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If you have sold or transferred all your shares in the Company, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



北京京客隆商業集團股份有限公司
BEIJING JINGKELONG COMPANY LIMITED*
(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 814)

MAJOR TRANSACTION
ACQUISITION OF EQUITY INTEREST IN TARGET COMPANY

All capitalised terms used in this circular have the meanings set out in the section headed “Definitions” of this circular.

A letter from the Board (as defined in this circular) is set out on pages 3 to 11 of this circular.

Please refer to the EGM Notice (as defined in this circular) for details in respect of the resolutions to be considered at the EGM, eligibility of attendance, registration procedure, proxy and other relevant matters.

13 September 2017

* For identification purpose only

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DEFINITIONS

In this circular, the following terms or expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Equity Interest pursuant to the terms and conditions of the Agreement;
“Agreement”	the equity transfer agreement (產權交易合同) entered into on 8 August 2017 between the Vendor and the Company in relation to the Acquisition;
“Assessment Report”	the “Assessment Report on the Total Shareholders’ Equity Interest of Beijing Lianchao Company Limited Involved in the Equity Transfer by Beijing Shoulian Company Limited” (《北京首聯商業集團有限公司擬轉讓股權所涉及的北京聯超商業有限公司股東全部權益價值評估項目資產評估報告書》(京首評資(2016)(報)字第BJSJZC2016000164號)) issued by Beijing Shoujia Joint Assets Appraisal Company Limited(北京首佳聯合資產評估有限公司), an independent valuer;
“Board”	the board of directors of the Company;
“Company”	北京京客隆商業集團股份有限公司 (Beijing Jingkelong Company Limited*), a joint stock limited company incorporated in the PRC, the H shares of which are listed on the Stock Exchange;
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement;
“Conditions”	has the meaning ascribed to it under the section headed “B. The Acquisition – Conditions precedent” in the Letter;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	has the meaning ascribed to it under the section headed “B. The Acquisition – Consideration and basis of determination of Consideration” in the Letter;
“Director(s)”	director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder;
“EGM Notice”	the notice of the Company convening the EGM dated 11 August 2017;

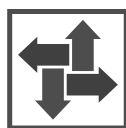
DEFINITIONS

“Enlarged Group”	the Group immediately after Completion;
“Equity Interest”	85% of the equity interest in the Target Company (corresponding to 85% of its registered capital);
“Group”	the Company and its subsidiaries;
“Latest Practicable Date”	8 September 2017, being the latest practicable date for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Letter”	the letter from the Board contained in this circular;
“PRC”	the People’s Republic of China which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan;
“PRC GAAP”	the PRC Accounting Standards for Business Enterprises, as promulgated and, from time to time, amended or supplemented by the Ministry of Finance of the PRC;
“Properties”	has the meaning ascribed to it under the section headed “F. Information on the Target Company” in the Letter;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	北京聯超商業有限公司 (Beijing Lianchao Company Limited*), a company incorporated in the PRC with limited liability;
“Vendor”	北京首聯商業集團有限公司 (Beijing Shoulian Company Limited*), a company incorporated in the PRC with limited liability; and
“%”	per cent.

In this circular, the English names of the PRC entities and technical terms are translations of their Chinese versions, and are included herein for identification purposes only. In the event of any inconsistency, the Chinese versions shall prevail.

* For identification purpose only

LETTER FROM THE BOARD



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

北京京客隆商業集團股份有限公司
BEIJING JINGKELONG COMPANY LIMITED*
(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 814)

Executive Directors:

Mr. Li Jianwen
Mr. Shang Yongtian
Ms. Li Chunyan
Mr. Liu Yuejin

Registered Office:

Block No. 45
Xinyuan Street
Chaoyang District
Beijing
PRC

Non-executive Directors:

Mr. Wang Weilin
Mr. Li Shunxiang

Place of business in Hong Kong:

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

Independent Non-executive Directors:

Mr. Choi Onward
Mr. Wang Liping
Mr. Chen Liping

13 September 2017

To Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

ACQUISITION OF EQUITY INTEREST IN TARGET COMPANY

A. INTRODUCTION

Reference is made to the announcement of the Company dated 8 August 2017 in relation to the Acquisition which disclosed that on 8 August 2017 (after trading hours), the Company entered into the Agreement with the Vendor pursuant to which the Company has conditionally agreed to purchase the Equity Interest (which corresponds to 85% of the registered capital of the Target Company) at a total consideration of RMB244,020,502.05.

The purpose of this circular is to provide Shareholders with, among other things, further details of the Agreement.

* For identification purpose only

LETTER FROM THE BOARD

B. THE ACQUISITION

A summary of the salient terms of the Agreement is set out below.

Date of the Agreement

8 August 2017 (after trading hours)

Parties

Purchaser: The Company

Vendor: 北京首聯商業集團有限公司(Beijing Shoulian Company Limited*)

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Acquisition matter

Pursuant to the Agreement, the Company has conditionally agreed to purchase the Equity Interest, which corresponds to 85% of the registered capital of the Target Company. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

Further information regarding the Target Company is set out in the paragraph headed “Information on the Target Company” below.

Consideration and basis of determination of Consideration

According to the relevant PRC laws and regulations, the proposed Acquisition was conducted by an agreement transfer process on the Beijing Property Rights Exchange.

The consideration (“**Consideration**”) for the Acquisition is RMB244,020,502.05.

The Consideration was determined by the parties after fair negotiations taking into account, among other things, (i) 85% of the valuation of the Target Company as at 30 September 2016 at approximately RMB287,082,900 according to the Assessment Report adopting an asset-based approach (i.e. approximately RMB244,020,465); (ii) the book value of the net assets (audited) of the Target Company as at 31 December 2016 prepared in accordance with the PRC GAAP in the amount of approximately RMB163,280,037.33; and (iii) the relevant valuation of the Properties prepared by Vigers Appraisal and Consulting Company Limited, an independent valuer (the relevant valuation report is contained in Appendix V to this circular).

