



**北京京客隆**  
商业集团股份有限公司  
BEIJING JINGKELONG COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China)  
(Stock Code : 814)

INTERIM REPORT  
**2013**



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### EXECUTIVE DIRECTORS

Mr. Li Jianwen (*Chairman*)  
Ms. Li Chunyan  
Mr. Liu Yuejin

#### NON-EXECUTIVE DIRECTORS

Mr. Wei Tingzhan  
Mr. Gu Hanlin  
Mr. Li Shunxiang

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Choi Onward, *CPA*  
Mr. Wang Liping  
Mr. Chen Liping

### AUDIT COMMITTEE

Mr. Choi Onward, *CPA* (*Chairman*)  
Mr. Wang Liping  
Mr. Chen Liping

### REMUNERATION COMMITTEE

Mr. Wang Liping (*Chairman*)  
Mr. Li Jianwen  
Mr. Chen Liping

### NOMINATION COMMITTEE

Mr. Chen Liping (*Chairman*)  
Mr. Li Jianwen  
Mr. Wang Liping

### SUPERVISORS

Ms. Liu Wenyu (*Chairman*)  
Ms. Wang Hong  
Ms. Yao Jie  
Mr. Chen Zhong  
Ms. Cheng Xianghong  
Mr. Yang Baoqun

### COMPANY SECRETARY

Mr. Li Bo, *CPA*

### AUTHORISED REPRESENTATIVES

Ms. Li Chunyan  
Mr. Li Bo, *CPA*

### AUDITORS

Deloitte Touche Tohmatsu CPA LLP

## LEGAL ADVISERS

### **As to Hong Kong law:**

Reed Smith Richards Butler

### **As to PRC law:**

Jun Ze Jun Law Offices

## INVESTORS AND MEDIA RELATION CONSULTANT

iPR Ogilvy Ltd.

## PRINCIPAL BANKERS

### **Agricultural Bank of China**

Beijing Guanghua Road Branch  
4 Guanghua Road  
Chaoyang District  
Beijing, PRC

### **Bank of Beijing**

Jiulongshan Branch  
117th Building  
Jinsong Dongkou Nongguang Lane  
Beijing, PRC

## H SHARES REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor  
Services Limited  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Block No. 45  
XinYuan Street  
Chaoyang District  
Beijing, PRC

## PLACE OF BUSINESS IN HONG KONG

20th Floor  
Alexandra House  
18 Chater Road  
Central, Hong Kong

## COMPANY WEBSITE

[www.jkl.com.cn](http://www.jkl.com.cn)

## SHAREHOLDERS' ENQUIRIES CONTACT INFORMATION OF THE COMPANY

Department of Investor Relations  
Tel: 0086-10-64688238  
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Chaoyang District, Beijing, PRC

## STOCK CODE

814

## FINANCIAL HIGHLIGHTS

Beijing Jingkelong Company Limited (the “Company” or “Jingkelong”) and its subsidiaries (collectively the “Group”) achieved the following results during the six months ended 30 June 2013 (the “Reporting Period”):

- Revenue amounted to approximately RMB4,709,149,979, representing an increase of approximately 4.5% compared with the last corresponding period.
- Gross profit amounted to approximately RMB686,968,808, representing a decrease of approximately 1.9% compared with the last corresponding period.
- Operating profit amounted to approximately RMB100,688,923, representing a decrease of approximately 29.4% compared with the last corresponding period.
- Profit attributable the owners of the parent reached approximately RMB48,365,390, representing a decrease of approximately 37.7% compared with the last corresponding period.

According to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” which was published by The Stock Exchange of Hong Kong Limited in December 2010, Mainland audit firms approved by the Ministry of Finance of China and China Securities Regulatory Commission (“CSRC”) can apply the accounting policies in the Mainland when providing services to Mainland incorporated issuers which are listed in Hong Kong. As such, in the 2012 annual general meeting of the Company held on 28 May 2013, the appointment of Deloitte Touche Tohmatsu CPA LLP as the auditors of the Company was considered and approved. After the said appointment, Deloitte Touche Tohmatsu CPA LLP became the only auditor of the Company auditing/reviewing the Company’s financial statements in accordance with China Auditing Standards. The financial statements contained in this interim report were prepared in accordance with China Accounting Standards.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the first half of 2013, amid the weak growth momentum in the PRC economy and severe overcapacity, enterprises suffered from increasingly challenging operating conditions. The wholesale and retail industry of fast moving consumer goods and the traditional offline enterprises faced increasingly intensified competition due to a homogenous business model. Meanwhile, being affected by the increasingly intense impact of e-commerce, the surge in production costs such as labour costs, rental and finance costs, as well as the changes in consumption structure due to the restrictions on public-fund spending imposed by the government, the retail and wholesale industry was under unprecedented pressure, thus making adjustment and transformation is the only way forward for traditional wholesale and retail enterprises to prevent declines in performance and to achieve sustainable development.

In face of the challenging and complex economic environment, during the Reporting Period, the Group implemented the relevant projects pursuant to the adjustment and transformation strategy formulated at the beginning of the year: (i) the Group pushed forward the construction project of a vegetable and fruit processing centre. In accordance with the plan to increase the added value of live and fresh produce via rough processing, meticulous processing and exquisite processing of fruits and vegetables and in turn increase the operating profit, the Group has, during the first half of the year, completed its survey on the processing techniques of fruits and vegetables and developed the relevant processing procedures, and conducted the preliminary planning and design for the construction of the vegetable and fruit processing centre; (ii) the Group prepared for the construction project of a central staple kitchen, with an aim to improve the existing product mix and increase the added value by increasing the share of semi-processed and processed foods in the sales of stores; and (iii) in an effort to reverse the decline in operating results, the Group continued to adopt a proactive marketing strategy to maintain sales, while optimizing the operation and management procedures of the Company and implementing various improvement measures with a focus on reducing costs and enhancing efficiency.

### RETAIL BUSINESS

#### *OPTIMIZING PRODUCT MIX AND FOCUSING ON METICULOUS MANAGEMENT*

The Group increased the frequency in conducting ranking, analysis and screening of goods categories on a regular basis, accelerated the phase-out of obsolete and close-to-expiry goods and cleaned up stock of inactive goods, so as to ensure replacement of inactive products with the newly introduced ones in a timely manner. Efforts were stepped up to strengthen meticulous management over turnover, stock and return of goods as well as management of goods information, particularly focusing on accelerating the turnover of goods and reducing unrecovered capital of inventory.

#### *STRENGTHENING MANAGEMENT OF FRESH PRODUCE AND IMPROVING OPERATION CAPABILITY*

Leveraging on the logistics facilities of the cooperative base and the information networks, the Group gradually increased the proportion of produce directly supplied from the vegetable bases and local farmers, so as to streamline the distribution process of vegetables, which in turn reduced losses and ensured freshness of the products. By increasing the frequency of spot check, the Group implemented strict control over the various quality criteria such as product specifications, freshness and completeness to ensure the quality of fresh produce. In addition to enhancement of price management of fresh produce, the Group also initiated multiple promotion campaigns to attract customers and boost sales, resulting in an increase of 9.3% in the sales of fruits and vegetables for the first half of the year.

## IMPROVING LOGISTICS EFFICIENCY AND ENHANCING THE LOGISTICS SYSTEM

In addition to improving the operation standards and procedures of the normal-temperature logistics centre and reducing the error rate of distribution, the Group implemented the “no inspection upon receipt” policy for merchandise directly distributed from the centre, with an aim to decrease damage to products and reduce the number of logistics employees in the stores. The Group further expanded the scope of cross docking logistics and optimized internal operation process to enhance logistics efficiency. Storage of commodities was analyzed and managed based on the type and inbound and outbound data of the products, so as to improve occupancy rate of storage space and enhance sorting efficiency.

## STEADILY EXPANDING THE RETAIL NETWORK

During the Reporting Period, the Group continued its steady development of the retail network. 26 retail outlets which comprised 24 directly-operated retail outlets (including one hypermarket, one supermarket and 22 convenience stores) and two franchise-operated convenience stores were opened in Beijing and Datong, Shanxi province. In addition, the Group renovated and upgraded one hypermarket and two convenience stores.

The total number of the Group's retail outlets was 270 as at 30 June 2013, including 180 directly-operated retail outlets and 90 franchise-operated retail outlets, with a total net operating area of approximately 318,633 square metres. The following table sets out the number and net operating area of the Group's retail outlets as at 30 June 2013:

	Department			Convenience	Total
	stores	Hypermarkets	Supermarkets	stores	
Number of retail outlets:					
Directly-operated	2	11	75	92	180
Franchise-operated	–	–	1	89	90
Total	2	11	76	181	270
Net operating area (square metres):					
Directly-operated	39,742	84,572	157,696	18,693	300,703
Franchise-operated	–	–	880	17,050	17,930
Total	39,742	84,572	158,576	35,743	318,633

## RETAIL OPERATING RESULTS

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

	For the six months ended 30 June		
	2013	2012	Variance
	RMB'000	RMB'000	(%)
<b>Directly-operated retail outlets:</b>			
Hypermarkets	595,576	618,519	-3.7
Supermarkets	1,541,802	1,566,295	-1.6
Convenience stores	162,849	164,628	-1.1
Department stores	27,829	25,060	11.1
(Including commissions)	(23,891)	(20,526)	16.4
<b>Total retail prime operating income</b>	<b>2,328,056</b>	<b>2,374,502</b>	<b>-2.0</b>
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	15.8	15.3	0.5

During the Reporting Period, the retail prime operating income of the Group decreased by approximately 2.0% mainly due to the following reasons: (i) an overall same-store sales decrease of approximately 4.0% during the Reporting Period; (ii) sales decrease from 2 hypermarkets temporarily closed for renovation and redecoration, and 5 supermarkets closed in 2012 and during the Reporting Period; and (iii) sales contribution from those stores opened in the second half of 2012 and during the Reporting Period.

During the Reporting Period, gross profit margin of the directly-operated retail business (excluding department stores) increased slightly to 15.8% from 15.3% of the last corresponding period, mainly because of: (i) enhancement of price management of fresh produce; and (ii) optimization of product mix. Through these efforts, the retail gross profit and gross profit margin recorded slight increases compared with the last corresponding period, despite the fact that there has been a decrease in sales.

## WHOLESALE BUSINESS

### EXPANDING THE WHOLESALE DISTRIBUTION NETWORK

During the Reporting Period, the Group further strengthened its regional distribution networks by setting up a new subsidiary in each of Datong, Shanxi province and Tangshan, Hebei province respectively and establishing a branch company under a subsidiary in Langfang, Hebei province. Meanwhile, the three subsidiaries established in the second half of 2012 have officially commenced operation with positive operating results. While proactively exploring market channels in the suburbs of Beijing and beyond, the Group improved and enhanced its network in a timely manner by reinforcing supervision and examination on the working process, so as to improve the services and exploit the operating potential of the existing network. The Group also increased capital injection to its subsidiaries to boost the development of wholesale business, with an aim to improve its overall strength.



## EXPLORING THE DEVELOPMENT OF WHOLESALE BUSINESS

During the Reporting Period, keeping abreast with the market trend, the Group continued to explore distribution channels to e-commerce service providers, deepened cooperation with major e-commerce service providers and accelerated introduction of new marketable products, rapidly expanding the sales to such clients which will form a new source of sales and profit growth for the wholesale business. By taking various measures including organization of business development meetings, the Group forged strategic cooperation with manufacturers of well-known brands and improved the compatibility between both parties, with a mutual aim to deepen market delineation and delicate operation. Furthermore, the Group continued to develop new channels and introduce new brands to enrich the product lines, leading to further expansion of the wholesale business.

## PROMOTING THE SUSTAINABLE DEVELOPMENT OF THE LOGISTICS OPERATION AND IMPROVING THE LOGISTICS SERVICES LEVEL

During the Reporting Period, the Group completed the installation and testing of the small-size disassembling and auto-sorting system, and put the system into operation. Construction of newly-built extension to No. 5 warehouse further enhanced the logistics capacity. Besides the continuous efforts to upgrade the automation of the system and improve the logistics services level, the Group actively expanded the third-party logistics and established joint distribution centers with major customers, creating a new profit model for the third-party logistics storage services. The Group promoted the logistics management concept of "zero error" in an effort to improve inbound and outbound service quality, reduce operating costs and improve logistics efficiency, thus achieving the improvement of logistics management.

## WHOLESALE OPERATING RESULTS

The wholesale prime operating income and gross profit margin are set out as follows:

	For the six months ended 30 June		
	2013	2012	Variance
	RMB'000	RMB'000	(%)
Prime operating income recognised by Chaopi Trading and its subsidiaries	2,640,329	2,382,310	10.8
Less: Intersegment sales	(270,715)	(271,828)	-0.4
Sales to franchisees	5,737	7,830	-26.7
<b>Consolidated wholesale prime operating income</b>	<b>2,375,351</b>	2,118,313	<b>12.1</b>
<b>Gross profit margin* (%)</b>	<b>11.3</b>	13.2	<b>-1.9</b>

\* This represents gross profit margin recognised by Chaopi Trading and its subsidiaries including intersegment sales.

During the Reporting Period, the wholesale prime operating income recognized by Chaopi Trading and its subsidiaries increased by approximately 10.8%, which was mainly due to the following reasons: (i) various intensified promotion activities were arranged with suppliers to strengthen market shares; (ii) the sales contribution from the new subsidiaries in the second half of 2012 and during the Reporting Period; and (iii) the sales contribution from newly introduced distributorship brands.

During the Reporting Period, the gross profit margin of Chaopi Trading and its subsidiaries decreased by approximately 1.9%, mainly because of (i) multiple promotions were adopted in the first half of 2013; and (ii) the gross profit of the liquor merchandise with higher gross profit margin declined.

