

Stock Code: 000505, 200505

Stock Name: JLKG, JL-B

Announcement No. 2020-019

# HAINAN JINGLIANG HOLDINGS CO., LTD.

## ANNUAL REPORT 2019 (SUMMARY)

### Part I Important Notes

This Summary is based on the full text of the 2019 Annual Report of Hainan Jingliang Holdings Co., Ltd. (together with its consolidated subsidiaries, the “Company”, except where the context otherwise requires). In order for a full understanding of the Company’s operating results, financial position and future development plans, investors should carefully read the aforesaid full text, which has been disclosed together with this Summary on the media designated by the China Securities Regulatory Commission (the “CSRC”).

All the Company’s directors have attended the Board meeting for the review of this Report and its summary.

Independent auditor’s modified opinion:

☐ Applicable ☒ Not applicable

Board-approved final cash and/or stock dividend plan for ordinary shareholders for the Reporting Period:

☐ Applicable ☒ Not applicable

The Company has no final dividend plan, either in the form of cash or stock.

Board-approved final cash and/or stock dividend plan for preferred shareholders for the Reporting Period :

☐ Applicable ☒ Not applicable

This Summary has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

### Part II Key Corporate Information

#### 1. Stock Profile

|                                  |   |   |                |
|----------------------------------|---|---|----------------|
| Stock name                       | JLKG, JL-B  | Stock code  | 000505, 200505 |
| Stock exchange for stock listing | Shenzhen Stock Exchange   |   |                |
| Contact information              | Board Secretary   | Securities Representative   |                |
| Name                             | Guan Ying   | Gao Deqiu   |                |
| Address                          | 15/F, Jing Liang Building, NO. 16 East Third Ring Middle Road, Chaoyang District, Beijing | 15/F, Jing Liang Building, NO. 16 East Third Ring Middle Road, Chaoyang District, Beijing |                |
| Fax                              | 010-51672010  | 010-51672010  |                |
| Tel.                             | 010-51672130  | 010-51672029  |                |
| Email address                    | 1124387865@qq.com   | gaodeqiu_jl@163.com   |                |

## 2. Principal Activities or Products in the Reporting Period

The Company is principally engaged in oils and oilseeds processing and trading, as well as food production. It runs its oils and oilseeds processing and trading business primarily in Beijing City, Tianjin City and Hebei Province under the brands of “Gu Chuan”, “Lv Bao”, “Gu Bi” and “Huo Niao”, with the main products being soybean oil, rapeseed oil, sunflower seed oil and sesame oil and paste, among others. As for its food production business, it primarily develops, produces and markets snack food and bread under the brands of “Little Prince”, “MS Dong”, “Jianqiang De Tudou” and “Gu Chuan”, among others, with the main products being potato chips, cakes and pastries and bread.

In 2019, the oils industry was in face of increasing hardships and a heavy hit caused by external factors including the continued China-U.S. trade friction and African swine fever. Therefore, the oils and oilseeds division of the Company took the initiative to adjust operating strategies, gave play to its industrial chain advantage, and strengthened mutual support and information sharing among the links of the industrial china, which minimized the hit from the external factors. For the Reporting Period, the oils and oilseeds division recorded operating revenue of RMB6,451 million, and a gross profit of RMB105 million.

In 2019, the snack food industry saw an influx of strategic products and fiercer competition on the consumer market. The snack food business of the Company deepened the model of “Professional Production + Cultural Creativity + Internet”, pursued a market-oriented strategy, and vigorously promoted innovation in marketing, management, products and technology. The bread processing business enhanced channel marketing and development of new products. For the Reporting Period, the food division recorded operating revenue of RMB0.94 billion, and a gross profit of RMB186 million.

## 3. Key Financial Information

### (1) Key Financial Information of the Past Three Years

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

☐ Yes ☒ No

Unit: RMB

|   | 2019             | 2018             | 2019-over-2018<br>change (%) | 2017              |
|---|------------------|------------------|------------------------------|-------------------|
| Operating revenue   | 7,440,286,465.54 | 7,409,124,303.41 | 0.42%                        | 7,917,639,044.13  |
| Net profit attributable to the listed company's shareholders                          | 133,341,925.75   | 167,956,581.15   | -20.61%                      | 129,603,167.36    |
| Net profit attributable to the listed company's shareholders before exceptional items | 104,483,092.09   | 127,425,177.20   | -18.00%                      | 63,818,849.21     |
| Net cash generated from/used in operating activities                                  | 297,366,794.05   | 850,167,551.24   | -65.02%                      | -1,379,507,779.66 |
| Basic earnings per share (RMB/share)  | 0.19             | 0.24             | -20.83%                      | 0.2               |

|  |                  |                  |  |                  |
|--|------------------|------------------|--|------------------|
| Diluted earnings per share (RMB/share)                   | 0.19             | 0.24             | -20.83%  | 0.2              |
| Weighted average return on equity (%)                    | 5.70%            | 7.69%            | -1.99%   | 5.01%            |
|  | 31 December 2019 | 31 December 2018 | Change of 31 December 2019 over 31 December 2018 (%) | 31 December 2017 |
| Total assets   | 5,231,266,600.19 | 4,917,148,996.28 | 6.39%  | 6,082,383,851.23 |
| Equity attributable to the listed company's shareholders | 2,406,039,283.87 | 2,272,469,925.43 | 5.88%  | 2,101,342,683.37 |