LETTER FROM THE BOARD

According to 國務院國資委2005年第12號《企業國有資產評估管理暫行辦法》(Decree of the State-owned Assets Supervision and Administration Commission of the State Council (No. 12) – “Interim Measures for Administration of Appraisal of State-owned Assets of Enterprises”), the Equity Interest to be transferred under the Acquisition is subject to valuation and approval by 北京市朝陽區人民政府國有資產監督管理委員會 (Beijing Municipality Chaoyang District People’s Government State-owned Assets Supervision and Administration Commission). According to 國務院國資委財政部令第32號《企業國有資產交易監督管理辦法》(Decree of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance of the People’s Republic of China (No. 32) – “Measures for Supervision and Administration of Transactions of State-owned Assets of Enterprises”), in respect of the Acquisition, the Vendor shall commission a qualified PRC valuer to prepare the Assessment Report (which has been reviewed by the Directors) and the Consideration shall be made on the basis of such valuation. Accordingly, 85% of such valuation (i.e. approximately RMB244,020,465) represents the minimum value of the consideration for the Acquisition for the Company to consider.

The Company has engaged Ruihua Certified Public Accountants LLP to prepare the accountant report on the Target Company (contained in Appendix II to this circular), according to which the net assets value of the Target Company as at 31 December 2016 was approximately RMB163,280,037.33, which supports the reasonableness of the said valuation under Assessment Report considering (i) the said net assets value which was determined on the basis of the value of the land owned by the Target Company in 2014 when it was injected to the Target Company at the time of its incorporation; and (ii) the increase in property value in Beijing, the PRC during the period from 2002 to the end of 2016.

The Company has also engaged Vigers Appraisal and Consulting Company Limited to prepare the valuation report on the Properties (contained in Appendix V to this circular) in the amount of RMB292,480,000, which is comparable to the valuation under the Assessment Report and further supports its reasonableness.

As mentioned in paragraph headed “Net profit attributable to the parent company” in the management discussion and analysis on the Target Company contained in Appendix III to this circular, with the commencement of the leases of the Properties and the receipt of rental income (being the only income of the Target Company for the three years ended 31 December 2016 and the six months ended 30 June 2017), the profit has gradually improved over such period.

Taking into account all the above factors, the Company considers that the Consideration is fair and reasonable.

An accountant’s report on the Target Company prepared in compliance with the requirements of the Listing Rules is included in Appendix II to this circular.

LETTER FROM THE BOARD

Payment arrangement

The Consideration shall be settled in the following manners:

- (a) as to RMB50 million, has been paid by the Company to the Vendor in cash as deposit under the framework agreement in respect of the Acquisition;
- (b) as to RMB80 million, shall be settled by setting off against the debt in the same amount owed by the Vendor to the Company pursuant to a franchise contract between the Company and the Vendor dated 10 February 2007, pursuant to which the Vendor's network of hypermarkets, supermarkets and convenience stores shall be operated under the Company's "京客隆" brandname, and the sourcing and logistics requirement of the Vendor's network of hypermarkets, supermarkets and convenience stores shall be supported by the Company's logistics centers. The said debt of RMB80 million represents certain payables by the Vendor for the purchase of commodities from the Company;
- (c) as to RMB50 million, shall be settled by setting off against the debt in the same amount owed by the Vendor to the Company pursuant to a loan agreement between the Company and the Vendor dated 1 January 2016 for a term from 4 February 2016 to 31 December 2017 at the annual interest rate of 4.64%; and
- (d) as to the remainder of RMB64,020,502.05, shall be paid in cash within five business days after the date of Completion.

Upon Completion, it is expected that the debt due from the Vendor to the Group will be in the amount of approximately RMB122 million, which is expected to be recoverable (for details, please refer to "note 16. Other non-current assets" to the consolidated accounts of the Company for the year ended 31 December 2016 in the 2016 annual report of the Company).

Conditions precedent

Completion will be conditional upon the satisfaction of the following conditions ("Conditions"):

- (a) the Vendor having obtained the relevant approval or authorisation in respect of the Acquisition (including the procedures regarding the transfer of State-owned assets) in accordance with the laws and regulations and the articles of association of the Vendor;
- (b) no issues having arisen in respect of the settlement of employees settlement of a State-owned enterprises (國有企業職工安置);
- (c) the Company having obtained the relevant approval or authorisation in respect of the Acquisition in accordance with the relevant laws and regulations and the articles of association of the Company; and

LETTER FROM THE BOARD

- (d) the Company having complied with the applicable requirements of the Listing Rules in respect of the Acquisition (including the approval of the Agreement and the transactions contemplated thereunder by the Shareholders at the EGM).

As at the Latest Practicable Date, none of the Conditions had been satisfied other than Conditions (a) and (b) above. None of the Conditions may be waived by the parties.

Completion

Completion shall take place on the date of completion of the registration of the transfer of the Equity Interest at the relevant authority of the PRC and the obtaining of the new business licence of the Target Company.

C. REASONS FOR THE ACQUISITION

Daxing District is neighbouring Fengtai District and Chaoyang District in the north, with a boundary at Langfang City and Gu'an County of Hebei Province in the south, separated by Yongding River with Fangshan District in the west, and neighbouring Tongzhou District in the east. Along with the advancement of the coordinated development of Beijing-Tianjin-Hebei integration strategy (京津冀一體化協同發展戰略), Daxing District will be the portal and hub in the integration of this region. At the same time, along with the promotion of the mission of the relief of non-capital functions (非首都功能疏解), part of the chaotic market and street vendors were cleared, while the demand for daily life convenience service in the region still exists, providing a good development opportunity for the Company in Daxing District. With the upgrading of consumption, the impact of ecommerce and the development of mobile Internet technology, traditional offline retail business is seeking new development opportunities, while online e-commerce needs to rely on the real economy for new growth points after a rapid development. Accordingly, the trend of online and offline channels integration will be further strengthened. While the online resources are unlimited, offline store network resources are limited and scarce, the acquisition of the Target Company will increase the proportion of the Company's self-owned properties and consolidate its offline store resources, which is beneficial to the development of the Group's business.

