

Stock Code: 000505, 200505

Stock Name: JLKG, JL-B

Announcement No. 2019-018

# **HAINAN JINGLIANG HOLDINGS CO., LTD.**

## **ANNUAL REPORT 2018 (SUMMARY)**

### **Part I Important Notes**

This Summary is based on the full text of the 2018 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		
Used stock name (if any)	Pearl River A, Pearl River B		
Contact information	Board Secretary	Securities Representative	
Name	Zhao Yinhua		
Address	Jing Liang Building, NO. 16 East Third Ring Middle Road, Chaoyang District, Beijing		
Fax	010-51672010		
Tel.	010-51672029		
Email address	593374748@qq.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”, “Huo Niao” and “Tian Yi”, 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 2018, as the China-U.S. trade war escalated, the Company turned to Brazil for the procurement of the major raw materials for its oils and oilseeds division. This supply source from Brazil, with strong seasonality, a long transportation distance and unstable quality, caused a considerable rise in cost of sales. Therefore, the oils and oilseeds division took the initiative to adjust operating strategies, gave play to its industrial chain advantage, and strengthened every link of the industrial chain, so as to offset the hit by the trade war. For 2018, the oils and oilseeds division recorded main operating revenue of RMB6.472 billion and a profit before tax of RMB131 million, approximately flat with last year.

2018 saw the rising prices of raw and auxiliary materials, as well as a fiercer end-market competition in the snack food industry. The Company primarily competes with Orion, Dali Foods, Lay's and Oishi in the areas of fried potato chips, non-fried potato chips and puffed potato sticks. On the non-fried potato chips market, subsidiary Xiaowangzi is the second largest brand next to Orion, and the largest brand in the separate package and bulk segments, with great market potentials. The snack food business adhered to the “Differentiated Asymmetric Competition Strategy”, deepened the model of “Professional Production + Cultural Creativity + Internet”, as well as implemented quality product and product transition strategies. As a result, for 2018, the snack food business reported main operating revenue of RMB817 million, up 5.87% year-on-year; and a profit before tax of RMB151 million, representing a 13.07% growth as compared to last year. Meanwhile, thanks to greater efforts in other cities and product development, as well as the proactive efforts in expanding retail channels, the bread processing business posted operating revenue of RMB77.26 million, up 26.86% year-on-year.

## 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

	2018	2017	2018-over-2017 change (%)	2016
Operating revenue	7,409,124,303.41	7,917,639,044.13	-6.42%	8,723,491,657.31
Net profit attributable to the listed company's shareholders	167,956,581.15	129,603,167.36	29.59%	197,319,239.01
Net profit attributable to the listed	127,425,177.20	63,818,849.21	99.67%	-72,109,287.22

company's shareholders before exceptional items				
Net cash generated from/used in operating activities	850,167,551.24	-1,379,507,779.66	161.63%	948,330,160.14
Basic earnings per share (RMB/share)	0.24	0.2	20.00%	0.31
Diluted earnings per share (RMB/share)	0.24	0.2	20.00%	0.31
Weighted average return on equity (%)	7.69%	5.01%	2.68%	6.96%
	31 December 2018	31 December 2017	Change of 31 December 2018 over 31 December 2017 (%)	31 December 2016
Total assets	4,917,148,996.28	6,082,383,851.23	-19.16%	5,007,343,324.00
Equity attributable to the listed company's shareholders	2,272,469,925.43	2,101,342,683.37	8.19%	1,383,081,876.55

## (2) Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	1,866,527,190.78	1,773,098,788.63	1,899,805,985.97	1,869,692,338.03
Net profit attributable to the listed company's shareholders	31,041,912.71	28,877,082.97	42,345,394.93	65,692,190.54
Net profit attributable to the listed company's shareholders before exceptional items	29,930,951.86	27,428,084.65	42,526,321.21	27,539,819.48
Net cash generated from/used in operating activities	671,468,699.31	-625,774,156.43	373,889,151.61	430,583,856.75

