government be held invalid, and requiring the Guanzhuang Township Government and AICC to return the compensation fee of RMB45,132,000 and related interest during the period of their retention of compensation fee. The Company has returned the land to Guanzhuang Township Government on 24 November 2022. As of the date of this announcement, the Company has through legal means required to confirm the nullification of the above land compensation agreement and supplementary agreement, and require Guanzhuang Township Government and AICC to return the above-mentioned compensation, and the legal proceedings are still in progress.

EVENTS AFTER THE REPORTING PERIOD

As at 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 2022.

STRATEGIES AND PLANS

In 2023, the overall economy is expected to recover gradually as the central government has made great efforts to promote high-quality development and comprehensively carry out modernization in Chinese style. In particular, as the local governments have strived to expand domestic demand and give priority to restoring and expanding consumption, and have implemented successively a series of policies and measures to stabilize market expectations, stabilize employment, stabilize income, and encourage and stimulate consumption, the recovery momentum of consumption will gradually strengthen, which is expected to result in a favorable consumption market. The Group will gather strength with confidence and move forward with firm determination.

In terms of retail business, the Group will continue to adhere to the development concept of “people-oriented” (以人為本), the business philosophy of “customer-centric” (以顧客為中心) and the management philosophy of “employee-centric” (以員工為中心), focus on category management and adjust commodity business strategies, actively introduce digital intelligent technologies to empower operation and management, and reshape the brand of Jingkelong through transformation and upgrading.

In terms of wholesale business, the Group will continue to focus on high-quality development, continuously expand its product categories and gradually realize full-category operations; constantly improve its brand operation capabilities, expand its nationwide agency cooperation channels, promote in-depth cooperation with core suppliers and major brands, and build a business ecosystem with efficient collaboration and mutual benefit; continuously enhance the efficiency and level of logistics operation, expand the scope of logistics business and consolidate the market share of wholesale business.

OTHER INFORMATION

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has applied the principles of and complied with all the code provisions of the Corporate Governance Code (the “**Corporate Governance Code**”) set out in Appendix 14 of the Listing Rules during the Reporting Period, save for the directors’ retirement by rotation as set out below.

Provision B.2.2 of Part 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.

The Company has also adopted the new terms of reference of the remuneration committee of the Company on 30 March 2023 in light of the relevant updates in the Listing Rules, a copy of which is published on the HKEXnews (the “**HKEXnews**”) website of Hong Kong Exchanges and Clearing Limited and the website of the Company.

Audit Committee

The audit committee of the Company has reviewed the Group’s 2022 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 2022 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

Due to the net profit(loss) attributable to the shareholders of the parent company amounting to RMB(96,070,695) during the Reporting Period, the Board recommends not to pay final dividends to its shareholders, which means there will be no cash dividend distribution, nor will the capital reserves be capitalized or other forms of distribution be made in respect of the year ended 31 December 2022 in order to ensure the continuous and stable operation of the Company and the long-term interest of the shareholders, after taking into account the operation plans and capital needs of the Company in 2023.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 11 May 2023 to Wednesday, 17 May 2023 (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 Wednesday, 10 May 2023 are entitled to attend and vote at the 2022 Annual General Meeting following completion of the registration procedures. To qualify for attendance and voting at the 2022 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 Wednesday, 10 May 2023. 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 Wednesday, 10 May 2023 are entitled to attend and vote at the 2022 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

PROPOSED AMENDMENT OF ARTICLES OF ASSOCIATION

The Board proposes to amend the articles of association of the Company (the “**Articles**”) for the purposes of bringing the Articles in line with the Core Shareholders Protection Standards as set out in Appendix 3 to the Listing Rules effective from 1 January 2022.

The proposed amendment to the Articles is subject to the approval of the shareholders of the Company by way of a special resolution at the 2022 Annual General Meeting of the Company.

Details in relation to the abovementioned proposed amendment to the Articles will be set out in the notice of the 2022 Annual General Meeting to be despatched to the shareholders in due course.

ANNUAL GENERAL MEETING

The 2022 Annual General Meeting will be held on Wednesday, 17 May 2023. The notice of the 2022 Annual General Meeting will be sent to the shareholders of the Company together with the 2022 Annual Report, and will also be available on the HKEXnews website of Hong Kong Exchanges and Clearing Limited and the website of the Company.

PUBLICATION OF 2022 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 2022 Annual Report will be available on the HKExnews and the website of the Company, and despatched to Shareholders on or about Tuesday, 25 April 2023.

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

Beijing, PRC
30 March 2023

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.