Set mentioned in the section headed "F. Information on the Target Company", part of the Properties are leased to certain independent third parties for the operation of apartments. It is expected that such leases shall continue upon Completion. The Company is of the view that the continuation of such leases is in line with the Group's policy under which certain properties are leased to other parties as opposed to self-use.

The Directors consider that the Acquisition has been entered into on normal commercial terms and that the terms of the Agreement are fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

D. INFORMATION ON THE COMPANY

The Company is principally engaged in the retail and wholesale distribution of daily consumer products.

LETTER FROM THE BOARD

E. INFORMATION ON THE VENDOR

The Vendor is a State-owned enterprise principally engaged in property leasing.

F. INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established by the Company and the Vendor with a registered capital of RMB10 million (owned as to 85% by the Vendor and 15% by the Company, respectively, as at the Latest Practicable Date) in the PRC in April 2014. Currently, the Target Company is principally engaged in the leasing of properties.

The Target Company owns the land use rights to the land located in No. 6 West Hongmen Road, Daxing District, Beijing (北京大興區西紅門路6號), the PRC with a site area of approximately 28,574.36 square metres for commercial use and a term ending 19 July 2050, and a major building (and four other buildings) elected thereon with an aggregate gross floor area of approximately 17,724.44 square metres for commercial use (the “**Properties**”). The Properties are currently leased (i) as to approximately 6,412.94 square metres, to 北京京客隆首超商業有限公司 (Beijing Jingkelong Shouchao Commercial Company Limited*, a wholly-owned subsidiary of the Company) for the operation of a supermarket; (ii) as to approximately 5,638.5 square metres, to 北京京客隆昊天酒店管理有限公司 (Beijing Jingkelong Haotian Hotel Management Company Limited*, an indirect wholly-owned subsidiary of the Company) for the operation of a business hotel; and (iii) as to approximately 5,673 square metres, to certain independent third parties.

According to the leases to the said independent third parties, the relevant properties are leased for the operation of apartments, for a term from 5 September 2015 to 4 September 2025 (with a rent-free period of six months) for an annual rental for the period of two years from 5 September 2015 in the amount of RMB3,727,164, which shall be (i) increased by 5% for the following two years; and (ii) further increased by 7% every two years thereafter for the remainder of the term.

Financial information of the Target Company

Set out below is a summary of the financial information of the Target Company for the each of the three years ended 31 December 2016 and the six months ended 30 June 2017 (audited) prepared in accordance with the PRC GAAP:

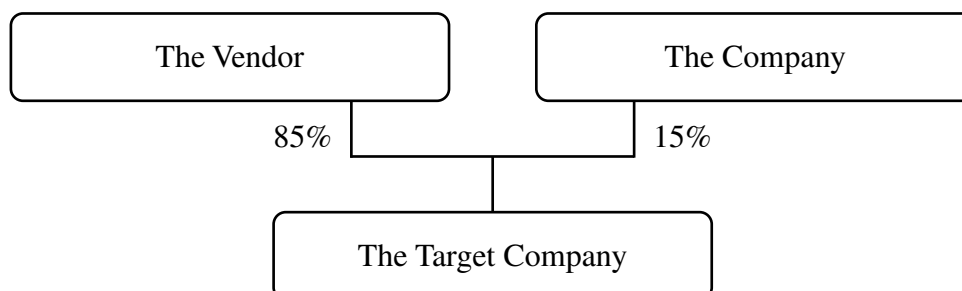
	For the year ended 31 December 2014 (audited) Approximately RMB'000	For the year ended 31 December 2015 (audited) Approximately RMB'000	For the year ended 31 December 2016 (audited) Approximately RMB'000	Six months ended 30 June 2017 (audited) Approximately RMB'000
Profit (before tax)	-6	-1,944	-1,004	770
Profit (after tax)	-6	-1,944	-1,004	770

The book value of the net assets (audited) of the Target Company as at 30 June 2017 prepared in accordance with the PRC GAAP was approximately RMB164,050,170.55.

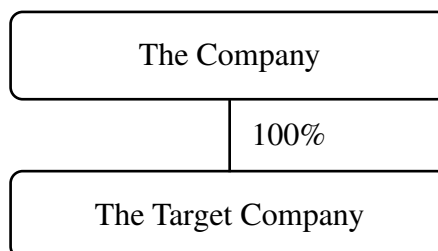
LETTER FROM THE BOARD

Shareholding structure of the Target Company

- (a) The shareholding structure of the Target Company as at the Latest Practicable Date is as follows:



- (b) The shareholding structure of the Target Company upon Completion shall be as follows:



Upon Completion, the Company will hold 100% of the equity interest in the Target Company. Accordingly, the Target Company will become a wholly-owned subsidiary of the Company and the Target Company's financial results will be consolidated into the consolidated financial statements of the Company.

G. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that Completion is subject to the fulfillment of the Conditions and the Agreement may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

H. FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

The Company proposed to acquire 85% equity interest in the Target Company from the Vendor. Upon Completion, the Company will hold 100% equity interest in the Target Company.

LETTER FROM THE BOARD

Based on the existing information available to the Company, considering that all the assets used for payment of Consideration are the cash asset of the Company, and calculated based on the Book value of Consideration for 85% equity interest in the Target Company as at 30 June 2017 according to the Assessment Report, the Directors expect that upon Completion, the revenue would be generated to the Group in the amount of RMB -122,010 (taking into account the stamp duty payable in respect of the Agreement based on the relevant provisions of the PRC tax law), the total assets of the Group will be increased by RMB1,143,291 (primarily due to the advance payment under the leases of the Properties) and the total liability of the Group will be increased by RMB 1,265,301 (primarily due to the advance payment under the leases of the Properties and the stamp duty payable in respect of the Agreement based on the relevant provisions of the PRC tax law).