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	38,776	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	37,224	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	3.33%	22,828,451	0		
LI SHERYN ZHAN MING	Foreign natural person	3.21%	22,002,700	0		
GOLD BUFFALO RUNYING (TIANJIN) EQUITY INVESTMENT FUND MANAGEMENT CO., LTD.—GOLD BUFFALO RUNYING (TIANJIN) EQUITY INVESTMENT FUND (L.P.)	Other	3.20%	21,972,451	0		
MEI JIANYING	Domestic natural person	0.38%	2,604,203	0		
HU TIANGAO	Domestic natural person	0.36%	2,436,052	0		
DONGYANG HENGDIAN GUARANTY CO., LTD.	Domestic non-state-owned legal person	0.32%	2,204,976	0		
WANG DAO	Domestic natural person	0.31%	2,145,100	0		
ZHANG XIAOXIA	Domestic natural person	0.28%	1,949,250	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 Wang Xiaoxing holds 1,776,000 shares in the Company through his account of collateral securities for margin trading in Soochow Securities Co., Ltd. 2. Shareholder Hu Tiangao holds 338,000 shares in the Company through his account of collateral securities for margin trading in Zheshang Securities Co., Ltd., and 2,098,052 shares in the Company through his ordinary securities account.					

## (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

Is the Company subject to any industry-specific disclosure requirements?

No.

#### (1) Overall Performance

In face of the generally weak market and industry in 2018, the Company pursued progress amid stability. For the year under review, the Company recorded main operating revenue of RMB7.409 billion, with a profit before tax of RMB277 million and earnings per share of RMB0.24. By operating division, the oils and oilseeds division reported main operating revenue of RMB6.472 billion with a profit before tax of RMB131 million; and the food processing division posted operating revenue of RMB891 million with a profit before tax of RMB155 million. Beijing Jingliang Food Co., Ltd., a swapped-in asset in a major asset restructuring, registered operating revenue of

RMB7.409 billion, a profit before tax of RMB297 million and a net profit attributable to the Company as the parent before exceptional items of RMB164 million, fulfilling its 2018 annual profit commitment.

## (2) Major Results Achieved

### A. Stable and Smooth Operation of Oils and Oilseeds Division

In 2018, the Sino-US trade friction continued to escalate, and the Company began to purchase most raw materials from Brazil. The costs of the Company in operating increased significantly because of the Brazilian soybeans' limited supplying season, wide quality range and storage difficulty. Therefore, the oils and oilseeds division took the initiative to adjust operating strategies, gave play to its industrial chain advantage, and strengthened every link of the industrial chain, so as to offset the hit by the trade war. For 2018, the oils and oilseeds division recorded main operating revenue of RMB6.472 billion and a profit before tax of RMB131 million, approximately flat with last year. **Firstly**, the platform effect has gradually appeared. In terms of the oils and oilseeds division, five major platforms have been established to effectively integrate various resources and improve the efficiency, including Risk Control and R&D, Operation of Stocks, Import and Export Trade, Production Management and Product Marketing. Under the impact of the Sino-US trade war, the five major platforms can support each other and share various information in order to maximally mitigate the trade war's impact on various enterprises specialized in oilseed squeezing. For example, Jingliang Tianjin is capable of squeezing soybeans over 1 million tons in a year with a profit before tax of RMB30.61 million. **Secondly**, the structure of small-packed products has been continuously optimized. As the sales volume of high value-added oils including sunflower oil, linseed oil, olive oil, non-GMO soybean oil increases 11%, the sales accounts for over 50% for the first time; the sales volume of ordinary soybean oils with relatively low gross profit rate declines 15% on the year-on-year basis. However, the adjustment of product structure directly improves the operating benefits, and the profit created by small-packed oils has largely increased when compared to that last year. Thirdly, the trade business has made a steady progress. In terms of the oils and oilseeds trade, the future transaction and the stock transaction are combined and the research on the market is strengthened by using innovative management means to fend off various operating risks. As a result, the annual sales of oils and oilseeds reached 470,000 tons with the sales revenue of RMB2 billion and a profit before tax of RMB32.7 million.