## FINANCIAL RESULTS

	For the six months ended 30 June		
	2013 RMB'000	2012 RMB'000	Variance (%)
Revenue from principal businesses	<b>4,709,150</b>	4,507,554	<b>4.5</b>
Gross profit	<b>686,969</b>	700,143	<b>-1.9</b>
Gross profit margin (%)	<b>14.6%</b>	15.5%	<b>-0.9</b>
Profit before interest and tax	<b>175,877</b>	222,072	<b>-20.8</b>
Net profit	<b>72,771</b>	107,047	<b>-32.0</b>
Net profit margin (%)	<b>1.5%</b>	2.4%	<b>-0.9</b>
Net profit attributable to the parent	<b>48,365</b>	77,632	<b>-37.7</b>
Net profit margin attributable to the parent (%)	<b>1.0%</b>	1.7%	<b>-0.7</b>

### REVENUE FROM PRINCIPAL BUSINESSES

During the Reporting Period, the Group's revenue from principal businesses increased by approximately 4.5%, of which retail revenue from principal businesses decreased by approximately 2.0%, and wholesale revenue from principal businesses increased by approximately 12.1%.

### GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group decreased by approximately 1.9% compared with the last corresponding period. During the Reporting Period, the gross profit margin was 14.6% (last corresponding period: 15.5% in accordance with China Accounting Standards).

### NET PROFIT ATTRIBUTABLE TO THE PARENT

During the Reporting Period, net profit attributable to the parent decreased by approximately 37.7% compared with the last corresponding period. The profit before interest and tax amounted to approximately RMB175,877,297, representing a decrease of approximately RMB46,194,483 compared with the last corresponding period, and the net profit attributable to the parent decreased from approximately RMB77,631,958 of the last corresponding period to approximately RMB48,365,390.

## LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2013, the Group had non-current assets of approximately RMB2,398,493,892 (comprising mainly fixed assets, investment property, and land use right of approximately RMB1,556,604,523), and non-current liabilities of approximately RMB309,359,139 (comprising mainly bank loans of approximately RMB282,000,000).

As at 30 June 2013, the Group had current assets of approximately RMB4,671,717,894. Current assets mainly comprised of cash and cash equivalents of approximately RMB704,315,812, inventories of approximately RMB1,375,055,530, trade receivables of approximately RMB1,181,833,406 and prepayments and other receivables of approximately RMB1,183,679,987. The Group had current liabilities of approximately RMB4,763,083,463. Current liabilities mainly comprised of bills and accounts payables of approximately RMB1,558,221,148, short term bank loans of approximately RMB2,402,850,743 and other payables of approximately RMB194,328,466.

## INDEBTEDNESS AND PLEDGE OF ASSETS

As at 30 June 2013, the Group had bank loans of approximately RMB2,684,850,743, which consisted of trade receivables factored bank loans of approximately RMB113,493,914, secured bank loans of approximately RMB282,000,000, unsecured bank loans of approximately RMB2,289,356,829. All the Group's bank loans bear interest rates ranging from 5.04% to 7.2% per annum. The secured bank loans were secured by certain of the Group's buildings, investment properties and land use rights with aggregate net book values of approximately RMB152,279,577.

Certain of the Group's security deposits of approximately RMB73,414,441 were pledged for bills payable of approximately RMB667,072,204 as at 30 June 2013. Also, bills acceptance amounting to RMB600,000,000 will be secured by inventories bought after the end of the Reporting Period with prepayments of RMB600,000,000 (31 December 2012: nil).

The Group's gearing ratio\* was approximately 71.7% as at 30 June 2013, which was slightly higher than approximately 67.2% in the previous corresponding period.

\* *Represented by: Total Debt/Total Asset*

## FOREIGN CURRENCY RISK

The Group's operating revenues and expenses are principally denominated in Renminbi.

During the Reporting Period, the Group did not encounter any material effect on its operations or liquidity as a result of fluctuation in currency exchange rates.

## EMPLOYEES

As at 30 June 2013, the Group employed 8,425 employees domestically (as at 30 June 2012: 8,354 employees). The total staff costs (including directors' and supervisors' remunerations) of the Group for the Reporting Period amounted to approximately RMB325,175,173 (corresponding period of 2012: RMB308,170,236). The staff emolument (including directors' and supervisors' emoluments) of the Group are based on duty (position), experience, performance and market rates, in order to maintain their remunerations at a competitive level.

## CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any significant contingent liabilities.

## ESTABLISHMENT OF TWO SUBSIDIARIES

During the Reporting Period, the Group, through its non-wholly owned subsidiary Datong Chaopi Beichen Trading Company Limited (“Datong Beichen”), established a subsidiary Datong Chaopi Mayi Trading Company Limited (“Datong Mayi”) to engage in the retail of daily consumer products in Datong, Shanxi province. Datong Mayi opened 21 directly-operated convenience stores in Datong, Shanxi province during the Reporting Period. As at 30 June 2013, the Company held an indirect equity interest of approximately 55.90% in Datong Mayi. The registered capital of Datong Mayi was RMB5,000,000, which has been fully paid up by Datong Beichen.

During the Reporting Period, the Group, through its non-wholly owned subsidiary Beijing Chaopi Trading Company Limited (“Chaopi Trading”), established a subsidiary Tangshan Chaopi Baishun Trading Company Limited (“Tangshan Baishun”) to engage in the wholesale of general merchandise in Tangshan, Hebei province. The registered capital of Tangshan Baishun was RMB30,000,000, which has been fully paid up by Chaopi Trading. Pursuant to an agreement entered into between Chaopi Trading and an independent third party dated 11 June 2013, Chaopi Trading disposed 30% of its equity interest in Tangshan Baishun to the said independent third party for a consideration of RMB9,000,000. After the completion of the transfer of this equity interest, the Company held an indirect interest of approximately 55.90% in Tangshan Baishun.

## TRANSFER OF SOME EQUITY INTEREST IN A SUBSIDIARY

Chaopi Trading transferred 30% of its equity interest in Datong Beichen to an independent third party for a consideration of RMB7,800,000, which approximated 30% of the fair values of the identifiable assets and liabilities of Datong Beichen, pursuant to an agreement entered into between Chaopi Trading, Datong Beichen and the said independent third party dated 24 January 2013. After the completion of the transfer of this equity interest, the Company held an indirect interest of approximately 55.90% in Datong Beichen.

## APPROVAL FROM THE CSRC FOR THE ISSUE OF CORPORATE BONDS

Pursuant to the Shareholders’ approval obtained on 2 November 2012, the Company filed an application on 21 February 2013 for the issue of corporate bonds (the “Corporate Bonds”) with an aggregate principal amount of not exceeding RMB750 million for a term of maturity of no more than 10 years on the Shanghai Stock Exchange. The Corporate Bonds will be guaranteed by an independent third party, Beijing Chaoyang District National Capital Operating Management Center, a state-owned enterprise. On 5 June 2013, the Issuance Examination Committee of the CSRC approved the Company’s application for the issue of Corporate Bonds. On 24 June 2013, the Company received the written approval from the CSRC, approving the Company’s issue of Corporate Bonds. For details of the proposed issue of Corporate Bonds, please refer to the notice of the extraordinary general meeting of the Company dated 17 September 2012 and the announcements of the Company dated 5 June 2013 and 24 June 2013, respectively.

## EVENTS AFTER THE REPORTING PERIOD

The events after the end of Reporting Period of the Group as at 30 June 2013 is set out in note IX of the financial statements.

## OUTLOOK

Looking ahead to the second half of the year, the central government's policies in relation to stabilizing the growth and adjusting economic structure will reap positive effects. As a result, the PRC economy will gradually usher in a transformation of growth model and an upgrade of structural adjustment. As competition in the retail industry intensified due to the diversified industrial patterns, retail enterprises will step up restructuring efforts to achieve a shift in their growth models.

Facing the challenging market environment and arduous tasks, the Group will, with strong determination to advance in defiance of difficulties, take proactive measures to adapt to the market changes by adjusting our operating structure and business model, steadily promoting mechanism reform and profit model development, accelerating the establishment of logistics supporting system and refining management of each operative component, so as to improve operational efficiency and effectively reduce costs and losses. With courage and wisdom, the Group will push ahead corporate transformation and maintain stable and healthy development by solidifying the current position and aiming for long-term success.

## OTHER INFORMATION

### CORPORATE GOVERNANCE

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

Provision A4.2 of the Corporate Governance Code requires that every director (including those appointed for a specific term) of a listed issuer shall be subject to retirement by rotation at least once every three years. The Company’s 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.

### DIRECTOR’S SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Having made specific enquiries will all directors, all the directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code and the code of conduct regarding their securities transactions throughout the Reporting Period.

### AUDIT COMMITTEE

The Audit Committee together with the management of the Company and the independent auditor have considered and reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting, including the review of the Group’s 2013 unaudited interim consolidated results. The Audit Committee considered that the interim financial report for the six months ended 30 June 2013 was in compliance with the relevant accounting standards, requirements of the Stock Exchange and the Laws of Hong Kong, and appropriate disclosures have been made.

## DISCLOSURE OF INTERESTS

### *DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES*

As at 30 June 2013, the interests and positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules, were as follows:

#### **Long positions in the domestic shares of the Company**

<b>Name</b>	<b>Capacity</b>	<b>Number of domestic shares held</b>	<b>Approximate percentage of total issued domestic shares (%)</b>	<b>Approximate percentage of total issued shares (%)</b>
Li Jianwen	Personal	1,482,579	0.64	0.36
Li Chunyan	Personal	395,992	0.17	0.10
Liu Yuejin	Personal	375,151	0.16	0.09
Wei Tingzhan	Personal	1,545,104	0.67	0.37
Gu Hanlin	Personal	797,203	0.35	0.19
Li Shunxiang	Personal	5,210,428	2.26	1.26
Yang Baoqun	Personal	1,042,086	0.45	0.25
Liu Wenyu	Personal	265,151	0.12	0.06
Yao Jie	Personal	125,051	0.05	0.03
Wang Hong	Personal	82,525	0.04	0.02

Save as disclosed above, as at 30 June 2013, none of the directors, supervisors or chief executive of the Company nor any of their associates had any interest and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, so far as is known to the directors, supervisors or chief executive of the Company, the persons (other than a director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### Long positions in the domestic shares of the Company

Name	Capacity	Number of domestic shares held	Approximate percentage of total issued domestic shares (%)	Approximate percentage of total issued shares (%)
Beijing Chaoyang Auxiliary Food Company	Beneficial owner	167,409,808	72.77	40.61

### Positions in the H shares of the Company

Name	Total number of H shares held	Approximate percentage of total issued H shares (%)	Approximate percentage of total issued shares (%)
Commonwealth Bank of Australia (Note 1)	29,264,000(L)	16.06(L)	7.10
Schroders Plc (Note 2)	19,977,000(L)	10.96(L)	4.85
Cheah Capital Management Limited (Note 3)	18,170,000(L)	9.97(L)	4.41
Cheah Company Limited (Note 4)	18,170,000(L)	9.97(L)	4.41
Hang Seng Bank Trustee International Limited (Note 5)	18,170,000(L)	9.97(L)	4.41
Value Partners Group Limited (Note 6)	18,170,000(L)	9.97(L)	4.41
Value Partners Limited (Note 7)	18,170,000(L)	9.97(L)	4.41
To Hau Yin (Note 8)	18,170,000(L)	9.97(L)	4.41
Cheah Cheng Hye (Note 9)	18,170,000(L)	9.97(L)	4.41
Templeton Asset Management Ltd. (Note 10)	16,475,900(L)	9.04(L)	4.00
Prudential plc (Note 11)	14,899,000(L)	8.18(L)	3.61
JPMorgan Chase & Co. (Note 12)	14,769,918(L)	8.11(L)	3.58
	14,769,918(P)	8.11(P)	3.58
Schroder Investment Management (Hong Kong) Limited (Note 13)	13,036,000(L)	7.16(L)	3.16
The Bank of New York Mellon Corporation (Note 14)	12,768,739(L)	7.01(L)	3.10
	12,758,739(P)	7.00(P)	3.10
Genesis Asset Managers, LLP (Note 15)	12,749,000(L)	6.99(L)	3.09

(L) – Long Position

(P) – Lending Pool



Note:

1. Commonwealth Bank of Australia was deemed to have an interest in the 29,264,000 H shares through its interest in its controlled corporations.
2. These 19,977,000 H shares were held by Schroders Plc in its capacity as an investment manager.
3. Cheah Capital Management Limited was deemed to have an interest in the 18,170,000 H shares through its interest in its controlled corporations, including Value Partners Limited.
4. Cheah Company Limited was deemed to have an interest in the 18,170,000 H shares through its interest in its controlled corporations, including Value Partners Limited.
5. These 18,170,000 H shares were held by Hang Seng Bank Trustee International Limited in its capacity as a trustee.
6. Value Partners Group Limited was deemed to have an interest in the 18,170,000 H shares through its interest in its controlled corporations, including Value Partners Limited.
7. These 18,170,000 H shares were held by Value Partners Limited in its capacity as an investment manager.
8. These 18,170,000 H shares were held by To Hau Yin (杜巧賢) in the capacity as the spouse of Cheah Cheng Hye (謝清海).
9. These 18,170,000 H shares were held by Cheah Cheng Hye (謝清海) in the capacity as the founder of a discretionary trust.
10. These 16,475,900 H shares were held by Templeton Asset Management Limited in its capacity as an investment manager.
11. Prudential plc was deemed to have an interest in the 14,899,000 H shares through its interest in its controlled corporations.
12. These 14,769,918 H shares were held by JP Morgan Chase & Co. were in its capacity as a custodian corporation/an approved lending agent of which 14,769,918 H shares were in a lending pool.
13. These 13,036,000 H shares were held by Schroder Investment Management (Hong Kong) Limited in its capacity as an investment manager.
14. The Bank of New York Mellon Corporation was deemed to have an interest in the 12,768,739 H shares through its interest in its controlled corporations, of which 12,758,739 H shares were in a lending pool.
15. These 12,749,000 H shares were held by Genesis Asset Managers, LLP in its capacity as an investment manager.

Save as disclosed above, as far as is known to the directors, supervisors or chief executive of the Company, as at 30 June 2013, no other persons (not being a director, supervisor or chief executive of the Company) had, or were deemed or taken to have any interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **PURCHASE, REDEMPTION OR SALE 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.