## (2) Key Financial Information by Quarter

Unit: RMB

|   | Q1               | Q2               | Q3               | Q4               |
|---|------------------|------------------|------------------|------------------|
| Operating revenue   | 1,707,549,259.31 | 1,575,728,466.08 | 1,824,886,529.92 | 2,332,122,210.23 |
| Net profit attributable to the listed company's shareholders                          | 26,311,530.50    | 25,199,373.91    | 33,840,967.80    | 47,990,053.54    |
| Net profit attributable to the listed company's shareholders before exceptional items | 17,033,200.00    | 24,161,273.59    | 28,276,307.45    | 35,012,311.05    |
| Net cash generated from/used in operating activities                                  | 172,926,738.46   | 47,665,555.75    | 226,153,437.87   | -149,378,938.03  |

Indicate by tick mark whether any of the quarterly financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or interim reports.

☐ Yes ☒ No

## 4. Share Capital and Shareholder Information at the Period-End

### (1) Numbers of Ordinary Shareholders and Preferred Shareholders with Resumed Voting Rights as well as Holdings of Top 10 Shareholders

Unit: share

| Number of ordinary shareholders at the period-end           | 37,551                   | Number of ordinary shareholders at the month-end prior to the disclosure of this Report | 36,206                              | Number of preferred shareholders with resumed voting rights at the period-end | 0                          | Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report | 0 |
|---|--------------------------|---|-------------------------------------|---|----------------------------|---|---|
| Top 10 shareholders   |                          |   |                                     |   |                            |   |   |
| Name of shareholder   | Nature of shareholder    | Shareholding percentage   | Total shares held at the period-end | Restricted shares held  | Shares in pledge or frozen |   |   |
|   |                          |   |                                     |   | Status                     | Shares  |   |
| BEIJING GRAIN GROUP CO., LTD.                               | State-owned legal person | 42.06%  | 288,439,561                         | 164,877,598   |                            |   |   |
| BEIJING STATE-OWNED CAPITAL OPERATION AND MANAGEMENT CENTER | State-owned legal person | 7.07%   | 48,510,460                          | 48,510,460  |                            |   |   |

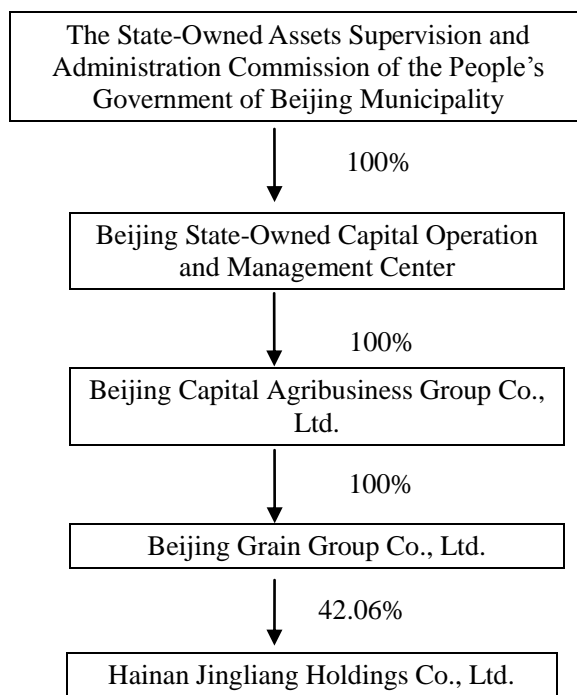
|   |                          |   |            |   |  |  |
|---|--------------------------|---|------------|---|--|--|
| CHINA DEVELOPMENT BANK CAPITAL CO., LTD.  | State-owned legal person | 2.97%   | 20,393,051 | 0 |  |  |
| LI SHERYN ZHAN MING   | Foreign natural person   | 2.58%   | 17,683,400 | 0 |  |  |
| GOLD BUFFALO RUNYING (TIANJIN) EQUITY INVESTMENT FUND MANAGEMENT CO., LTD.—GOLD BUFFALO RUNYING (TIANJIN) EQUITY INVESTMENT FUND (L.P.) | Other                    | 2.00%   | 13,697,179 | 0 |  |  |
| XIE YU  | Domestic natural person  | 0.50%   | 3,450,469  | 0 |  |  |
| MEI JIANYING  | Domestic natural person  | 0.38%   | 2,604,203  | 0 |  |  |
| HU TIANGAO  | Domestic natural person  | 0.34%   | 2,356,052  | 0 |  |  |
| ZHANG XIAOXIA   | Domestic natural person  | 0.28%   | 1,949,250  | 0 |  |  |
| JI XIANGYAO   | Domestic natural person  | 0.28%   | 1,909,713  | 0 |  |  |
| Related or acting-in-concert parties among the shareholders above   |                          | Beijing State-Owned Capital Operation And Management Center owns 100% of Beijing Grain Group Co., Ltd., and Beijing Grain Group Co., Ltd. is a shareholder of the Company (a 42.06% holding). Apart from that, the Company does not know whether there are any other related parties or acting-in-concert parties among the top 10 shareholders.  |            |   |  |  |
| Shareholders involved in securities margin trading (if any)   |                          | 1. Shareholder Xie Yu holds 3,450,469 shares in the Company through his account of collateral securities for margin trading in Guotai Junan Securities Co., Ltd.<br>2. Shareholder Ji Xiangyao holds 1,909,713 shares in the Company through his account of collateral securities for margin trading in Guotai Junan Securities Co., Ltd.<br>3. Shareholder Wang Xiaoxing holds 1,758,000 shares in the Company through his account of collateral securities for margin trading in Soochow Securities Co., Ltd. |            |   |  |  |