### B. The Steady-state Growth of the Food Division

In 2018, the food processing division recorded main operating revenue of RMB891 million with the year-on-year growth of 7.47% and a profit before tax of RMB155 million with the year-on-year growth of 13.60% in the case of continuous influx of strategic competitors and the increased competition in the terminal market, remaining a steady development momentum. The snack food business adhered to the "Differentiated Asymmetric Competition Strategy", deepened the model of "Professional Production + Cultural Creativity + Internet", as well as implemented quality product and product transition strategies. As a result, for 2018, the snack food business reported operating revenue of RMB816 million, up 5.87% year-on-year; and a profit before tax of RMB151 million, representing a 13.07% growth as compared to last year. Meanwhile, thanks to greater efforts in other cities and product development, as well as the proactive efforts in expanding retail channels, the bread processing business posted operating revenue of RMB77.26 million, up 26.86% year-on-year.

### C. Steady Development of Land Restoration Business

In 2018, No. 1 Document of the Central Committee of the Communist Party of China and the Rural Work Conference proposed the land restoration and rural complex construction, and the rural revitalization strategy also mentioned the national strategy, which is an important opportunity for enterprises to enter this field. First, for Xinyi Yaowan Town project, corresponding equity structure adjustment was made and Shanghai Heheng Management Consulting Co., Ltd. was involved as a wholly-owned subsidiary of Golden Concord Holdings Limited (GCL Group). By virtue of obvious advantages in professional operation, it could facilitate the project's construction while meeting high standards and achieving high efficiency. Second, for Tangshan Caofeidian Project, the operation is relatively simple as it is the restoration of mud flat land. At present, the project has been approved by the Land and Resources Department of Tangshan, and is undergoing the construction bidding. The project is expected to commence at the end of March in 2019. Subsequently, it's required to accelerate the construction of the project, the government's acceptance and the declaration and sales of indicators of cultivated land. It is expected to make profits in 2019.

#### D. Stable and Orderly Basic Management Work

Standardized operation is the basis for the sustainable and healthy development of listed companies. The Company insists on effectively combining regulatory requirements with corporate operations to form a standardized and efficient management and control system. First, the Company establishes and improves its institutional system and has established a complementary system in accordance with the company's articles of association, regulations of shareholders' meeting, board of directors and board of supervisors, company level and department level. Second, the Company adheres to the economic analysis and the key work supervision mechanism, always sticks to the monthly and quarterly analysis of its business operation, researches solutions and supervises job schedule, which has effectively guaranteed the fulfillment of annual operating indicators; according to *The Supervision Work Procedures*, various key works must be supervised by means of weekly supervision, monthly scheduling, quarterly inspection and annual evaluation to effectively guarantee the fulfillment of various works in the year. Third, the effect of assessment and incentives has been revealed. The penetration-type and full coverage-type method have been applied to assess various subsidiaries and cover all team members and senior executives above directors, in which way, the net profit indicators will be strengthened, and the corporate performance will be combined with the individual performance. The strict assessment based on indicators has effectively stimulated the enthusiasm of the management team in making greater achievement.

#### 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	6,471,890,047.04	351,838,500.55	5.44%	-1.75%	7.92%	0.49%
Food processing	890,987,143.21	278,908,008.83	31.30%	7.47%	12.43%	1.38%

#### 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

As per the Notice of the Ministry of Finance on Revising and Issuing the Format of 2018 Annual Financial Statements of General Enterprises (CK[2018] No.15), the Company adjusted accordingly the format of its financial statements, as well as the comparative data.

##### (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

Compared with 2017, there are two new subsidiaries included in the consolidated financial statements of 2018: Jingliang Rural Complex Construction and Operation (Xinyi) Co., Ltd. and Jingliang (Caofeidian) Agricultural Development Co., Ltd.

Hainan Jingliang Holdings Co., Ltd.

March 30 , 2019