By order of the Board

**Li Jianwen**

*Chairman*

Beijing, PRC  
23 August 2013

## REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

De Shi Bao (Yue) Zi (13) No. R0031

TO THE SHAREHOLDERS OF BEIJING JINGKELONG COMPANY LIMITED:

We have reviewed the accompanying interim financial statements of Beijing Jingkelong Company Limited (“Jingkelong”), which comprise the Company’s and consolidated statements of financial position as at 30 June 2013, and the Company’s and consolidated income statements, the Company’s and consolidated statements of changes in shareholders’ equity, the Company’s and consolidated cash flow statements for the six-month period then ended and certain explanatory notes. These interim financial statements are prepared in accordance with “Accounting Standard for Business Enterprises No. 32 – Interim Financial Reporting”. Management of Jingkelong is responsible for the preparation of these interim financial statements. Our responsibility is to express a conclusion on these interim financial statements based on our review.

We conducted our review in accordance with “China Certified Public Accountant Review Standard No. 2101 – Review of Financial Statement”. Those standards require that we plan and perform the review to obtain limited assurance about whether the interim financial statements are free from material misstatement. A review of these interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements are not prepared in all material respects in accordance with “Accounting Standard for Business Enterprises No. 32 – Interim Financial Reporting”.

Deloitte Touche Tohmatsu CPA LLP

*Chinese Certified Public Accountants*

**Zhou Ying**

**Fu Yanjun**

23 August 2013

*(English translation for reference only. Should there be any inconsistency between the Chinese and English version, the Chinese version shall prevail.)*

# COMPANY'S AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

RMB

Item	Notes	Consolidated		Company	
		2013.6.30 (unaudited)	2012.12.31 (audited)	2013.6.30 (unaudited)	2012.12.31 (audited)
<b>Current Assets:</b>					
Cash and bank balances	(VI)1	777,730,253	465,268,591	297,642,798	236,502,341
Entrusted loans		–	–	300,000,000	330,000,000
Accounts receivable	(VI)2/(X)1	1,181,833,406	1,399,046,174	177,747,806	227,548,888
Prepayments to suppliers	(VI)3	996,483,358	407,513,831	4,411,793	3,506,250
Other receivables		187,196,629	97,929,540	125,005,757	89,084,293
Inventories	(VI)4/(X)2	1,375,055,530	1,535,945,684	249,525,257	327,722,145
Other current assets	(VI)5/(X)3	153,418,718	68,099,415	133,978,978	24,281,191
<b>Total Current Assets</b>		<b>4,671,717,894</b>	3,973,803,235	<b>1,288,312,389</b>	1,238,645,108
<b>Non-current Assets:</b>					
Available-for-sale financial assets	(VI)6	4,900,000	8,332,000	–	–
Long-term equity investments		–	–	833,144,770	833,144,770
Investment properties	(VI)7/(X)4	130,860,410	107,081,052	38,360,406	39,140,011
Fixed assets	(VI)7/(X)4	1,258,379,272	1,185,622,309	1,004,492,664	939,487,935
Construction in progress	(VI)7/(X)4	109,487,988	163,391,925	85,121,373	142,927,311
Intangible assets	(VI)8	189,631,398	196,600,805	92,473,752	89,722,300
Goodwill	(VI)9	86,673,788	86,673,788	–	–
Long-term prepaid expenses	(VI)10	591,001,362	599,225,992	510,443,165	510,274,637
Deferred tax assets		16,153,173	16,542,792	–	–
Other non-current assets		11,406,501	13,780,628	4,678,523	6,306,235
<b>Total Non-current Assets</b>		<b>2,398,493,892</b>	2,377,251,291	<b>2,568,714,653</b>	2,561,003,199
<b>TOTAL ASSETS</b>		<b>7,070,211,786</b>	6,351,054,526	<b>3,857,027,042</b>	3,799,648,307

The accompanying notes form part of the interim financial statements.

The interim financial statements on pages 19 to 70 were signed by the following:

Legal Representative  
Li Jianwen

Chief Financial Officer  
Li Chunyan

Chief Accountant  
Pei Lianhuan

# COMPANY'S AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

RMB

Item	Notes	Consolidated		Company	
		2013.6.30 (unaudited)	2012.12.31 (audited)	2013.6.30 (unaudited)	2012.12.31 (audited)
<b>Current Liabilities:</b>					
Short-term bank loans	(VI)11/(X)5	2,402,850,743	2,337,706,849	697,107,688	810,000,000
Notes payable	(VI)12	667,072,204	20,791,692	–	–
Accounts payable	(VI)12	891,148,944	1,054,796,045	677,524,031	650,803,748
Advances from customers		432,593,419	466,999,477	436,555,297	470,506,083
Employee benefits payable		7,296,782	8,298,385	4,332,197	4,993,456
Taxes payable		(82,620,792)	(147,230,701)	(52,321,127)	(73,970,610)
Dividend payable		7,605,453	4,000	1,959,753	4,000
Other payables		194,328,466	155,181,904	132,260,660	112,181,305
Debentures		200,000,000	199,650,000	200,000,000	199,650,000
Other current liabilities		42,808,244	28,196,939	31,258,364	16,902,326
<b>Total Current Liabilities</b>		<b>4,763,083,463</b>	<b>4,124,394,590</b>	<b>2,128,676,863</b>	<b>2,191,070,308</b>
<b>Non-current Liabilities:</b>					
Deferred tax liabilities		10,402,591	11,060,800	7,601,426	7,928,484
Long-term bank loans	(VI)11/(X)5	282,000,000	200,000,000	282,000,000	200,000,000
Other non-current liabilities		16,956,548	15,551,326	9,693,333	9,596,666
<b>Total Non-current Liabilities</b>		<b>309,359,139</b>	<b>226,612,126</b>	<b>299,294,759</b>	<b>217,525,150</b>
<b>TOTAL LIABILITIES</b>		<b>5,072,442,602</b>	<b>4,351,006,716</b>	<b>2,427,971,622</b>	<b>2,408,595,458</b>
<b>SHAREHOLDERS' EQUITY:</b>					
Share capital		412,220,000	412,220,000	412,220,000	412,220,000
Capital reserve		614,366,960	617,477,216	610,293,521	610,293,521
Surplus reserve		121,313,202	121,313,202	97,535,968	97,535,968
Retained profits	(VI)13	500,177,140	493,033,750	309,005,931	271,003,360
<b>Equity attributable to owners of the parent</b>		<b>1,648,077,302</b>	<b>1,644,044,168</b>	<b>1,429,055,420</b>	<b>1,391,052,849</b>
<b>Non-controlling interests</b>		<b>349,691,882</b>	<b>356,003,642</b>	<b>–</b>	<b>–</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,997,769,184</b>	<b>2,000,047,810</b>	<b>1,429,055,420</b>	<b>1,391,052,849</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>7,070,211,786</b>	<b>6,351,054,526</b>	<b>3,857,027,042</b>	<b>3,799,648,307</b>

The accompany notes form part of the interim financial statements.

## COMPANY'S AND CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

RMB

Item	Notes	Consolidated		Company	
		Six months ended 2013.6.30 (unaudited)	Six months ended 2012.6.30 (audited)	Six months ended 2013.6.30 (unaudited)	Six months ended 2012.6.30 (audited)
I. Total operating income	(VI)14/(X)6	<b>5,097,403,143</b>	4,843,166,021	<b>2,356,262,929</b>	2,391,938,048
Less: Operating costs	(VI)14/(X)6	<b>4,025,156,342</b>	3,809,101,836	<b>1,865,371,047</b>	1,904,349,867
Business tax and surcharges		<b>33,048,964</b>	33,212,330	<b>15,995,668</b>	16,662,386
Selling expenses	(VI)15	<b>741,422,158</b>	646,436,266	<b>352,172,290</b>	318,188,231
Administrative expenses	(VI)16	<b>135,440,464</b>	147,428,689	<b>77,840,207</b>	91,075,161
Finance cost	(VI)17/(X)7	<b>74,670,213</b>	78,185,391	<b>18,712,537</b>	29,743,044
Add: Investment income	(VI)18	<b>188,293</b>	221,237	<b>58,847,540</b>	64,785,343
II. Operating profit		<b>87,853,295</b>	129,022,746	<b>85,018,720</b>	96,704,702
Add: Non-operating income		<b>14,987,320</b>	16,104,548	<b>1,543,169</b>	6,877,115
Less: Non-operating expenses		<b>2,151,692</b>	2,488,221	<b>1,975,916</b>	1,946,410
Including: Losses from disposal of non-current assets		<b>1,288,191</b>	1,753,678	<b>1,264,328</b>	1,448,762
III. Total profit		<b>100,688,923</b>	142,639,073	<b>84,585,973</b>	101,635,407
Less: Income tax expenses	(VI)19/(X)8	<b>27,917,753</b>	35,592,090	<b>5,361,402</b>	8,344,409
IV. Net profit		<b>72,771,170</b>	107,046,983	<b>79,224,571</b>	93,290,998
Net profit attributable to owners of the parent		<b>48,365,390</b>	77,631,958	–	–
Profit or loss attributable to the non-controlling interests		<b>24,405,780</b>	29,415,025	–	–
V. Earnings per share:					
(I) Basic earnings per share	(VI)20	<b>0.12</b>	0.19	–	–
VI. Other comprehensive income	(VI)21	<b>(2,574,000)</b>	918,000	–	–
VII. Total comprehensive income:		<b>70,197,170</b>	107,964,983	<b>79,224,571</b>	93,290,998
Total comprehensive income attributable to shareholders of the parent company		<b>45,791,390</b>	78,549,958	–	–
Total comprehensive income attributable to non-controlling interests		<b>24,405,780</b>	29,415,025	–	–

The accompany notes form part of the interim financial statements.

# COMPANY'S AND CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2013

RMB

Item	Notes	Consolidated		Company	
		Six months ended 2013.6.30 (unaudited)	Six months ended 2012.6.30 (audited)	Six months ended 2013.6.30 (unaudited)	Six months ended 2012.6.30 (audited)
<b>I. Cash Flows from Operating Activities:</b>					
Cash receipts from sale of goods and the rendering of services		5,753,414,165	5,503,906,419	2,545,727,841	2,558,609,646
Other cash receipts relating to operating activities		353,449,258	297,459,959	150,046,740	145,842,471
Sub-total of cash inflows from operating activities		6,106,863,423	5,801,366,378	2,695,774,581	2,704,452,117
Cash payments for goods purchased and services		(4,695,523,321)	(4,790,768,092)	(2,054,500,197)	(2,213,852,661)
Cash payments to and on behalf of employees		(354,015,168)	(306,571,547)	(180,645,765)	(176,547,502)
Cash payment for taxes and surcharges		(143,632,672)	(188,279,160)	(50,838,548)	(82,826,264)
Other cash paid relating to operating activities		(416,528,391)	(389,198,006)	(167,353,568)	(149,322,280)
Sub-total of cash outflows generated from operating activities		(5,609,699,552)	(5,674,816,805)	(2,453,338,078)	(2,622,548,707)
Net Cash Flows from Operating Activities	(VI)22	497,163,871	126,549,573	242,436,503	81,903,410
<b>II. Cash Flows from Investing Activities:</b>					
Proceeds from short-term investment/interest income		4,893,718	5,882,308	13,869,416	8,277,302
Net cash receipts from disposal of fixed assets		130,769	838,325	533,548	-
Withdrawal of financial products		492,010,000	229,900,900	145,010,000	229,900,900
Withdrawal of pledged time deposits		20,461,874	36,351,150	-	-
Withdrawal of entrusted loans		-	-	410,000,000	50,000,000
Cash received from dividends distributed		-	-	58,771,400	64,648,540
Sub-total of cash inflow from investing activities		517,496,361	272,972,683	628,184,364	352,826,742
Purchase of fixed assets, construction in progress, intangible assets and other long-term assets		(127,642,961)	(133,313,260)	(89,096,395)	(126,539,961)
Placement of pledged time deposits		(89,717,977)	(12,810,113)	-	-
Cash payment for entrusted loans		-	-	(380,000,000)	(50,000,000)
Purchase of financial products		(567,010,000)	(229,900,900)	(245,010,000)	(229,900,900)
Sub-total of cash outflow from investing activities		(784,370,938)	(376,024,273)	(714,106,395)	(406,440,861)
Net Cash Flow used in Investing Activities		(266,874,577)	(103,051,590)	(89,922,031)	(53,614,119)

Item	Notes	Consolidated		Company	
		Six months ended 2013.6.30 (unaudited)	Six months ended 2012.6.30 (audited)	Six months ended 2013.6.30 (unaudited)	Six months ended 2012.6.30 (audited)
<b>III. Cash Flows from Financing Activities:</b>					
Disposal of interest to non-controlling equity holders		16,800,000	–	–	–
New bank loans		2,219,268,786	1,756,374,873	597,107,688	750,089,633
Sub-total of cash inflow from financing activities		2,236,068,786	1,756,374,873	597,107,688	750,089,633
Repayment of bank loans and debentures		(2,072,124,892)	(1,713,359,882)	(628,000,000)	(745,296,454)
Dividends and interest paid		(151,027,629)	(148,998,997)	(64,481,703)	(72,812,367)
Including: Dividend paid to non-controlling interests of subsidiaries		(41,328,096)	(31,585,371)	–	–
Sub-total of cash outflow from financing activities		(2,223,152,521)	(1,862,358,879)	(692,481,703)	(818,108,821)
Net Cash Flow generated from (used in) Financing Activities		12,916,265	(105,984,006)	(95,374,015)	(68,019,188)
<b>IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate</b>		–	–	–	–
<b>V. Net Increase (decrease) in Cash and Cash Equivalents</b>	(VI)22	243,205,559	(82,486,023)	61,140,457	(39,729,897)
Add: Cash and cash equivalents at beginning of the period		461,110,253	580,655,216	236,502,341	255,457,898
<b>VI. Balance of cash and cash equivalents at end of the period</b>	(VI)22	704,315,812	498,169,193	297,642,798	215,728,001

The accompany notes form part of the interim financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2013

RMB

Item	Six months ended 30 June 2013 (unaudited)					
	Share capital	Attributable to owners of the parent			Non-controlling interests	Total equity
		Capital reserve	Surplus reserve	Retained profits		
At 1 January 2013 (audited)	412,220,000	617,477,216	121,313,202	493,033,750	356,003,642	2,000,047,810
I. Changes for the period						
(I) Net profit	-	-	-	48,365,390	24,405,780	72,771,170
(II) Other comprehensive income	-	(2,574,000)	-	-	-	(2,574,000)
Subtotal of (I) and (II)	-	(2,574,000)	-	48,365,390	24,405,780	70,197,170
(III) Owners' contributions and reduction in capital						
1. Disposal of non-controlling interests of subsidiaries	-	(536,256)	-	-	17,336,256	16,800,000
(IV) Profit distribution						
1. Distributions to owners	-	-	-	(41,222,000)	-	(41,222,000)
2. Distributions to non-controlling interests of subsidiaries	-	-	-	-	(48,053,796)	(48,053,796)
At 30 June 2013 (unaudited)	412,220,000	614,366,960	121,313,202	500,177,140	349,691,882	1,997,769,184

RMB

Item	Six months ended 30 June 2012 (audited)					Total equity
	Share capital	Attributable to owners of the parent			Non-controlling interests	
		Capital reserve	Surplus reserve	Retained profits		
At 1 January 2012 (audited)	412,220,000	615,963,716	113,969,231	477,717,215	272,245,890	1,892,116,052
I. Changes for the period						
(I) Net profit	-	-	-	77,631,958	29,415,025	107,046,983
(II) Other comprehensive income	-	918,000	-	-	-	918,000
Subtotal of (I) and (II)	-	918,000	-	77,631,958	29,415,025	107,964,983
(III) Owners' contributions and reduction in capital						
1. Distributions to owners	-	-	-	(82,444,000)	-	(82,444,000)
2. Distributions to non-controlling interests of subsidiaries	-	-	-	-	(31,585,371)	(31,585,371)
At 30 June 2012 (unaudited)	412,220,000	616,881,716	113,969,231	472,905,173	270,075,544	1,886,051,664

The accompany notes form part of the interim financial statements.

## COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2013

RMB

Item	Six months ended 30 June 2013 (unaudited)				Total equity
	Share capital	Capital reserve	Surplus reserve	Retained profits	
At 1 January 2013 (audited)	412,220,000	610,293,521	97,535,968	271,003,360	1,391,052,849
I. Changes for the period					
(i) Net profit	-	-	-	79,224,571	79,224,571
(ii) Profit distribution					
1. Distributions to owners	-	-	-	(41,222,000)	(41,222,000)
At 30 June 2013 (unaudited)	412,220,000	610,293,521	97,535,968	309,005,931	1,429,055,420

RMB

Item	Six months ended 30 June 2012 (audited)				Total equity
	Share capital	Capital reserve	Surplus reserve	Retained profits	
At 1 January 2013 (audited)	412,220,000	610,293,521	90,191,997	287,351,622	1,400,057,140
I. Changes for the period					
(i) Net profit	-	-	-	93,290,998	93,290,998
(ii) Profit distribution					
1. Distributions to owners	-	-	-	(82,444,000)	(82,444,000)
At 30 June 2013 (unaudited)	412,220,000	610,293,521	90,191,997	298,198,620	1,410,904,138

The accompanying notes form part of the interim financial statements.

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## I. 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, with the approval of the Beijing Administration for Industry and Commerce (北京市工商行政管理局), the Company (formerly known as “Beijing Jingkelong Supermarket Chain Company Limited”) was set up and the registered capital of the Company was RMB246,620,000.00. The Company’s Business Licence Number is 1100001231592. The registered office and the principal place of business of the Company is located at Block No. 45, Xinyuan Street, Chaoyang District, Beijing, the PRC. 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 H shares issued by the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. On 26 February 2008, all the H shares were transferred to the Main Board for listed trading. The Company issued a total of a 412,220,000 ordinary shares on 30 June 2013.

The controlling shareholder of the Company is Beijing Chaoyang Auxiliary Food Company (“Chaoyang Auxiliary”).

## II. BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS

Interim financial statements have been prepared in accordance with China Accounting Standard “Accounting Standards for Business Enterprises No. 32 – Interim Financial Reporting”. In addition, the Group also discloses relevant information required by the Companies Ordinance of Hong Kong and the Listing Rules of the Stock Exchange of Hong Kong Limited.

### Going concern

As at 30 July 2013, the Group had net current liabilities of RMB91,365,569 (31 December 2012: RMB150,591,355). Based on the Group’s history of obtaining financing, available banking facilities, profitability and working capital forecast, financial obligations in the next twelve months, the directors consider that there are sufficient financial resources available to the Group to meet its liabilities as when fall due and to carry on its business in the foreseeable future. Accordingly, the directors have prepared the interim consolidated financial statements on a basis of going concern.

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The accounting policies used in the interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012 that was prepared in accordance with Accounting Standards for Business Enterprises (“ASBE”) and relevant regulations issued by the Ministry of Finance (“MOF”) on 15 February 2006.

The interim financial statements do not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2012.

### 1. Statement of compliance with ASBE

The financial statements have been prepared in compliance with the “ASBE No. 32” to truly and completely reflect the Company’s and consolidated financial position as at 30 June 2013, and the Company’s and consolidated results of operations and cash flows for the six months ended 30 June 2013.

## 2. Basic of preparation and principle of measurement

The Group's financial statements have been prepared on an accrual basis. Except for certain financial instruments which are measured at fair value, the financial statements are prepared under the historical cost convention. Where assets are impaired, a provision for impairment is made accordingly in accordance with the relevant regulations.

## 3. Accounting period

The financial year of the Group is from 1 January to 31 December of each calendar year. The accounting period of these interim financial statements is from 1 January to 30 June.

## 4. Reporting currency

Renminbi ("RMB") is the currency of the primary economic environment where the Group operates, and the Group's reporting currencies is RMB. The financial statements of the Group have been prepared in Renminbi.

## 5. The accounting treatment of business combinations not involving enterprises under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The equity interest in the acquiree held before the acquisition date is remeasured at its fair value at the acquisition date, with any difference between its fair value and its carrying amount being recognised as investment income. The other comprehensive income of the acquiree before the acquisition date relating to the previously held interest in the acquiree is transferred to investment income.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

If either the fair values of identifiable assets, liabilities and contingent liabilities acquired in a combination or the cost of business combination can be determined only provisionally by the end of the period in which the business combination was effected, the acquirer recognises and measures the combination using those provisional values. Any adjustments to those provisional values within twelve months after the acquisition date are treated as if they had been recognised and measured on the acquisition date.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. It is tested for impairment at least at the end of each year.

For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sales agreement in an arm's length transaction. If there is no sales agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sales agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of expected future cash flows of an asset shall be determined by estimating the future cash flows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to those future cash flows.

The impairment of goodwill is recognised in profit or loss for the period in which it is incurred and will not be reversed in any subsequent period.

## **6. Basis for preparation of consolidated financial statements**

The scope of consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its operating activities.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate, and no adjustment is made to the opening balances and comparative figures in the consolidated financial statements.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented as "non-controlling interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against non-controlling interests.

Acquisition of non-controlling interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

#### **7. Recognition Criteria of Cash and cash equivalents**

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **8. Foreign currency transaction**

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction. At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period.

#### **9. Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts.

##### **9.1 Determination of fair value**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For a financial instrument which has an active market, the Group uses the quoted price in the active market to establish its fair value. For a financial instrument which has no active market, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

##### **9.2 Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

### 9.3 Classification, recognition and measurement of the financial assets

On initial recognition, the Group's financial assets are classified into loans, receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

#### 9.3.1 *loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include, bank and cash, entrusted loan, accounts receivable and other receivables.

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

#### 9.3.2 *available-for-sale financial assets*

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognised as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to amortised cost of monetary financial assets denominated in foreign currencies are recognised in profit or loss, until the financial assets are derecognised, at which time the gains or losses are released and recognised in profit or loss.

Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognised in investment gains.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost.

## 9.4 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
  - Adverse changes in the payment status of borrower in the group of assets;
  - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
- (8) Other objective evidence indicating there is an impairment of a financial asset.

### *Impairment of financial assets measured at amortised cost*

If financial assets carried at amortised cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.





For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

#### *Impairment of available-for-sale financial assets*

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income and included in the capital reserve, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

#### *Impairment of financial assets measured at cost*

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

### **9.5 Transfer of financial assets**

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.

## 9.6 Classification, recognition and measurement of financial liabilities

Debt and equity instruments issued by the Group are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument. The financial liabilities of the Group are classified as the other financial liabilities.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from de-recognition or amortization is recognized in profit or loss for the current period.

## 9.7 Derecognition of financial liabilities

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

## 10. Receivables

### 10.1 Receivables that are individually significant are subject to separate impairment assessment

Basis or monetary criteria for determining an individually significant receivable

A receivable that exceeds RMB5,000,000 is deemed as an individually significant receivable by the Group.

Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed

For receivables that are individually significant, the Group assesses the receivables individually for impairment. For a financial asset that is not impaired individually, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

### 10.2 Receivable which bad debt provision is collectively assessed on portfolio basis

Basis for determining a portfolio according to the credit risk characteristics

The Group classifies the receivables that are not individually significant and those that are individually significant but are not impaired individually into groups of financial assets according to the similarity and relevance of credit risk characteristics. These credit risks usually reflect the debtors' ability to pay the amounts due at maturity under contractual terms of related assets and are related to the estimation of future cash flows of the assets subject to assessment.

Bad debt provision method for a portfolio according to the credit risk characteristics

As collectively assessing the impairment on portfolio basis, the amount of bad debt provision is determined according to that the historical experience on losses and current economic conditions for the receivables' portfolio structure and similar credit risk and predicted impairment losses that have been existed in the portfolio.

## 11. Inventory

### 11.1 Categories of inventories

Inventories of the Group mainly include raw materials, materials in transit and finished products. Inventories are initially measured at cost. Cost of inventories includes purchasing cost, processing cost and other expenses that help deliver the inventories to the current location and situation.

### 11.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the first-in-first-out method.

### 11.3 Basis for determining net realisable value of inventories and provision methods for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

For large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories. Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

### 11.4 Inventory count system

The perpetual inventory system is maintained for stock system.

### 11.5 Amortization of low-value consumable

Materials in transit is amortised using the immediate write-off method.

## 12. Long-term equity investments

### 12.1 Determination of investment cost

For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. For a long-term equity investment acquired through business combination not involving enterprises under common control and achieved in stages, the investment cost of the long-term equity investment is the aggregate of the carrying amount of the equity interest held in the acquiree prior to the acquisition date and the cost of the additional investment at the acquisition date. The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost.

## **12.2 Subsequent measurement and recognition of profit or loss**

### *12.2.1 Long-term equity investments accounted for using the cost method*

For long-term equity investments over which the Group does not have joint control or significant influence and without quoted prices in an active market and that fair values cannot be reliably measured, the Group accounts for such long-term equity investments using the cost method. Besides, long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at its initial investment cost. Except receiving the actual consideration paid for the investment or the declared but not yet distributed cash dividends or profits which is included in the consideration, investment gains for the six months is recognized as the cash dividends or profits declared by the investee.

### *12.2.2 Disposal of long-term equity investments*

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognised in profit or loss for the period.

## **12.3 Basis for determining joint control and significant influence over investee**

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

## **12.4 Methods of impairment assessment and determining the provision for impairment loss**

The Group reviews the long-term equity investments at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.

Once an impairment loss is recognised for a long-term equity investment, it will not be reversed in any subsequent period.

### 13. Investment property

Investment property is property held to earn rentals or for capital appreciation or both. It includes a land use right that is leased out; a land use right held for transfer upon capital appreciation; and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings or land use rights.

The Group reviews the investment properties at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If there is any indication that such assets may be impaired, the recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Once an impairment loss is recognised for an investment property, it will not be reversed in any subsequent period.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

### 14. Fixed assets

#### 14.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

## 14.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period	Residual value rate	Annual depreciation rate
Buildings and structures	20-35 years	3%-4%	2.70%-4.85%
Machinery and equipment	5-10 years	3%-4%	9.60-19.40%
Office equipment	5 years	3%-4%	19.20%-19.40%
Vehicles	5-8 years	3%-4%	12.00%-19.40%

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

## 14.3 Methods of impairment assessment and determining the provision for impairment losses of fixed assets

The Group assesses at each balance sheet date whether there is any indication that the fixed assets may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Once the impairment loss of such assets is recognised, it is not be reversed in any subsequent period.

## 14.4 Other explanations

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

## 15. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

The Group assesses at each balance sheet date whether there is any indication that construction in progress may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Once the impairment loss of construction in progress is recognised, it is not be reversed in any subsequent period.

## 16. Intangible assets

### 16.1 Intangible assets

Intangible assets include land use rights, software development costs, distribution network software.

Intangible assets are measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and makes adjustments when necessary.

### 16.2 Methods of impairment assessment and determining the provision for impairment losses of intangible assets

The Group assesses at each balance sheet date whether there is any indication that the intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Once the impairment loss of such assets is recognised, it is not be reversed in any subsequent period.

## 17. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

## 18. Revenue

### 18.1 Revenue from sales of goods

Revenue from sale of goods is recognised when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

For sale of goods that result in award credits for customers, the consideration received or receivable is allocated between the revenue from sale of goods and the fair value of the award credits. The consideration received or receivable after deduction of the portion attributable to the fair value of the award credits is recognised as revenue, and the portion attributable to the fair value of the award credits is recognised as deferred income.

When a customer redeems the award credits, the Group reclassifies the amount associated with the credits redeemed from deferred income to revenue. The amount of revenue recognised is based on the number of award credits that have been redeemed in exchange for awards, relative to the total number of award credits expected to be redeemed.

### 18.2 Revenue from rendering of services

Revenue from rendering of services is recognised when (1) the amount of revenue can be measured reliably; (2) it is probable that the associated economic benefits will flow to the enterprise; (3) the stage of completion of the transaction can be determined reliably; and (4) the associated costs incurred or to be incurred can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognised as expenses for the period. When it is not probable that the costs incurred will be recovered, revenue is not recognised.