I. EGM

As set out in the EGM notice, the EGM will be held at the Company's conference room at the Conference Room, 4th Floor, Block No. 45, Xinyuan Street, Chaoyang District, Beijing, the People's Republic of China at 9:00 a.m. on Thursday, 28 September 2017 to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder.

If you intend to attend the EGM, please complete and return the enclosed reply slip published on 11 August 2017 in accordance with the instructions printed thereon as soon as possible such that the reply slip will be received by the Company (with respect to the holders of Domestic Share) or to the Company's H-share Registrar (with respect to the holders of H Shares) on or before Thursday, 7 September 2017.

The proxy form for use at the EGM was published by the Company on 11 August 2017. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed proxy form to the Company (in the case of the holders of Domestic Shares) or to the Company's H-share Registrar (in the case of the holders of H Shares) in accordance with the instructions printed thereon as soon as possible but not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment should you so wish.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates has any material interest in the Acquisition. As such, no Shareholders would be required to abstain from voting in favour of the resolution approving the Agreement and the transactions contemplated thereunder at the EGM.

J. RECOMMENDATION

The Directors consider that the Agreement and the transactions contemplated thereunder is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

K. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Beijing Jingkelong Company Limited
Li Jianwen
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2014, 2015 and 2016 and the results (unaudited) of the Group for the six months ended 30 June 2017 are disclosed in the following documents respectively which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jkl.com.cn):

- the Company's annual report for the year ended 31 December 2014 published on 10 April 2015 (<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0410/LTN20150410683.pdf>);
- the Company's annual report for the year ended 31 December 2015 published on 11 April 2016 (<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0411/LTN20160411637.pdf>);
- the Company's annual report for the year ended 31 December 2016 published on 11 April 2017 (<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0411/LTN20170411269.pdf>); and
- the Company's preliminary announcement of the interim results (unaudited) for the six months ended 30 June 2017 published on 25 August 2017 (<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0825/LTN201708251153.pdf>).

2. INDEBTEDNESS

As at the close of business on 31 July 2017, being the latest practicable date of the indebtedness statement prior to the printing of the circular, the total borrowings of the Enlarged Group were RMB3,621,734,009.37, including bank loans of RMB2,371,734,009.37 and bonds payable of RMB1,250,000,000.00, of which:

Item	As at 31 July 2017 RMB
Accounts receivable secured loan (unguaranteed)	238,208,009.37
Guaranteed loan (unsecured)	1,758,526,000.00
Unsecured loan (unguaranteed)	375,000,000.00
Mortgage loan	–
Total bank loans	2,371,734,009.37
Bonds payable-short-term financing bond (unguaranteed, unsecured)	500,000,000.00
Bonds payable-long-term corporate bonds (guaranteed, unsecured)	750,000,000.00
Total bonds payable	1,250,000,000.00

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on 31 July 2017, the Enlarged Group did not have other outstanding mortgages, charges, debentures or other loan capital issued and outstanding, and authorised or

otherwise created but unissued, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

On 9 August 2017, the Group announced the conversion of 2016 second phase short-term bonds issued in an aggregate of RMB300 million, which with a due date at 16 August 2017.

On 14 August 2017, the Group announced the conversion of 2016 third phase short-term bonds issued in an aggregate of RMB200 million, which with a due date at 19 August 2017.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the Group's internal resources, cash flow from operations, the present facilities available and also the effect of the Acquisition, the Enlarged Group will have sufficient working capital to satisfy its present requirements, that is, for at least the next twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In recent years, with a stable growth in the retail market in the PRC and the rationalizing consumption structure of Beijing, the urban-industrial restructuring and the consumption upgrade projects have shown their initial effect. In the next year, the coordinated development of Beijing, Tianjin and Hebei and the further implementation of relieving Beijing's non-capital functions will provide the Group with new growth opportunities. The Group will continue to fully grasp the nature of retail industry products and services, establish its own database through collecting consumption information for analysis of consumers' behavior and preference so that the changes in demand for goods and services from consumers can be clearly identified, which will in turn enable an adjustment to the product mix and services according to the data analysis. With the aid of leveraging the functions of stores as a core section of logistics and distribution, the transformation of traditional retail sector will be completed through various measures including upgrading the segment operation, online/offline omni-channel operation and the introduction of smart technology, etc. The whole-sale business of the Group will continue to capture the e-commerce growth opportunities and secure the offline market. The Group will promote a closer cooperation with upstream manufacturers, strengthen the brand development strategy, as well as integrate the branding resources of upstream suppliers with the Group's profound distribution network. The Group will also continue to introduce new products and brands, increase the number of imported products, enrich the varieties of products under private brand and continuously enhance the competitiveness of the wholesale business.

5. MATERIAL ADVERSE CHANGE

The Directors confirmed that, as at the Latest Practicable Date, they are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up.

APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the reporting accountants of the Company, Ruihua Certified Public Accountants LLP (瑞華會計師事務所(特殊普通合夥)).



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AUDITORS' REPORT

Ruihua Zhuan Shen Zi [2017] No. 01870107

TO BEIJING LIANCHAO COMPANY LIMITED:

We have audited the accompanying financial statements of Beijing Lianchao Co., Ltd. (the "Company"), which comprise balance sheet as at June 30, 2017, December 31, 2016, December 31, 2015 and December 31, 2014; income statement, cash flow statement and statement of changes in equity for the Year 2017 (From January to June), Year 2016, Year 2015 and Year 2014, and notes to the financial statements.

I. MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing and fairly presenting the financial statements in accordance with Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal control which is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

II. AUDITORS' RESPONSIBILITY

Our responsibility is to give audit opinions on these financial statements based on our audit. We conducted our audit in accordance with the "Auditing Standards for Chinese Certified Public Accountants". Those standards require that we comply with the "Code of Ethics for Chinese Certified Public Accountants" and plan and conduct the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the CPA's judgment, including the assessment on the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the CPA considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of giving opinions on the effectiveness of the entity's internal control.

APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management layer, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidences we obtained are sufficient and appropriate to provide a basis for our audit opinions.

III. AUDIT OPINIONS

In our opinion, the accompanying financial statements present fairly, in all material aspects, financial position of the Company as at June 30, 2017, December 31, 2016, December 31, 2015 and December 31, 2014, financial performance and cash flows of the Company for the year 2017 (From January to June), Year 2016, Year 2015 and Year 2014 in accordance with Accounting Standards for Business Enterprises.

IV. OTHER MATTERS

1. The related instruction about the comparison financial information of the Company

The income statement, cash flow statement and owner's equity statement together with the relevant notes of the Company as at six months ended at June 30, 2016 (the Financial information as at June 30, 2016) cite in unaudited financial information for the same period of the Company, which was prepared by the directors of the Company and only used to this report. We have reviewed the Financial information as at June 30, 2016 in accordance with China Certified Public Accountant Review Criteria No. 2101 – Financial Statements Review, which was promulgated by Ministry of Finance of PRC. Our work about reviewing the Financial information as at June 30, 2016 were primarily to making inquiries of the Company's management and performing the analysis program of these financial information. In addition, we evaluated accounting policies and whether the presentation is consistently applied (Unless otherwise disclosed) based on our primarily work mentioned before. The reviewed work was not include control the testing and verification of assets, liabilities and transactions and other audit procedures. It is substantially less in scope than an audit conducted in accordance with China Standards on Auditing issued by the CICPA. Accordingly, we do not express any audit opinion.

The purpose of this report: According to our review, we do not mention any matter which makes us recognize that the Financial information as at June 30, 2016 has not been prepared in accordance with the Accounting Standards for Business Enterprises, in addition, the financial situation on June 30, 2016 that has not been fairly reflected in all significant aspects, as well as, operating results and cash flow as at six months ended at June 30, 2016.

APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

2. The application of this report

This report contains in the circular dated September 13, 2017 about Beijing Jingkelong Commercial Group Co., Ltd (Jingkelong) increased the acquisition of 85% interest of the Company.

Ruihua Certified Public Accountants

Chinese Certified Public Accountants (The Project Partner):

Zhou Huiyan

Chinese Certified Public Accountants:

Zhang Youquan

Beijing, China

September 13, 2017

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

APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

BALANCE SHEET

COMPANY : BEIJING LIANCHAO COMPANY LIMITED

Unit: RMB

Item	Notes	2017.6.30	2016.12.31	2015.12.31	2014.12.31
Current Assets:					
Cash and bank balances	VI.1	545,941	863,056	953,189	75
Notes receivable		-	-	-	-
Accounts receivable		-	-	-	-
Prepayments		-	-	-	-
Interests receivable		-	-	-	-
Dividends Receivable		-	-	-	-
Other receivables	VI.2	31,800,000	29,500,000	26,000,000	-
Inventories		-	-	-	-
Non-current assets due within one year		-	-	-	-
Other current assets	VI.3	3,712	-	-	-
Total current assets		32,349,653	30,363,056	26,953,189	75
Non-current Assets:					
Available-for-sale financial assets		-	-	-	-
Held-to-maturity investments		-	-	-	-
Long-term receivables		-	-	-	-
Long-term equity investments		-	-	-	-
Investment properties	VI.4	133,622,874	135,622,739	139,418,067	-
Fixed assets	VI.5	4,954	5,647	7,034	-
Construction in progress		-	-	-	-
Disposal of fixed assets		-	-	-	-
Intangible assets		-	-	-	-
Goodwill		-	-	-	-
Long-term deferred expenses		-	-	-	-
Deferred tax assets		-	-	-	-
Other non-current assets		-	-	-	-
Total non-current assets		133,627,828	135,628,386	139,425,101	-
TOTAL ASSETS		165,977,481	165,991,442	166,378,290	75

APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

BALANCE SHEET (CONTINUED)

COMPANY : BEIJING LIANCHAO COMPANY LIMITED

Unit: RMB

Item	Notes	2017.6.30	2016.12.31	2015.12.31	2014.12.31
Current Liabilities:					
Short-term loans		-	-	-	-
Notes payable		-	-	-	-
Accounts payable		-	-	-	-
Advances from customers		-	-	-	-
Payroll payable		-	-	-	-
Taxes payable	VI.6	15,047	15,121	44,103	-
Interests payable		-	-	-	-
Dividends payable		-	-	-	-
Other payables	VI.7	1,912,264	2,696,284	2,050,000	6,000
Non-Current liabilities due within one year		-	-	-	-
Other current liabilities		-	-	-	-
Total current liabilities		1,927,311	2,711,405	2,094,103	6,000
Non-current Liabilities:					
Long-term loans		-	-	-	-
Bonds payable		-	-	-	-
Long-term payables		-	-	-	-
Special payable		-	-	-	-
Accrued liabilities		-	-	-	-
Deferred tax liabilities		-	-	-	-
Other non-current liabilities		-	-	-	-
Total non-current liabilities		-	-	-	-
TOTAL LIABILITIES		1,927,311	2,711,405	2,094,103	6,000
Shareholders' equity:					
Paid in capital	VI.8	10,000,000	10,000,000	10,000,000	-
Capital reserves	VI.9	156,234,600	156,234,600	156,234,600	-
Other comprehensive income		-	-	-	-
Surplus reserve		-	-	-	-
Undistributed profits	VI.10	-2,184,430	-2,954,563	-1,950,413	-5,925
TOTAL SHAREHOLDERS' EQUITY		164,050,170	163,280,037	164,284,187	-5,925
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		165,977,481	165,991,442	166,378,290	75

The notes to the financial statements on pages 26 to 48 form an integral part of these financial statements

The financial statements on pages 17 to 25 have been signed by:

Legal Representative: Liu Chunming Financial Controller: Dong Yuqin Chief Financial Officer: Yu Wenxin

APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

INCOME STATEMENT

COMPANY : BEIJING LIANCHAO COMPANY LIMITED

Unit: RMB

Item	Notes	2017 (1-6)	2016 (1-6) (unaudited)	2016	2015	2014
1. Operating income	VI.11	3,469,456	1,485,334	4,930,860	787,561	-
Less: Operating costs	VI.11	1,999,864	1,997,083	3,996,021	1,881,333	-
Taxes and surcharges	VI.12	419,267	281,784	697,883	44,103	-
Selling expenses	VI.13	279,483	360,621	817,011	47,272	5,550
Administrative expenses	VI.14	1,942	426,703	426,703	763,642	15
Financial expenses	VI.15	-420	-767	-1,788	-4,301	360
Impairment losses on assets		-	-	-	-	-
Plus: Gain from changes in fair values						
(Loss expressed with "-")		-	-	-	-	-
Investment income						
(Loss expressed With "-")		-	-	-	-	-
Including: Share of profits in associates and joint ventures						
(Loss expressed with "-")		-	-	-	-	-
2. Operating profit (Loss expressed with "-")		769,320	-1,580,090	-1,004,970	-1,944,488	-5,925
Plus: Non-operating income		820	-	820	-	-
Including: Gains on disposal of non-current assets		-	-	-	-	-
Less: Non-Operating expenses		7	-	-	-	-
Including: Losses from disposal of non-current assets		-	-	-	-	-
3. Total profit (Loss expressed with "-")		770,133	-1,580,090	-1,004,150	-1,944,488	-5,925
Less: Income tax expenses	VI.16					
4. Net profit (Loss expressed with "-")		770,133	-1,580,090	-1,004,150	-1,944,488	-5,925
5. Other comprehensive income		-	-	-	-	-
(i) Items that will not be reclassified to profit or loss						
1. Remeasurement of defined benefit assets or liability		-	-	-	-	-
2. Equity-accounted investees-share of other comprehensive income		-	-	-	-	-
(ii) Items that will be reclassified to profit or loss						
1. Equity-accounted investees-share of other comprehensive income		-	-	-	-	-
2. Gains or losses on changes in fair value of available-for-sale financial assets		-	-	-	-	-
6. Total comprehensive income		770,133	-1,580,090	-1,004,150	-1,944,488	-5,925

The notes to the financial statements on pages 26 to 48 form an integral part of these financial statements

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APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

CASH FLOW STATEMENT

COMPANY : BEIJING LIANCHAO COMPANY LIMITED

Unit: RMB

Item	Notes	2017 (1-6)	2016 (1-6) (unaudited)	2016	2015	2014
1. Cash flows from operating activities:						
Cash received from selling goods and rendering services		-	-	-	-	-
Taxes and surcharges refunds received		-	-	-	-	-
Other cash received relating to operating activities	VI.17	2,829,526	568,173	5,894,370	2,841,982	-
Subtotal of cash inflows from operating activities		2,829,526	568,173	5,894,370	2,841,982	-
Cash paid for purchasing goods and receiving services		-	-	-	-	-
Cash payments to and on behalf of employees		-	-	-	-	-
Taxes and surcharges paid		554,262	748,480	1,469,175	761,642	15
Other cash paid related to operating activities	VI.17	292,379	362,779	824,670	49,276	5,910
Subtotal of cash outflows from operating activities		846,641	1,111,259	2,293,845	810,918	5,925
Net cash flow from operating activities		1,982,885	-543,086	3,600,525	2,031,064	-5,925
2. Cash flows from investing activities						
Cash received from short-term investment income/interest income		-	-	-	-	-
Net cash received from disposal of fixed assets, and other long-term assets		-	-	-	-	-
Other cash received relating to investing activities	VI.17	-	500,000	500,000	-	-
Subtotal of cash inflows from investing activities		-	500,000	500,000	-	-
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		-	-	190,658	7,150	-
Cash paid for investments		-	-	-	-	-
Other cash paid relating to investing activities	VI.17	2,300,000	-	4,000,000	26,000,000	-
Subtotal of cash outflows from investing activities		2,300,000	-	4,190,658	26,007,150	-
Net cash flow from investing activities		-2,300,000	500,000	-3,690,658	-26,007,150	-
3. Cash flows from financing activities						
Cash received from investments		-	-	-	24,935,200	-
Cash received from borrowings		-	-	-	-	-
Other cash received relating to financing activities	VI.17	-	-	-	6,650	6,000
Subtotal of cash inflows from financing activities		-	-	-	24,941,850	6,000
Cash paid for repayments of liabilities		-	-	-	-	-
Cash paid for distribution of dividends or repayments of interests		-	-	-	-	-
Other cash paid relating to financing activities	VI.17	-	-	-	12,650	-
Subtotal of cash outflows from financing activities		-	-	-	12,650	-
Net cash flow from financing activities		-	-	-	24,929,200	6,000
4. Effect on cash and cash equivalents due to change in foreign currency exchange rate						
		-	-	-	-	-
5. Net increase/(decrease) in cash and cash equivalents						
Add: Balance of cash and cash equivalents at the beginning of the year		863,056	953,189	953,189	75	-
6. Balance of cash and cash equivalents at the end of the year						
		545,941	910,103	863,056	953,189	75

The notes to the financial statements on pages 26 to 48 form an integral part of these financial statements

The financial statements on pages 17 to 25 have been signed by:

Legal Representative: Liu Chunming Financial Controller: Dong Yuqin Chief Financial Officer: Yu Wenxin

APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

STATEMENT OF CHANGES IN EQUITY

COMPANY : BEIJING LIANCHAO COMPANY LIMITED

Unit: RMB

Item	Share capital	2017 (1-6)			Undistributed profits	Total shareholder's equity
		Capital reserves	Other comprehensive income	Surplus reserves		
I. Balance at the end of prior year	10,000,000	156,234,600	-	-	-2,954,563	163,280,037
Add: Increase (decrease) in profit due to changes in accounting policies	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-
Others	-	-	-	-	-	-
II. Balance at the beginning of this year	10,000,000	156,234,600	-	-	-2,954,563	163,280,037
III. Increases (decreases) in current year (decreases expressed with "-")						
(A) Total amount of comprehensive income	-	-	-	-	770,133	770,133
(B) Shareholders' contribution and withdrawal	-	-	-	-	-	-
1. Capital contributions	-	-	-	-	-	-
2. Capital contributions from other equity instruments holders	-	-	-	-	-	-
3. Amounts of share-based payments recognized in shareholders' equity	-	-	-	-	-	-
4. Others	-	-	-	-	-	-
(C) Profit distribution	-	-	-	-	-	-
1. Appropriations to surplus reserves	-	-	-	-	-	-
2. Appropriations to general risk provisions	-	-	-	-	-	-
3. Distributions to shareholders	-	-	-	-	-	-
4. Others	-	-	-	-	-	-
(D) Internal carry-forward of shareholders' equity	-	-	-	-	-	-
1. Capitalized capital reserves	-	-	-	-	-	-
2. Capitalized surplus reserves	-	-	-	-	-	-
3. Surplus reserves for making up losses	-	-	-	-	-	-
4. Others	-	-	-	-	-	-
(E) Special reserves	-	-	-	-	-	-
1. Appropriations to special reserve	-	-	-	-	-	-
2. Use of special reserve	-	-	-	-	-	-
(F) Other	-	-	-	-	-	-
IV. Balance at the end of current year	10,000,000	156,234,600	-	-	-2,184,430	164,050,170

The notes to the financial statements on pages 26 to 48 form an integral part of these financial statements

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Legal Representative: Liu Chunming Financial Controller: Dong Yuqin Chief Financial Officer: Yu Wenxin

APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

COMPANY : BEIJING LIANCHAO COMPANY LIMITED

Unit: RMB

Item	Share capital	2016 (1-6) (unaudited)			Undistributed profits	Total shareholder's equity
		Capital reserves	Other comprehensive income	Surplus reserves		
I. Balance at the end of prior year	10,000,000	156,234,600	-	-	-1,950,413	164,284,187
Add: Increase (decrease) in profit due to changes in accounting policies	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-
Others	-	-	-	-	-	-
II. Balance at the beginning of this year	10,000,000	156,234,600	-	-	-1,950,413	164,284,187
III. Increases (decreases) in current year						
(decreases expressed with "-")						
(A) Total amount of comprehensive income	-	-	-	-	-1,580,090	-1,580,090
income	-	-	-	-	-1,580,090	-1,580,090
(B) Shareholders' contribution and withdrawal	-	-	-	-	-	-
1. Capital contributions	-	-	-	-	-	-
2. Capital contributions from other equity instruments holders	-	-	-	-	-	-
3. Amounts of share-based payments recognized in shareholders' equity	-	-	-	-	-	-
4. Others	-	-	-	-	-	-
(C) Profit distribution	-	-	-	-	-	-
1. Appropriations to surplus reserves	-	-	-	-	-	-
2. Appropriations to general risk provisions	-	-	-	-	-	-
3. Distributions to shareholders	-	-	-	-	-	-
4. Others	-	-	-	-	-	-
(D) Internal carry-forward of shareholders' equity	-	-	-	-	-	-
1. Capitalized capital reserves	-	-	-	-	-	-
2. Capitalized surplus reserves	-	-	-	-	-	-
3. Surplus reserves for making up losses	-	-	-	-	-	-
4. Others	-	-	-	-	-	-
(E) Special reserves	-	-	-	-	-	-
1. Appropriations to special reserve	-	-	-	-	-	-
2. Use of special reserve	-	-	-	-	-	-
(F) Other	-	-	-	-	-	-
IV. Balance at the end of current year	10,000,000	156,234,600	-	-	-3,530,503	162,704,097

The notes to the financial statements on pages 26 to 48 form an integral part of these financial statements

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APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

COMPANY : BEIJING LIANCHAO COMPANY LIMITED

Unit: RMB

Item	Share capital	2016			Undistributed profits	Total shareholder's equity
		Capital reserves	Other comprehensive income	Surplus reserves		
I. Balance at the end of prior year	10,000,000	156,234,600	-	-	-1,950,413	164,284,187
Add: Increase (decrease) in profit due to changes in accounting policies	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-
Others	-	-	-	-	-	-
II. Balance at the beginning of this year	10,000,000	156,234,600	-	-	-1,950,413	164,284,187
III. Increases (decreases) in current year (decreases expressed with "-")						
(A) Total amount of comprehensive income	-	-	-	-	-1,004,150	-1,004,150
(B) Shareholders' contribution and withdrawal	-	-	-	-	-	-
1. Capital contributions	-	-	-	-	-	-
2. Capital contributions from other equity instruments holders	-	-	-	-	-	-
3. Amounts of share-based payments recognized in shareholders' equity	-	-	-	-	-	-
4. Others	-	-	-	-	-	-
(C) Profit distribution	-	-	-	-	-	-
1. Appropriations to surplus reserves	-	-	-	-	-	-
2. Appropriations to general risk provisions	-	-	-	-	-	-
3. Distributions to shareholders	-	-	-	-	-	-
4. Others	-	-	-	-	-	-
(D) Internal carry-forward of shareholders' equity	-	-	-	-	-	-
1. Capitalized capital reserves	-	-	-	-	-	-
2. Capitalized surplus reserves	-	-	-	-	-	-
3. Surplus reserves for making up losses	-	-	-	-	-	-
4. Others	-	-	-	-	-	-
(E) Special reserves	-	-	-	-	-	-
1. Appropriations to special reserve	-	-	-	-	-	-
2. Use of special reserve	-	-	-	-	-	-
(F) Other	-	-	-	-	-	-
IV. Balance at the end of current year	10,000,000	156,234,600	-	-	-2,954,563	163,280,037