## (2) Number of Preferred Shareholders and Shareholdings of Top 10 of Them

☐ Applicable ☒ Not applicable

No preferred shareholders in the Reporting Period.

### (3) Ownership and Control Relations between the Actual Controller and the Company



## 5. Corporate Bonds

Does the Company have any corporate bonds publicly offered on the stock exchange, which were outstanding before the date of this Report's approval or were due but could not be redeemed in full?

No.

## Part III Operating Performance Discussion and Analysis

### 1. Business Overview of the Reporting Period

#### (1) Overall Performance

In face of the constant hits by unfavorable factors such as the China-U.S. trade friction and the African swine fever in 2019, the Company pursued progress amid stability in all the work. For the year under review, the Company recorded operating revenue of RMB7.44 billion and a gross profit of RMB0.26 billion. By operating division, the oils and oilseeds division reported operating revenue of RMB6.451 billion and a gross profit of RMB105 million; and the food division posted operating revenue of RMB0.94 billion and a gross profit of RMB186 million. The net profit attributable to the Company as the parent was RMB133 million, and earnings per share were RMB0.19. The Company keeps growing in a steady manner.

Beijing Jingliang Food Co., Ltd., a swapped-in asset in a major asset restructuring, achieved healthy growth

through proactive market expansion and stricter cost control. For the year under review, it registered operating revenue of RMB7.4 billion, a gross profit of RMB309 million and a net profit attributable to the Company as the parent before exceptional items of RMB155 million. The cumulative actual net profits attributable to the Company as the parent before exceptional items for the past three years amount to RMB476 million, representing 107.55% of the three-year performance commitment. As such, it has smoothly fulfilled the performance commitment as agreed upon in the Profit Compensation Agreement and the supplementary agreement between the Company and Beijing Grain Group Co., Ltd. and Beijing State-Owned Capital Operation and Management Center.

## **(II) Major Results Achieved**

### **1. The Prominent Overall Effect on Oils and Oilseeds Division**

In 2019, the Sino-US trade friction and African swine fever have led in more pervasive effects to oils and oilseeds crushing industry. Therefore, the oils and oilseeds division adjusted strategies proactively, and took five platforms of “Risk Control and R&D, Operation of Stocks, Import and Export Trade, Production Management and Product Marketing” as supports, to realize the mutual support and information share among each node in the oils and oilseeds division, which has reduced maximally the effects generated from Sino-US trade war and turned losses into gains in oils and oilseeds crushing business in the second half year. Small-packed oils and oilseeds business has been further optimized. As the sales volume of high gross margin oils including sunflower oil of Gu Chuan, non-GMO soybean oil accounts for 65%, the sales volume has been improved, at the meantime exploring initially the integrated marketing mode, mining customers’ demands, innovating the marketing methods as well. The hedging risk control and product development were strengthened in oils and oilseeds trade business to seize the market opportunity, and thus the annual sales of oils and oilseeds has reached 0.4 million tons. Additionally, the warehouse service business was expanded and the management service was innovated in oils warehousing, and thus the soybean reserves was increased over 0.1 million tons.