The Group's revenue from service mainly include the promoting activities. Revenue from rendering of services is recognised when the various services have been provided and related economic benefits will probably flow to the enterprise.

When the Group enters into contract or agreement with other parties which contains both sale of goods and rendering of services, if the portion of sale of goods and rendering of services can be separately measured, the portion of sale of goods and rendering of services are measured individually. If the portion of sale of goods and rendering of services cannot be separately measured or even if it can be separately measured but cannot be measured individually, it is deemed to be sale of goods.



## 19. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

## 20. Deferred tax assets/deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

### 20.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods shall be measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

### 20.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

## **21. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalisation is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

## 22. Operating lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### 22.1 The Group as lessee under operating leases

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

### 22.2 The Group as lessor under operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

## 23. Other significant accounting policies and estimates and basis for preparation of the financial Statements

### 23.1 Employee Benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognises the employee benefits for that service as a liability, except for compensation for termination of employment relationship with the employees.

The Group participates in the employee social security systems, such as basic pensions, medical insurance, housing funds and other social securities established by the government in accordance with relevant requirements. The related expenditures are charged to profit or loss in the period when they are incurred.

When the Group terminates the employment relationship with employees before the expiry of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, if the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recognised with a corresponding charge to the profit or loss for the period.

### 23.3 Related Party

Where one party has control, joint control, or major impact on the other party, or where the two parties or more are or will be under control of the same party, the two parties shall constitute related parties.

## 24. Tax

### 24.1 Major tax types and tax rates

Tax type	Basis	Tax rate
Value-added tax	(Note 1)	17%/13%/11%/6%
Business tax	Turnover	5%
Consumption tax	Sales	5%
City maintenance and construction tax	Value-added tax, consumption tax and business tax	5%/7%
Education surtax and surcharge	Value-added tax, consumption tax and business tax	3%/4%
Local education surtax and surcharge	Value-added tax, consumption tax and business tax	2%
Enterprise income tax	Taxable income	25%

Note 1: The value-added tax payable is the residual value of the output value-added tax after deduction of input value-added tax. The output value-added tax is computed according to relevant tax laws.

### 24.2 Tax incentives and approvals

According to the Circular of the paragraph 86, item 1/point 7, Taxation on Announcing the Scope of Primary Processing of Agricultural Products Covered by Preferential Policies on Enterprise Income Tax (for Trial Implementation) issued by the Ministry of Finance, State Administration of Taxation on 20 November 2008, the Company obtained the right of exemption of relevant income tax of the primarily processed agricultural products in the fresh logistics center.

## IV. SIGNIFICANT JUDGEMENTS MADE IN THE APPLICATION OF ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of the Group's accounting policies, which are described in Note III, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgements, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates of the Group.

The Group regularly reviews the aforesaid judgments, estimates and assumptions on the basis of continuous operation. Where the changes in accounting estimates only impact the current period, the impact shall be recognized during the current period; where such changes impact both the current and future periods, the impact shall be confirmed during the current and future periods when such changes occur.

### Significant judgement made in the application of accounting policies

The following are the significant judgement which may have significant influence to the financial statements:

#### Operating lease – as the lessor

The Group had contract on the investment properties. The Group retains all the significant risks and rewards according to the lease contract and thus accounts for the operating lease.

## **Critical assumptions and uncertainties in the application of accounting estimates**

At the balance sheet date, the following are the critical assumptions and uncertainties which may have significant influence to the financial statements:

### **Impairment of goodwill**

The Group tests whether the goodwill is impaired at least annually. This requires the evaluation of the present value of the future cashflows on the group of assets or groups of assets with allocated goodwill. Upon the evaluation of the present value, the Group should evaluate the future cashflows of the group of assets or groups of assets using the appropriate discounted rate. When the actual cashflows are lower than the predicted cashflows, there might be material impairment. More informations relating to goodwill and impairment test are in Note VI. 9.

### **Provision for inventory impairment based on the net realisable value**

The Group recognizes provision for inventory impairment according to the net realizable value of the inventory. Provision for inventory impairment is required to be recognized when there is sign showing that the net realizable value is lower than cost. The Group will reevaluate whether the inventory is obsolete and slow-moving, and the net realizable value is lower than the cost at each year end. Recognition of net realizable value involves judgment and estimation. If the result of new estimation differs from current estimation, such difference will impact the book value of inventory for the corresponding period.

### **Provision for bad debt of receivables**

The Group recognizes provision for bad debts according to the recoverability of receivables. When there is sign showing that a the recoverable amount is lower than its book value, provision for bad debts is required to be recognized. The management will conduct the revaluation each year end. If the result of new estimation differs from current estimation, such difference will impact the book value of receivables for the corresponding period.

### **Depreciation**

As stated in Note III.14, the Group accounts for the depreciation on straight-line basis in the predictable useful life after considering the residual value. The Group reviews the predictable useful life to calculate the amount of depreciation in the reporting period. The Group estimates the useful life of fixed assets based on experience of actual useful life of fixed asset of similar nature and function. Significant changes relating to the estimation will result in adjustment of depreciation in future periods.

### **Deferred tax assets**

At the balance sheet date, the Group will assess whether the recognition of the deferred tax assets will be made. A deferred tax asset should be recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised and the Group should make appropriate estimates and judgements when considering whether there will be enough taxable profit. Deferred tax assets should be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. If the actual earnings accrued in the future is more than estimates, or the actual tax rate is higher than estimates, such deferred tax asset shall be recognized in the consolidated income statement in the six months in which they are incurred.

### **Group's customer loyalty programme**

Sales of goods that result in award credits for customers, under the Group's customer loyalty programme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods sold and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value. Such consideration is not recognised as revenue at the time of the initial sale transaction – but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

## V. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2013, the subsidiaries of the Company are as follows:

### (1) Subsidiaries established by investment

Full name of subsidiaries	Type of subsidiary	Place of registration	Business nature	Registered capital	Scope of business	Holding	Voting	Consolidated or	Non-controlling interest **	Notes
						percentage (%)	percentage (%)*	not Consolidated		
Beijing Jingkelong (Langfang) Company Limited (Jingkelong Langfang)	Limited company	Langfang, PRC	Retail	80,000,000	Retail of general merchandise	100	100	Yes	-	-
Beijing Jingkelong Supermarket Chain Company Limited (Jingkelong Tongzhou)	Limited company	Beijing, PRC	Retail	29,000,000	Retail of general merchandise	100	100	Yes	-	-
Chaopi Trading Company Limited (Chaopi Trading)	Limited liability company	Beijing, PRC	Wholesale	368,000,000	Wholesale of general merchandise	79.85	79.85	Yes	128,022,027	-
Xinyang Tongli commercial Facilities Company Limited ("Xinyang Tongli")	Limited company	Beijing, PRC	manufacture	3,200,000	Production of plastic packing materials and installation and maintenance of commercial equipment	52.03	52.03	Yes	3,989,998	-
Beijing Jingkelong Shoulan Company Limited ("Shoulan Supermarket")	Limited company	Beijing, PRC	Retail	398,453,439	Retail of general merchandise	100	100	Yes	-	-
Beijing Shoulan Julong Supermarket	Limited company	Beijing, PRC	Retail	10,000,000	Retail of general merchandise	100	100	Yes	-	-
Beijing Shoulan Haodian Trading	Limited company	Beijing, PRC	Retail	500,000	Retail of general merchandise	100	100	Yes	-	-
Beijing Chaopi Shuanglong Alcohol Sales Company Limited (Chaopi Shuanglong)*	Limited company	Beijing, PRC	Wholesale	110,160,000	Wholesale of beverages	47.11	59	Yes	65,460,578	-
Beijing Chaopi Huaqing Beverage Company Limited (Chaopi Huaqing)*	Limited company	Beijing, PRC	Wholesale	56,000,000	Wholesale of drinks and food	42.66	53.43	Yes	37,968,015	-
Beijing Chaopi Flavourings, Company Limited (Chaopi Flavouring)*	Limited company	Beijing, PRC	Wholesale	50,000,000	Wholesale of edible oil and food	42.03	52.63	Yes	38,168,308	-
Beijing Chaopi Jinglong Oil Sales Company Limited (Chaopi Jinglong Oil Sales)*	Limited company	Beijing, PRC	Wholesale	36,000,000	Wholesale of edible oil	43.30	54.23	Yes	21,657,078	-
Shijiazhuang Chaopi Xinlong Trading Company Limited*	Limited company	Shijiazhuang, PRC	Wholesale	5,000,000	Wholesale of alcoholic beverages	79.85	100	Yes	-	-
Qingdao Chaopi Jintong Trading Company Limited*	Limited company	Qingdao, PRC	Wholesale	5,000,000	Wholesale of alcoholic	79.85	100	Yes	-	-
Beijing Chaopi Zhongde Trading Company Limited (Chaopi Zhongde)*	Limited company	Beijing, PRC	Wholesale	50,000,000	Wholesale of consumer sanitary products	79.85	100	Yes	-	-
Beijing Chaopi Hulong Trading Company Limited*	Limited company	Beijing, PRC	Wholesale	24,000,000	Wholesale of alcoholic beverages	51.90	65	Yes	8,257,040	-
Taiyuan Chaopi Trading Company Limited*	Limited company	Taiyuan, PRC	Wholesale	5,000,000	Wholesale of general merchandise	79.85	100	Yes	-	-
Tangshan Chaopi Trading Company Limited*	Limited company	Tangshan, PRC	Wholesale	5,000,000	Wholesale of general merchandise	79.85	100	Yes	-	-
Tianjin Chaopi Trading Company Limited*	Limited company	Tianjin, PRC	Wholesale	15,000,000	Wholesale of general merchandise	79.85	100	Yes	-	-
Chaopi Yuli Trading Company Limited*	Limited company	Beijing, PRC	Wholesale	12,000,000	Wholesale of general merchandise	30.31	70	Yes	4,267,445	-
Chaopi Fangsheng Trading Company Limited*	Limited company	Beijing, PRC	Wholesale	12,000,000	Wholesale of general merchandise	63.88	80	Yes	2,494,639	-
Jinan Chaopi Linda Trading Company Limited*	Limited company	Jinan, PRC	Wholesale	26,000,000	Wholesale of general merchandise	51.90	65	Yes	9,794,085	-
Beijing Chaopi Shenglong Trading Company Limited (Chaopi Shenglong)*	Limited company	Beijing, PRC	Wholesale	20,000,000	Wholesale of general merchandise	47.11	59	Yes	7,408,059	-
Beijing Chaopi Tianhua Trading Company Limited*	Limited company	Beijing, PRC	Wholesale	10,000,000	Wholesale of general merchandise	42.66	53.43	Yes	4,818,382	-
Datong Chaopi Beichen Trading Company Limited ("Chaopi Datong")*	Limited company	Datong, PRC	Wholesale	26,000,000	Wholesale of general merchandise	55.90	70	Yes	8,071,607	Note 1

RMB

## (2) Subsidiaries acquired or established through investment during the reporting period

RMB

Full name of subsidiaries	Type of subsidiary	Place of registration	Business nature	Registered capital	Scope of business	Holding percentage (%)	Voting percentage (%) <sup>*</sup>	Consolidated or not consolidated	Non-controlling interest <sup>**</sup>	Notes
Datong Aurt Trading Company Limited (Datong Mayi) <sup>*</sup>	Limited company	Datong PRC	retail	5,000,000	Retail of general merchandise	55.9	100	Yes	-	Note 1
Tangshan Chaopi Baishun Trading Company Limited ("Chaopi Baishun") <sup>*</sup>	Limited company	Tangshan PRC	wholesale	30,000,000	Wholesale of general merchandise	55.9	70	Yes	9,314,621	Note 2

Except for the newly acquired subsidiaries through investment, the scope of combination has no changes.

*Note 1:* On 7 January 2013, Company's non-wholly owned subsidiary Chaopi Datong, established a subsidiary Datong Mayi upon the approval of the Datong Administration for Industry and Commerce. The registered capital is RMB5,000,000 and has been verified by the "Jin Zhen Cheng yan [2012] no. 0122". Pursuant to an agreement entered into between Chaopi Trading and an independent third party dated 24 January 2013, Chaopi Trading disposed 30% of its equity interest in Chaopi Datong to the said independent third party for a consideration of RMB7,800,000, and the percentage of direct interest in Chaopi Datong held by Chaopi Trading decreased from 100% to 70%. As at 30 June 2013, the Company held an indirect interest of approximately 55.90% in Chaopi Datong and Datong Mayi.

*Note 2:* On 3 May 2013, Company's non-wholly owned subsidiary Chaopi Trading, established a subsidiary Chaopi Baishun upon the approval of the Tangshan Administration for Industry and Commerce. The registered capital of Chaopi Baishun was RMB30,000,000, and has been verified by the "Da Tang Yan Zi [2013] no. 200". Pursuant to an agreement entered into between Chaopi Trading and an independent third party dated 18 June 2013, Chaopi Trading disposed 30% of its equity interest in Chaopi Baishun to the said independent third party for a consideration of RMB9,000,000, and the percentage of direct interest in Chaopi Baishun held by Chaopi Trading decreased from 100% to 70%. As at 30 June 2013, the Company held an indirect interest of approximately 55.90% in Chaopi Baishun.

<sup>\*</sup> Chaopi Trading holds more than 50% of the equity interests of those companies which are deemed to be the subsidiaries. As the Company holds 79.85% of Chaopi Trading, the holding percentage is different with the voting rights percentage.

<sup>\*\*</sup> Those non-controlling interests are presented as the equity not directly controlled by the shareholders of the subsidiaries. Those non-controlling interests who indirectly hold the equity shareholdings of the subsidiaries of Chaopi Trading are included in the above non-controlling interests.

## VI. NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and Bank balances

*RMB*

Item	2013.06.30 (unaudited)		RMB
	Original Currency	Rate	
Cash:			
RMB	–	–	31,045,756
USD	482	6.1833	2,980
HKD	2,331	0.7966	1,857
GBP	193	9.4008	1,814
SGD	2,026	4.8476	9,821
Bank balances:			
RMB	–	–	673,196,168
HKD	72,077	0.7966	57,416
Other currencies-RMB			
Bank acceptance bill deposit (Note 1)			73,414,441
Total			777,730,253

*RMB*

Item	2012.12.31 (audited)		RMB
	Original Currency	Rate	
Cash:			
RMB	–	–	23,074,938
USD	482	6.2946	3,034
HKD	2,331	0.8114	1,892
GBP	193	10.1140	1,952
SGD	2,026	5.0889	10,310
Bank balances:			
RMB	–	–	437,959,647
HKD	72,073	0.8114	58,480
Other currencies – RMB			
Bank acceptance bill deposit (Note 1)			4,158,338
Total			465,268,591

Note 1: On 30 June 2013, the Group's other currency funds with use restrictions of RMB73,414,441 (31 December 2012: RMB4,158,338) (Note VI 12).



## 2. Accounts receivable

The Group normally allows a credit period of no more than 90 days to its customers. A longer credit period is granted to its major customers with 180 days. Accounts receivable bear no interest except the amount due from Beijing Shoulian Trading Company Limited ("Shoulian") which bears interest at a rate of 6.40% per annum during 1 January 2013 to 30 June 2013 ("the current period"). (During 1 January 2012 to 30 June 2012 ("For the last corresponding period") was 6.13% per annum).

The ageing analysis of the accounts receivable based on the invoice date is as follows:

Ageing	RMB	
	2013.6.30 (unaudited)	2012.12.31 (audited)
Within 1 year	1,099,291,083	1,308,233,109
1 year to 2 years	2,542,323	10,813,065
Over 2 years	80,000,000	80,000,000
Total	1,181,833,406	1,399,046,174

On 30 June 2013, accounts receivable of the Group amounted to RMB80,000,000 (31 December 2012: RMB80,000,000) due from Shoulian were already overdue. In the opinion of the directors, no impairment is necessary in view of the following consideration: the accounts receivable bears interest at a rate of 6.40%, and all the interest is received. Moreover, Shoulian has pledged one piece of land and related buildings with a total value of not less than the overdue accounts receivables.

On 30 June 2013, allowance for doubtful debts was RMB1,890,579 (31 December 2012: RMB1,890,579).

On 30 June 2013, the total accounts receivable due from Beijing Wu-mart Comprehensive Supermarket Co. Ltd., Auchan (China) investment Co. Ltd., Beijing Carrefour Commercial Co. Ltd., and Beijing Lotus Supermarket Chain Store Co. Ltd. amounted to RMB241,590,578 (31 December 2012: RMB89,633,545) was limited by being factored to secure its bank loan (Note VI 10).

## 3. Prepayments to suppliers

The ageing analysis of the prepayments is as follows:

Ageing	RMB	
	2013.6.30 (unaudited)	2012.12.31 (audited)
Within 1 year	994,208,506	405,676,277
1 year to 2 years	2,274,852	1,837,554
Total	996,483,358	407,513,831

On 30 June 2013, the Group will use the inventories purchased by the Group through the prepayment to suppliers of RMB600,000,000 subsequent to the end of the reporting period to secure a certain bills payable. (Note VI 12).

#### 4. Inventories

Item	<i>RMB</i>	
	2013.6.30 (unaudited)	2012.12.31 (audited)
Finished goods	1,369,891,437	1,527,006,731
Raw materials	4,846,620	8,690,112
Low-valued consumables	317,473	248,841
Total	1,375,055,530	1,535,945,684

On 30 June 2013, provision for decline in value of for inventory was amounted to RMB2,044,284 (31 December 2012: RMB2,044,284). On 30 June 2013 and 31 December 2012, no inventory was pledged or guaranteed.

#### 5. Other Current assets

Item	<i>RMB</i>	
	2013.6.30 (unaudited)	2012.12.31 (audited)
Short-term investment (Note 1)	100,000,000	25,000,000
Prepaid rental expenses	42,424,235	33,140,813
Other prepaid expenses (Note 2)	10,994,483	9,958,602
Total	153,418,718	68,099,415

Note 1: On 30 June 2013, the Group's short-term investments represented investments in financial products operated by the Bank of Beijing. The investment was RMB100,000,000, which was purchased on 25 June 2013 with an expected annual interest rate at 4.72%. The principal and interest of the short-term investment was fully settled on 9 July 2013.

On 31 December 2012, the Group's short-term investments represented investments in financial products operated by the Bank of Communications. The principal of the investment was RMB25,000,000, which was purchased on 28 December 2012 with an expected annual interest rate at 2.8%. The principal and interest of the short-term investment was fully settled on 5 January 2013.

Note 2: Other prepaid expenses are mainly consisting of property fees, cleaning cost and security cost.

#### 6. Available-for-sale financial assets

Name of the invested companies	Holding percentage	<i>RMB</i>	
		2013.6.30 (unaudited)	2012.12.31 (audited)
Shanxi Xinghuaacun Fen Wine Factory Co. Ltd. (Shanxi Fen Wine) (Note 1)	0.023	4,900,000	8,332,000
Luoyang Chundu Group Co. Ltd. (Luoyang Chundu) (Note 2)	0.120	-	-

*Note 1:* The Company's subsidiary Chaopi Trading gained 100,000 stocks (RMB1 for each stock) from Shanxi Xinghuacun Fen Wine Factory Co. Ltd. of RMB350,000 in November 1993. On 18 May 2012, Shanxi Xinghuacun issued a stock dividend of 10 for 10 stocks to all shareholders through the notice of 2011 annual general meeting. Up to 30 June 2013, Chaopi Trading held 200,000 stocks in total with 0.023% of its equity (31 December 2012: 0.023%). In current period, the fair value losses, net of tax, of the Group's available-for-sale RMB3,432,000 (For the last corresponding period: increased by RMB1,224,000) were recognised in other comprehensive income (Note VI 21).

*Note 2:* The Company's subsidiary Chaopi Trading gained 600,000 stocks (RMB1.00 for each stock) from Luoyang Chundu Group Co. Ltd. for RMB1,188,000 in June 1993. Up to 30 June 2013 and 31 December 2012, Chaopi Trading held 0.12% of its equity. As the change of operating condition of Luoyang Chundu, the Group took full provision for the long term equity investment whose recoverable amount is below the carrying amount and the decrease is not expected to be recovered in the foreseeable future.

## **7. Fixed assets, Construction in progress and Investment property**

During the current period, the original book value of fixed assets and construction in progress were increased by RMB82,541,805 and RMB67,470,469 due to additions. During the last year's corresponding period, the original book value of fixed assets and construction in progress were increased by RMB62,263,952 and RMB64,678,226. During the current period, the original book value decreased by RMB13,678,282 due to disposals (For the last corresponding period: RMB15,139,135).

On 30 June, 2013, the fixed assets and investment property with the net book value of RMB144,585,616 and RMB7,693,961 (31 December 2012: RMB89,192,077 and RMB6,620,660) were pledged to secure the bank loan (Note VI 11).

## **8. Intangible assets**

During the current period, the original book value increased by RMB4,397,675 due to additions (For the last corresponding period: RMB2,241,832).

On 30 June 2013 and 31 December 2012, no land-use-right had been pledged or guaranteed.

## **9. Goodwill**

On 30 June 2013 and 31 December 2012, the balance of goodwill was acquired through the purchase of Shoulian supermarket and its subsidiaries ("Shouchao Group"), and Beijing Jingchao Bussiness Co. Ltd. ("Jingchao").

The impairment tests of goodwill acquired through the purchase of Shouchao Group and Jingchao are conducted on the group of assets in relation to the retailing business section of the Shouchao Group after consolidation of Jingchao.

The recoverable amount of the group of assets has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to calculate the current value of a future stream of cash flows is 13%. The growth rate used to extrapolate the cash flows of the subsidiary beyond the five-year period is 3%.

On 30 June 2013 and 31 December 2012, the calculation of the present value of the cash flow of Shouchao Group had certain key assumptions. Below is the key assumption made by the management when forecasting the current value of a future stream of cash flows to conduct impairment tests of goodwill.

Budget margin – based on the prior year's rate of gross profit, and took adjustment based on predicted rate and market expanding condition.

Discount rate – using the discount rate before tax which reflecting Shouchao Group's specific risks.

The values assigned to key assumptions are consistent with external information sources.

#### 10. Long-term prepaid expenses

During the current period, the long-term prepaid expenses mainly comprise of improvement expenditure of fixed assets. The carrying amount of long-term prepaid expenses was increased by RMB48,001,713 (For the last corresponding period: RMB73,136,009). It mainly increased by RMB47,501,713 and RMB500,000 due to transfer from construction in progress and rental, respectively.

#### 11. Short-term Bank Loans and Long-term Bank Loans

Item	<i>RMB</i>	
	2013.6.30 (unaudited)	2012.12.31 (audited)
Short-term Bank Loans	<b>2,402,850,743</b>	2,337,706,849
– accounts receivable secured loan (Note 1)	<b>113,493,914</b>	50,000,000
– guaranteed loans	<b>1,941,249,141</b>	1,817,706,849
– credit loans	<b>348,107,688</b>	470,000,000
Long-term Bank Loans	<b>282,000,000</b>	200,000,000
– secured loans (Note 2)	<b>282,000,000</b>	200,000,000
Total	<b>2,684,850,743</b>	2,537,706,849

On 30 June 2013, the Group's bank loans are denominated in RMB. The short-term bank loans bear annual interest rates ranging from 5.04% to 7.20% (31 December 2012: 5.04% to 7.22%), and the long-term bank loans bear annual interest rates of 5.84% (31 December 2012: 5.13% to 5.84%). All of the loans were repaid in time.

Note 1: On 30 June 2013, the Group's subsidiary Chaopi Trading obtained the loan of RMB241,590,578 (31 December 2012, RMB89,633,545) from HSBC (China). Ltd. secured by accounts receivable from Beijing Wu-mart Comprehensive Supermarket Co. Ltd., Auchan (China) investment Co. Ltd., Beijing Carrefour Commercial Co. Ltd., and Beijing Lotus Supermarket Chain Store Co. Ltd..

Note 2: On 30 June 2013, long-term bank loans of the Group were secured by certain of the Company's buildings and land-use-right with aggregate carrying amounts of approximately RMB144,585,616 (31 December 2012: RMB89,192,077) and investment properties with carrying amount of approximately RMB7,693,961 (31 December 2012: RMB6,620,660).

## 12. Notes and Accounts Payables

Item	2013.6.30 (unaudited)	RMB 2012.12.31 (audited)
Notes payables	667,072,204	20,791,692
Accounts payables	891,148,944	1,054,796,045
Total	1,558,221,148	1,075,587,737

An ageing analysis of notes and accounts payables as at the end of reporting period is as follows:

Item	2013.6.30 (unaudited)	RMB 2012.12.31 (audited)
Within 1 year	1,552,394,809	1,072,631,931
1 year to 2 years	4,603,319	1,213,769
Over 2 years	1,223,020	1,742,037
Total	1,558,221,148	1,075,587,737

The accounts payables are non-interest-bearing and are normally settled on 60-day terms, and the notes payable are normally settled on 90 days to 180 days.

On 30 June 2013, the bank acceptance bills payable of the Group in aggregate amounting to RMB667,072,204 (31 December 2012: RMB20,791,692) were secured by certain of the Group's pledged time deposits amounting to RMB73,414,441 (31 December 2012: RMB4,158,338). And the bank acceptance bills payable of the Group amounting to RMB600,000,000 will be secured by the inventories purchased by the Group through the prepayment for suppliers of RMB600,000,000 subsequent to the end of the reporting period (31 December 2012: Nil).

## 13. Undistributed profits

Item	RMB Amount
<b>Six months ended 30 June 2013 (unaudited):</b>	
Undistributed profits at the beginning	493,033,750
Add: Net profits attributable to the owners of parent for the period	48,365,390
Less: Dividend payable to ordinary shareholders	41,222,000
Undistributed profits at the end of the period	500,177,140
<b>Six months ended 30 June 2012 (audited):</b>	
Undistributed profits at the beginning	477,717,215
Add: Net profits attributable to the owners of parent for the period	77,631,958
Less: Dividend payable to ordinary shareholders	82,444,000
Undistributed profits at the end of the period	472,905,173

(1) *Dividend*

In the current period, a final dividend of RMB10 cents per share in respect of the year ended 31 December 2012 (For the last corresponding period: RMB20 cents per share in respect of the year ended 31 December 2011) was declared and paid to the owners of the Company. The aggregated amount of the final dividend declared and paid amounted to RMB41,222,000 (For the last corresponding period: RMB82,444,000).

In the current period, the directors of the Company do not recommend the payment of an interim dividend (For the last corresponding period: Nil).

**14. Operating income and operating costs**

(1) *Operating income and operating costs*

Item	Six months ended 30 June 2013 (unaudited)	RMB
		Six months ended 30 June 2012 (audited)
Principal operating income	<b>4,709,149,979</b>	4,507,553,737
Other operating income	<b>388,253,164</b>	335,612,284
Operating cost	<b>4,025,156,342</b>	3,809,101,836

(2) *Principal operating activities (classified by industries)*

Item	Six months ended 30 June 2013 (unaudited)		Six months ended 30 June 2012 (audited)	
	Prime operating income	Prime operating cost	Prime operating income	Prime operating cost
Retail	<b>2,328,055,524</b>	<b>1,940,033,643</b>	2,374,501,565	1,992,760,164
Wholesale	<b>2,375,350,950</b>	<b>2,077,635,185</b>	2,118,312,840	1,803,282,861
Others	<b>5,743,505</b>	<b>4,512,343</b>	14,739,332	11,367,778
Total	<b>4,709,149,979</b>	<b>4,022,181,171</b>	4,507,553,737	3,807,410,803

The principal operating income is mainly consisting with selling food, non-staple food, daily consumer goods, beverage and wine.