### **2. The Steady-state Growth of the Food Division**

In 2019, the food division remained stable development under the continuous influx of strategic competitors and intensive competition in the terminal market. The snack food business was oriented by market demand, commands overall arrangements through innovative thinking, vigorously advances the innovation of marketing, management, products and technology, as well as improves product experience and continuous enhancement of sales volume by carrying out new products promotion with web celebrities via certain activities such as live webcast to reach consumers closely. Meanwhile, owing to emphasize the product development and reinforce the expansion of retail channels in the bread processing business, the business sales in other channels was flat basically with the KFC system sales, and the Green Tea system was increased by 84% year-on-year.

### **3. The Positive Intervention of Land Restoration Business**

With the help of the important development opportunity in rural revitalization strategy, the Company intervened in land restoration proactively. Over 700 mu of land was restored in the Reporting Period regarding the Caofeidian Project so that the Company has been familiar with the main procedures and key nodes of land

restoration by the operation of the project. There was no obvious progress in Xinyi Project for policy reasons in the Reporting Period.

#### 4. The Continuous Improvement of Management Work

In the principle of standardized operation and simplification with high efficiency, the Company constituted excellent management and control system and management team to ensure the stable and efficient corporate operation. Firstly, the Company continued to promote the institutional system, establishing the interconnected and complementary system with four hierarchies of the company's articles of association, regulations of shareholders' meeting, board of directors and board of supervisors, company level and department level. The well-established inner control system has been shaped based on the institutional system and accompanied by the sheets and procedures. Secondly, the Company adheres to the economic analysis and the key work supervision mechanism, sticks to the monthly and quarterly analysis of the business operation, researches the solutions and supervises the job schedule, which effectively guaranteed the completion of the annual operational indicators. Thirdly, the Company carried on enhancing financial management with developing service and control simultaneously, which propelled the progress of business operation and project investment, and guaranteed the capital security.

## 2. Significant Change to Principal Activities in the Reporting Period

☐ Yes ☒ No

## 3. Product Category Contributing over 10% of Principal Business Revenue or Profit

☒ Applicable ☐ Not applicable

Unit: RMB

| Product category  | Operating revenue | Operating profit | Gross profit margin | YoY change in operating revenue (%) | YoY change in operating profit (%) | YoY change in gross profit margin (%) |
|-------------------|-------------------|------------------|---------------------|-------------------------------------|------------------------------------|---------------------------------------|
| Oils and oilseeds | 6,451,212,047.10  | 289,288,375.24   | 4.48%               | -0.32%                              | -17.78%                            | -0.95%                                |
| Food processing   | 940,737,948.76    | 297,683,457.05   | 31.64%              | 5.58%                               | 6.73%                              | 0.34%                                 |

## 4. Business Seasonality that Calls for Special Attention

☐ Yes ☒ No

## 5. Significant YoY Changes in Operating Revenue, Cost of Sales and Net Profit Attributable to the Listed Company's Ordinary Shareholders or Their Compositions

☐ Applicable ☒ Not applicable

## 6. Possibility of Listing Suspension or Termination

☐ Applicable ☒ Not applicable

## 7. Matters Related to Financial Reporting

### (1) YoY Changes to Accounting Policies, Accounting Estimates or Measurement Methods

☒ Applicable   ☐ Not applicable

① The Ministry of Finance issued from 31 March 2017 the revised versions of certain accounting standards, including the Accounting Standard No. 22 for Business Enterprises—Recognition and Measurement of Financial Instruments (CK [2017] No. 7), the Accounting Standard No. 23 for Business Enterprises—Transfer of Financial Assets (CK [2017] No. 8), the Accounting Standard No. 24 for Business Enterprises—Hedge Accounting (CK [2017] No. 9), and the Accounting Standard No. 37 for Business Enterprises—Presentation of Financial Instruments (CK [2017] No. 14), which were required to be applied, from 1 January 2019, to enterprises listed domestically in China.

② The Ministry of Finance issued in May 2019 the revised versions of the Accounting Standard No. 7 for Business Enterprises—Exchange of Non-Monetary Assets (CK [2019] No. 8) and the Accounting Standard No. 12 for Business Enterprises—Debt Restructuring (CK [2019] No. 9), which were required to be applied, from 10 and 17 June 2019 respectively, to enterprises adopting China's Accounting Standards for Business Enterprises.

### (2) Retrospective Restatements due to Correction of Material Accounting Errors in the Reporting Period

☐ Applicable   ☒ Not applicable

No such cases.

### (3) YoY Changes to the Scope of Consolidated Financial Statements

☒ Applicable   ☐ Not applicable

Beijing Jingliang Gu Bi Oils Co., Ltd. was newly included in, and Jingliang Misimi Catering Management (Tianjin) Co., Ltd. and Jingliang Xinchuang (Tianjin) Commercial Management Co., Ltd. were excluded from the consolidated financial statements of the Reporting Period.

Hainan Jingliang Holdings Co., Ltd.

28 March 2020