## 15. Selling expenses

Item	RMB	
	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Wages and salaries	220,353,479	199,379,175
Depreciation and amortization expenses	97,460,425	83,426,950
Lease expenses	119,722,563	92,517,946
Others	303,885,691	271,112,195
Total	741,422,158	646,436,266

## 16. Administrative expenses

Item	RMB	
	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Wages and salaries	100,825,411	105,343,104
Depreciation and amortization expenses	4,373,947	2,038,041
Others	30,241,106	40,047,544
Total	135,440,464	147,428,689

## 17. Finance cost

Item	RMB	
	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Interest expenses	77,172,233	79,884,221
Less: Capitalised interest expenses	1,983,859	451,514
Interest income	(4,705,425)	(5,661,071)
Bank charges	4,291,094	3,998,500
Exchange losses (gains)	(103,830)	415,255
Total	74,670,213	78,185,391

## 18. Investment income

Item	RMB	
	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Income of short-term financial products	188,293	221,237
Total	188,293	221,237

## 19. Income tax expenses

Item	RMB	
	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Current income tax calculated according to tax laws and relevant rules	27,328,343	34,355,604
Deferred income tax	589,410	1,236,486
Total	27,917,753	35,592,090

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

Item	RMB	
	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Accounting profit	100,688,923	142,639,073
Income tax expenses calculated at tax rate of 25%	25,172,231	35,659,768
Tax effect of non-deductible expenses	2,726,603	1,087,386
Tax effect of non-taxable income	(1,503,024)	(1,389,402)
Effect of using previously unrecognised deductible losses	(151,618)	–
Effect of unrecognised deductible losses	1,673,561	234,338
Total	27,917,753	35,592,090

Please refer to item 24 of Note III for details of income tax rate.



## 20. Earnings per share

Item	<i>RMB</i>	
	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Profit for the period attributable to owners of the Parent	<b>48,365,390</b>	77,631,958
Number of ordinary shares used in the calculation of basic earnings per share	<b>412,220,000</b>	412,220,000

Item	<i>RMB</i>	
	Six months ended 30 June 2013	Six months ended 30 June 2012
Based on the net profit attributable to ordinary shareholders of parent company: Basic earnings per share	<b>0.12</b>	0.19

Up to 30 June 2013, the Company does not have any dilutive potential ordinary shares.

## 21. Other comprehensive income

Item	<i>RMB</i>	
	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Gains (losses) arising from available-for-sale financial assets	<b>(3,432,000)</b>	1,224,000
Less: Tax effects arising from available-for-sale financial assets	<b>(858,000)</b>	306,000
Total	<b>(2,574,000)</b>	918,000

## 22. Supplemental information of cash flow statements

### (1) Supplemental information of cash flow statements

	Six months ended 30 June 2013 (unaudited)	RMB Six months ended 30 June 2012 (audited)
<b>Supplemental information</b>		
<b>1. Reconciliation of net profits and cash flow from operating activities:</b>		
Net profits	<b>72,771,170</b>	107,046,983
Add: Depreciation of fixed assets	<b>60,478,520</b>	57,180,951
Depreciation of investment properties	<b>2,484,733</b>	1,691,034
Amortization of intangible assets	<b>4,308,038</b>	4,173,643
Amortization of long-term prepaid expenses	<b>40,497,159</b>	31,261,892
Losses on disposal of non-current assets	<b>1,288,191</b>	1,753,678
Financial expenses (including exchange gains and losses)	<b>70,729,119</b>	74,786,891
Investment income	<b>(188,293)</b>	(221,237)
Amortization of government grants related to assets	<b>(133,333)</b>	(133,333)
Net increase in deferred tax liabilities	<b>199,791</b>	(459,057)
Decrease in deferred tax assets	<b>389,619</b>	1,695,543
Decrease in inventories	<b>160,890,154</b>	162,784,558
Net decrease in operating receivables	<b>(454,393,555)</b>	147,884,339
Net increase in operating payables	<b>537,842,558</b>	(462,896,312)
Net cash flows from operating activities	<b>497,163,871</b>	126,549,573
<b>2. Net change in cash and cash equivalents:</b>		
Cash balance at the end of the period	<b>704,315,812</b>	498,169,193
Less: Cash balance at the beginning of the period	<b>461,110,253</b>	580,655,216
Increase (decrease) in cash and cash equivalents	<b>243,205,559</b>	(82,486,023)

### (2) Composition of cash and cash equivalents

	30 June 2013 (unaudited)	RMB 30 June 2012 (audited)
<b>Item</b>		
Cash		
Including: Cash on hand	<b>31,062,228</b>	24,523,192
Bank deposits	<b>673,253,584</b>	473,646,001
Closing balance of cash and cash equivalents	<b>704,315,812</b>	498,169,193

### 23. Segment reporting

For the purpose of management, the Group classified the operations into three segments according to the product and service:

- the retailing segment engages in the distribution of food, untagged food, daily necessities, drinks and cigarettes, hardware and household appliances;
- the wholesaling segment engages in the wholesale supply of daily consumer products, including food, untagged food, beverages, drinks, cigarettes and daily necessities;
- the "others" segment comprises, principally, the production of plastic packing materials.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is measured consistently with the Group's profit before tax in the consolidated financial statements.

All the asset and liability has been allocated to respective segment, no unallocated asset and liability which are centrally managed by the Group.

The pricing of inter-segment is base on the market prices as well as the actual transaction prices.

Since all the business and assets of the Group allocate in China, no geographical segment report disclosed.

#### For the six months ended 30 June 2013

	<i>RMB</i>				
	Retailing	Wholesaling	Others	Inter-segment elimination	Total
Operating income					
External revenue	2,511,200,554	2,580,295,892	5,906,697	–	5,097,403,143
Inter-segment revenue	18,972,633	270,715,124	9,765,887	(299,453,644)	–
Total	2,530,173,187	2,851,011,016	15,672,584	(299,453,644)	5,097,403,143
Total profit	29,078,216	69,084,453	2,526,254	–	100,688,923
Income tax expenses	6,474,267	20,805,030	638,456	–	27,917,753
Net profit	22,603,949	48,279,423	1,887,798	–	72,771,170
Supplementary information:					
Depreciation and amortisation	96,792,290	10,959,608	16,552	–	107,768,450
Capital expenditures	140,143,061	14,149,209	117,679	–	154,409,949

#### For the six months ended 30 June 2012

	<i>RMB</i>				
	Retailing	Wholesaling	Others	Inter-segment elimination	Total
Operating income					
External revenue	2,533,019,616	2,274,043,378	16,103,027	–	4,843,166,021
Inter-segment revenue	21,495,606	271,827,591	4,978,289	(298,301,486)	–
Total	2,574,515,222	2,545,870,969	21,081,316	(298,301,486)	4,843,166,021
Total profit	46,164,312	96,375,368	1,099,393	–	142,639,073
Income tax expenses	10,640,768	24,676,474	274,848	–	35,592,090
Net profit	34,523,544	71,698,894	824,545	–	107,046,983
Supplementary information:					
Depreciation and amortisation	81,983,076	12,312,096	12,348	–	94,307,520
Capital expenditures	124,376,344	4,756,503	51,163	–	129,184,010

30 June 2013

RMB

	Retailing	Wholesaling	Others	Inter-segment elimination	Total
Total asset	3,601,926,056	3,909,213,916	20,497,057	(461,425,243)	7,070,211,786
Total liability	2,458,244,580	3,063,444,118	12,179,147	(461,425,243)	5,072,442,602

31 December 2012

RMB

	Retailing	Wholesaling	Others	Inter-segment elimination	Total
Total asset	3,492,529,160	3,296,864,531	12,921,917	(451,261,082)	6,351,054,526
Total liability	2,399,535,694	2,396,240,297	6,491,807	(451,261,082)	4,351,006,716

The Group's businesses are principally retail and wholesale and located in Beijing, PRC. The mainly identifiable assets are located in Beijing.

The Group has not placed reliance on any single external customers for current period.

#### 24. Net current assets

RMB

Item	2013.6.30 (unaudited)	2012.12.31 (audited)
Current assets	4,671,717,894	3,973,803,235
Less: current liabilities	4,763,083,463	4,124,394,590
Net current liabilities	91,365,569	150,591,355

#### 25. Total assets less current liabilities

RMB

Item	2013.6.30 (unaudited)	2012.12.31 (audited)
Total assets	7,070,211,786	6,351,054,526
Less: current liabilities	4,763,083,463	4,124,394,590
Total assets less current liabilities	2,307,128,323	2,226,659,936

## VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS

### 1. Information of the parent company

The Company's ultimate holding company is Chaoyang Auxiliary.

### 2. Information of subsidiaries

Detailed information of the subsidiaries is disclosed in Note V.

### 3. Information of other related party

Name of other related party	Relationship with the Company	The Certificate of Organization Code
Beijing Tengyuan Xingye Motor Service Limited Company ("Tengyuan Xingye")	Company controlled by the same parent	10169570-2

### 4. Related party transaction

(1) *Related party's lease transaction and relocation compensation*

Lessor	Lessee	Type of lease	Pricing basis of related party transaction	Notes	RMB	
					Six months ended 30 June 2013	Six months ended 30 June 2012
Chaoyang Auxiliary	The Company	Rent expense	Price negotiated	Note 1	663,172	81,379
Chaoyang Auxiliary	Xinyang Tongli	Rent expense	Price negotiated	Note 2	-	8,466
Chaoyang Auxiliary	Xinyang Tongli	Relocation compensation	Price negotiated	Note 2	1,653,398	-
Tengyuan Xingye	The Company	Rent expense	Price negotiated	Note 3	1,601,967	1,076,250

Note 1: Pursuant to property lease agreements and supplementary agreements signed between the Company and Chaoyang Auxiliary, the Company and Chaopi Trading leased certain properties from Chaoyang Auxiliary for operation purposes for lease terms ranging from 10 to 20 years at basic annual rentals.

On 30 June 2011, except for the properties used by five stores of the Company and five properties which lease agreements were terminated, the State-owned Assets Supervision and Administration Commission of Beijing Chaoyang District approved the transferring for the land and properties used by the Company and Chaopi Trading (the "transferred assets") from Chaoyang Auxiliary to Hongchao Weiye Company limited ("Hongchao Weiye"). Subsequently, the Company and Chaopi Trading signed a series of lease agreements and supplementary agreements with Hongchao Weiye respectively, to lease the aforesaid properties for operation purposes. The rental paid to Hongchao Weiye by the Company and Chaopi Trading in aggregate amounting to RMB14,902,683 for current year. (for the last corresponding period: RMB4,132,676).

According to a series of lease agreements and supplementary agreements mentioned above, the rental paid to Chaoyang Auxiliary by the Company was RMB663,172 for current period (for the last corresponding period: RMB81,379).

Note 2: On 30 April 2004, pursuant to property lease agreement signed between the Company's subsidiary Xinyang Tongli and Chaoyang Auxiliary, Xinyang leased a property located in Tuofangying No.1 Jiuxianqiao from Chaoyang Auxiliary for operation purposes. The annual rent was RMB16,257. The commencement and expiry dates on 1 January 2004 and 31 December 2023. On 14 December 2012, the compensation agreement was signed between Xinyang Tongli and Chaoyang Auxiliary, to agree to pay compensation to Xinyang Tongli by Chaoyang Auxiliary in the amount of RMB6,349,040, which is determined after taking into account Xinyang Tongli's loss of equipment and fixtures and loss of business interruption etc. arising from the termination of lease agreement. The compensation was received by Xinyang Tongli on 18 January 2013. According to the progress of demolition up to 30 June 2013, Xinyang Tongli recognized the compensation of RMB1,653,398. For current period, none of the rental fee was paid to Chaoyang Auxiliary by Xinyang Tongli (for the last corresponding period: RMB8,466).

Note 3: Pursuant to the lease agreement signed between the Company and Tengyuan Xingye, the Company leased a property from Tengyuan Xingye for operation purposes. For current period, the aggregate amount for rental fee, occupancy fee and property management fee paid to Tengyuan Xingye by the Company was RMB1,601,967 (for the last corresponding period: RMB1,076,250).

(2) *Emolument of key management*

<b>Item</b>	<b>Six months ended 30 June 2013 (unaudited)</b>	<i>RMB</i> Six months ended 30 June 2012 (audited)
Emolument of key management	<b>6,179,709</b>	13,509,663

**5. Receivables and payables of related parties**

The Group had no receivables or payables balance with related parties on 31 December 2012 and 30 June 2013.

**6. Commitments between the Group and related parties**

The Company had signed lease contracts with Tengyuan Xingye for operation and storage.

The anticipated future rent by the Group:

	<b>2013.6.30 (unaudited)</b>	<i>RMB</i> 2012.6.30 (audited)
Within one year from the balance sheet date	<b>4,530,278</b>	4,530,278
In the second year from the balance sheet date	<b>4,530,278</b>	4,530,278
In the third year from the balance sheet date	<b>4,530,278</b>	4,530,278
Subsequent years	<b>29,212,856</b>	31,477,995
Total	<b>42,803,690</b>	45,068,829

## VIII. COMMITMENTS

### 1. Capital commitments

	2013.6.30 (unaudited)	RMB 2012.12.31 (audited)
Acquisition of fixed assets		
Contracted for but not provided	<b>165,352,016</b>	154,775,847
Authorised but not contracted for	<b>147,419,115</b>	195,961,732
Total	<b>312,771,131</b>	350,737,579

### 2. Operating lease commitments

#### (a) As the lessee

The Group rented in certain properties (including the retail stores and offices) according to the operating lease arrangement. The renting period is among 1 year to 20 years.

On 30 June 2013, the Group had the following commitments in respect of non-cancellable operating leases:

	2013.6.30 (unaudited)	RMB 2012.12.31 (audited)
Minimum lease payments under non-cancellable operating leases:		
Within one year from the balance sheet date	<b>192,003,869</b>	216,177,361
In the second year from the balance sheet date	<b>216,440,468</b>	214,336,563
In the third year from the balance sheet date	<b>218,338,352</b>	207,724,633
Subsequent years	<b>1,925,409,622</b>	1,955,316,654
Total	<b>2,552,192,311</b>	2,593,555,211

#### (b) As the lessor

The Group rented out certain properties according to the operating lease arrangement. The renting period is among 1 year to 20 years. The arrangement normally requires the lessee to pay deposits.

On 30 June 2013, the Group had the following commitments in respect of non-cancellable operating leases:

	2013.6.30 (unaudited)	RMB 2012.12.31 (audited)
Minimum lease receivables under non-cancellable operating leases:		
Within one year from the balance sheet date	<b>83,076,837</b>	50,300,063
In the second year from the balance sheet date	<b>52,971,844</b>	43,885,982
In the third year from the balance sheet date	<b>46,311,280</b>	38,766,180
Subsequent years	<b>107,117,315</b>	75,586,600
Total	<b>289,477,276</b>	208,538,825

## IX. EVENTS AFTER THE REPORTING PERIOD

1. On 22 July 2013, the Company and other equity holders each contributed RMB140,490,326 and RMB35,452,474 into Chaopi Trading, which are recognized in share capital and capital reserve, respectively. As of the date, the registered capital of the Chaopi Trading was increased to RMB500,000,000. The company owned 79.85% equity of Chaopi Trading, which was verified by the "Rui Hua Ye Zi [2013] no. 201C0002".
2. On 12 July 2013, the Company issued the private debt financing instrument in an aggregate amount of RMB200,000,000 with a term of maturity of six months through Bank of Nanjing. The private debt financing instrument is unsecured, interest-bearing at 5.2% per annum, and the principle will be settled with interest at the due date.
3. Pursuant to the the "Approval to Issue Corporate Bonds by Beijing Jingkelong Company Limited" (the Commission license [2013] 791) issued by The China Securities Regulatory Commission for issuance of Corporate Bonds, On 15 August 2013, the Company issued the Corporate Bonds in an aggregate amount of RMB750 million, bearing interest rate at 5.48% per annum, with the options to increase the coupon interest rate by the issuer and investors repurchase option at the third year end. The Corporate Bonds is guaranteed by Beijing Chaoyang District National Capital Operating Management Center, a state-owned enterprise.
4. On 22 August 2013, the subsidiary of the Company, Chaopi Trading established a wholly-owned subsidiary Beijing Chaopi Maolisheng Trading Company Limited ("Chaopi Maolisheng") with registered capital of RMB50,000,000. The investment has been verified by the [2013] No.[201C0004] Capital Verification Report. Chaopi Trading holds 100% of the equity of Chaopi Maolisheng and the Company holds indirectly 79.85% of equity interest of Chaopi Maolisheng through Chaopi Trading.

As of the date of the approval of the interim financial statement, the Company did not have any other significant event subsequent to 30 June 2013.

## X. NOTES TO THE COMPANY INTERIM FINANCIAL STATEMENTS

### 1. Accounts receivable

The Company normally allows a credit period of no more than 90 days to its customers. A longer credit period is granted to its major customers with 180 days. Accounts receivable bear no interest except the amount due from Shoulian which bears interest at a rate of 6.40% per annum during the current period (For the last corresponding period: 6.13% per annum).

The ageing analysis of the accounts receivable according to the invoice date is as follows:

Aging	2013.6.30	RMB
	(unaudited)	2012.12.31 (audited)
Within 1 year	97,747,806	147,548,888
Over 2 years	80,000,000	80,000,000
Total	177,747,806	227,548,888

On 30 June 2013, accounts receivable of the Company amounted to RMB80,000,000 (31 December 2012: RMB80,000,000) due from Shoulian, which were already overdue. In the opinion of the directors, no impairment is necessary in view of the following consideration: the accounts receivable bears interest at a rate of 6.40%, and all the interest is received. Moreover, Shoulian has pledged one piece of land and related buildings with a total value of not less than the overdue accounts receivables.

On 30 June 2013, allowance for doubtful debts was RMB1,890,579 (For the last corresponding period: RMB1,890,579).



## 2. Inventories

Item	RMB	
	2013.6.30 (unaudited)	2012.12.31 (audited)
Finished goods	245,752,251	319,379,307
Raw materials	3,455,533	8,093,997
Low-valued consumables	317,473	248,841
Total	249,525,257	327,722,145

On 30 June 2013 and 31 December 2012, no inventory were pledged or guaranteed.

## 3. Other current assets

Item	RMB	
	2013.6.30 (unaudited)	2012.12.31 (audited)
Short-term investment (Note 1)	100,000,000	–
Prepaid expenses	27,348,355	17,268,421
Other prepaid expenses (Note 2)	6,630,623	7,012,770
Total	133,978,978	24,281,191

Note 1: On 30 June 2013, the Company's short-term investments represented investments in financial products operated by the Bank of Beijing. The investment was RMB100,000,000 (31 December 2012: Nil), which was purchased on 25 June 2013 with an expected annual interest rate at 4.72%. The principal and interest of the short-term investment was fully settled on 9 July 2013.

Note 2: Other prepaid expense is mainly consisting of property fees, cleaning cost and security cost.

## 4. Fixed assets, Construction in progress and Investment property

During the current period, the original book value of fixed assets and construction in progress were increased by RMB40,805,082 and RMB60,154,760 due to additions. During the last year's corresponding period, the original book value of fixed assets and construction in progress were increased by RMB57,698,962 and RMB46,681,730. During the current period, the original book value decreased by RMB10,780,201 due to disposals (For the last year's corresponding period: RMB9,055,262).

On 30 June, 2013, the fixed assets and investment property with the net book value of RMB144,585,616 and RMB7,693,961 (On 31 December 2012: RMB89,192,077 and RMB6,620,660) were pledged to secure the bank loan (Note X 5).

## 5. Short-term Bank Loans and Long-term Bank Loans

Item	RMB	
	2013.6.30 (unaudited)	2012.12.31 (audited)
Short-term Bank Loans	<b>697,107,688</b>	810,000,000
– guaranteed loan	<b>349,000,000</b>	500,000,000
– credit loan	<b>348,107,688</b>	310,000,000
Long-term Loan	<b>282,000,000</b>	200,000,000
– secured loan (Note 1)	<b>282,000,000</b>	200,000,000
Total	<b>979,107,688</b>	1,010,000,000

On 30 June 2013, Company's bank loans are denominated in RMB. The short-term bank loans bear annual interest rates ranging from 5.40% to 6.00% (31 December 2012: 5.40% to 6.00%), and the long-term bank loans bear annual interest rates 5.84% (31 December 2012: 5.13% to 5.84%). All of the loans were repaid in time.

Note 1: On 30 June 2013, long-term loans bank of the Company were secured by certain of the Company's buildings and land-use-right with aggregate carrying amounts of approximately RMB144,585,616 (31 December 2012: RMB89,192,077) and investment properties with carrying amount of approximately RMB7,693,961 (31 December 2012: RMB6,620,660).

## 6. Operating income and operating costs

Item	RMB	
	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Principal operating income	<b>2,185,382,942</b>	2,220,387,893
Other operating income	<b>170,879,987</b>	171,550,155
Operating cost	<b>1,865,371,047</b>	1,904,349,867

The Company's operating income is principally from retail. The principal operating income is mainly consisting of selling food, non-staple food, daily consumer goods, beverage and wine.

## 7. Finance cost

Item	RMB	
	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Interest expenses	<b>31,106,609</b>	34,342,703
Less: Capitalised interest expenses	<b>1,398,946</b>	451,514
Interest income	<b>(13,964,109)</b>	(8,140,499)
Bank charges	<b>3,072,813</b>	3,577,099
Exchange losses (gains)	<b>(103,830)</b>	415,255
Total	<b>18,712,537</b>	29,743,044

## 8. Income tax expenses

Item	<i>RMB</i>	
	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Current income tax calculated according to tax laws and relevant rules	5,688,460	8,803,466
Deferred income tax	(327,058)	(459,057)
<b>Total</b>	<b>5,361,402</b>	<b>8,344,409</b>

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

Item	<i>RMB</i>	
	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Accounting profit	84,585,973	101,635,407
Income tax calculated at tax rate of 25%	21,146,493	25,408,852
Tax effect of non-deductible expenses	410,783	382,627
Tax effect of non-taxable income	(16,195,874)	(17,447,070)
<b>Total</b>	<b>5,361,402</b>	<b>8,344,409</b>

Please refer to item 24 of Note III for details of income tax rate.

## 9. Related party transaction

### (1) Inter-group transactions

- Sales of goods to Subsidiaries

Name of Subsidiaries	Pricing basis of related party transaction	<i>RMB</i>	
		Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Jingkelong Langfang	Price negotiated	90,339,595	100,102,650
Jingkelong Tongzhou	Price negotiated	70,581,601	66,005,296
Shouchao Group	Price negotiated	193,960,431	179,389,139

2 Purchase of goods/receipts of services from Subsidiaries

Name of Subsidiaries	Pricing basis of related party transaction	RMB	
		Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Xinyang Tongli	Price negotiated	9,765,887	4,978,289
Chaopi Trading	Price negotiated	131,062,558	128,858,369
Chaopi Shuanglong	Price negotiated	21,726,864	16,478,469
Chaopi Flavours	Price negotiated	30,961,933	42,105,724
Chaopi Jinglong Oil Sales	Price negotiated	18,811,200	22,438,040
Chaopi Huaqing	Price negotiated	38,916,662	35,300,837
Chaopi Zhongde	Price negotiated	28,628,071	26,646,152
Chaopi Shenglong	Price negotiated	607,836	-

3 Leases to the Subsidiary

Name of Subsidiaries	Pricing basis of related party transaction	RMB	
		Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Jingkelong Langfang	Price negotiated	849,600	1,642,560

4 Entrusted Loan Interest income from the Subsidiary

Name of Subsidiaries	Pricing basis of related party transaction	RMB	
		Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Chaopi Trading	calculated at the contemporary bank loan interest rate	10,849,664	4,601,234

5 Others-Promotion Income

Name of Subsidiaries	Pricing basis of related party transaction	RMB	
		Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
Chaopi Trading	Price negotiated	14,937,322	15,434,958
Chaopi Shuanglong	Price negotiated	555	-
Chaopi Flavourings	Price negotiated	237,838	717,700
Chaopi Jinglong Oil Sales	Price negotiated	672,396	959,290
Chaopi Huaqing	Price negotiated	678,115	1,051,701
Chaopi Zhongde	Price negotiated	2,446,407	3,331,957

(2) Other related party transactions balances

1 Accounts Receivable

Name of Subsidiaries	RMB	
	2013.6.30 (unaudited)	2012.12.31 (audited)
Jingkelong Langfang	36,331,257	46,858,171
Jingkelong Tongzhou	3,245,349	6,874,537
Shouchao Group	43,736,701	82,575,969

2 Other Receivables

Name of Subsidiaries	RMB	
	2013.6.30 (unaudited)	2012.12.31 (audited)
Jingkelong Tongzhou	31,760,207	36,449,029
Chaopi Trading	9,935,248	1,587,577
Chaopi Shuanglong	833	72,000
Chaopi Flavourings	453,421	654,899
Chaopi Jinglong Oil Sales	79,467	62,700
Chaopi Huaqing	255,544	275,400
Chaopi Zhongde	1,159,721	1,047,386

3 Entrusted Loan

Name of Subsidiary	RMB	
	2013.6.30 (unaudited)	2012.12.31 (audited)
Chaopi Trading	300,000,000	330,000,000

4 Prepayments to Suppliers

		<i>RMB</i>
<b>Name of Subsidiary</b>	<b>2013.6.30 (unaudited)</b>	2012.12.31 (audited)
Xinyang Tongli	<b>1,154,790</b>	900,000

5 Account Payables

		<i>RMB</i>
<b>Name of Subsidiaries</b>	<b>2013.6.30 (unaudited)</b>	2012.12.31 (audited)
Xinyang Tongli	<b>840,766</b>	505,650
Chaopi Trading	<b>58,763,667</b>	54,407,474
Chaopi Shuanglong	<b>9,489,730</b>	9,625,677
Chaopi Flavourings	<b>18,288,510</b>	16,469,365
Chaopi Jinglong Oil Sales	<b>8,399,996</b>	6,064,019
Chaopi Huaqing	<b>25,710,359</b>	13,016,627
Chaopi Zhongde	<b>22,669,285</b>	13,389,719
Chaopi Shenglong	<b>227,941</b>	-

6 Other Payables

		<i>RMB</i>
<b>Name of Subsidiary</b>	<b>2013.6.30 (unaudited)</b>	2012.12.31 (audited)
Xinyang Tongli	<b>4,250,755</b>	1,415,659

7 Advance from Customer

		<i>RMB</i>
<b>Name of Subsidiary</b>	<b>2013.6.30 (unaudited)</b>	2012.12.31 (audited)
Shouchao Group	<b>23,668,776</b>	46,448,418

(3) *Guarantees with Inter-Group Related Party*

On 30 June 2013 and 31 December 2012, no obligation of guarantees was provided to its Subsidiary by the Company.

On 30 June 2013, the Company had a short-term loan of RMB349,000,000, which was guaranteed by Chaopi Trading (31 December 2012: RMB500,000,000). On 30 June 2013, the Company guaranteed for its subsidiary Chaopi Trading of short-term loan of RMB1,226,143,781 (31 December 2012: RMB1,059,629.653).

Except for the eliminated inter-group transactions and balances which mentioned above, please refer to Note VII for details of other related party transactions and balance.

**XI. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS**

The Company's and consolidated interim financial statements were approved by the board of directors and authorised for issue on 23 August 2013.

## SUPPLEMENTARY INFORMATION

### DIFFERENCES BETWEEN AMOUNTS PREPARED UNDER FOREIGN ACCOUNTING STANDARDS AND CHINA ACCOUNTING STANDARDS ("CAS")

**Differences in the net profit and net assets between those disclosed in the financial statements in compliance with HK GAAP and CAS:**

*NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY:*

	<i>RMB</i>
	<b>Six months ended</b>
	<b>30 June 2012</b>
In accordance with CASs	77,631,958
In accordance with HK GAAPs	77,631,958

*EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY:*

	<i>RMB</i>
	<b>On 31 December 2012</b>
In accordance with CASs	1,644,044,168
In accordance with HK GAAPs	1,644,044,168

The consolidated financial statement which is prepared under the CAS is consistent with which preparing under the HK GAAP.