The notes to the financial statements on pages 26 to 48 form an integral part of these financial statements

The financial statements on pages 17 to 25 have been signed by:

Legal Representative: Liu Chunming Financial Controller: Dong Yuqin Chief Financial Officer: Yu Wenxin

APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

COMPANY : BEIJING LIANCHAO COMPANY LIMITED

Unit: RMB

Item	Share capital	2015			Undistributed profits	Total shareholder's equity
		Capital reserves	Other comprehensive income	Surplus reserves		
I. Balance at the end of prior year	-	-	-	-	-5,925	-5,925
Add: Increase (decrease) in profit due to changes in accounting policies	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-
Others	-	-	-	-	-	-
II. Balance at the beginning of this year	-	-	-	-	-5,925	-5,925
III. Increases (decreases) in current year (decreases expressed with "-")	10,000,000	156,234,600	-	-	-1,944,488	164,290,112
(A) Total amount of comprehensive income	-	-	-	-	-1,944,488	-1,944,488
(B) Shareholders' contribution and withdrawal	10,000,000	156,234,600	-	-	-	166,234,600
1. Capital contributions	10,000,000	156,234,600	-	-	-	166,234,600
2. Capital contributions from other equity instruments holders	-	-	-	-	-	-
3. Amounts of share-based payments recognized in shareholders' equity	-	-	-	-	-	-
4. Others	-	-	-	-	-	-
(C) Profit distribution	-	-	-	-	-	-
1. Appropriations to surplus reserves	-	-	-	-	-	-
2. Appropriations to general risk provisions	-	-	-	-	-	-
3. Distributions to shareholders	-	-	-	-	-	-
4. Others	-	-	-	-	-	-
(D) Internal carry-forward of shareholders' equity	-	-	-	-	-	-
1. Capitalized capital reserves	-	-	-	-	-	-
2. Capitalized surplus reserves	-	-	-	-	-	-
3. Surplus reserves for making up losses	-	-	-	-	-	-
4. Others	-	-	-	-	-	-
(E) Special reserves	-	-	-	-	-	-
1. Appropriations to special reserve	-	-	-	-	-	-
2. Use of special reserve	-	-	-	-	-	-
(F) Other	-	-	-	-	-	-
IV. Balance at the end of current year	10,000,000	156,234,600	-	-	-1,950,413	164,284,187

The notes to the financial statements on pages 26 to 48 form an integral part of these financial statements

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APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

COMPANY : BEIJING LIANCHAO COMPANY LIMITED

Unit: RMB

Item	Share capital	2014		Surplus reserves	Undistributed profits	Total shareholder's equity
		Capital reserves	Other comprehensive income			
I. Balance at the end of prior year	-	-	-	-	-	-
Add: Increase (decrease) in profit due to changes in accounting policies	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-
Others	-	-	-	-	-	-
II. Balance at the beginning of this year	-	-	-	-	-	-
III. Increases (decreases) in current year (decreases expressed with "-")	-	-	-	-	-5,925	-5,925
(A) Total amount of comprehensive income	-	-	-	-	-5,925	-5,925
(B) Shareholders' contribution and withdrawal	-	-	-	-	-	-
1. Capital contributions	-	-	-	-	-	-
2. Capital contributions from other equity instruments holders	-	-	-	-	-	-
3. Amounts of share-based payments recognized in shareholders' equity	-	-	-	-	-	-
4. Others	-	-	-	-	-	-
(C) Profit distribution	-	-	-	-	-	-
1. Appropriations to surplus reserves	-	-	-	-	-	-
2. Appropriations to general risk provisions	-	-	-	-	-	-
3. Distributions to shareholders	-	-	-	-	-	-
4. Others	-	-	-	-	-	-
(D) Internal carry-forward of shareholders' equity	-	-	-	-	-	-
1. Capitalized capital reserves	-	-	-	-	-	-
2. Capitalized surplus reserves	-	-	-	-	-	-
3. Surplus reserves for making up losses	-	-	-	-	-	-
4. Others	-	-	-	-	-	-
(E) Special reserves	-	-	-	-	-	-
1. Appropriations to special reserve	-	-	-	-	-	-
2. Use of special reserve	-	-	-	-	-	-
(F) Other	-	-	-	-	-	-
IV. Balance at the end of current year	-	-	-	-	-5,925	-5,925

The notes to the financial statements on pages 26 to 48 form an integral part of these financial statements

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Legal Representative: Liu Chunming Financial Controller: Dong Yuqin Chief Financial Officer: Yu Wenxin

APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR OF 2017 (JANUARY TO JUNE), 2016 • 2015 AND 2014 RESPECTIVELY

I. GENERAL INFORMATION

Beijing Lianchao Co., Ltd (the “**Company**”) is a limited liability company established on April 8, 2014, which was approved by Chaoyang Branch of Beijing administrative bureau for industry and commerce. It was co-financed by Shoulian Group Co. Ltd and Beijing Jingkelong Company Limited with registered capital of RMB10,000,000. The company’s unified social credit code is 91110107097714287N and registered address is Room 8272, 8/F, Building 3, No. 30 Shixing Street, Shijingshan District, Beijing. Liu Chunming is the legal representative of the company.

Industry: The company belongs to the commodity circulation enterprise.

Business scope: Sales of daily necessities, hardware and electrical material, chemical products (excluding hazardous chemicals), textiles, arts and crafts, building materials, decoration materials, machinery and equipment, furniture; rental of commercial housing.

The financial statements of the Company were approved by the board of directors on September 13, 2017.

II. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

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

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

III. STATEMENTS OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES-BASIC STANDARD

The financial statements have been in compliance with ASBE, truly and completely reflecting the financial position of the Company as at at June 30, 2017, December 31, 2016, December 31, 2015 and December 31, 2014 and of the financial performance, cash flows and other relevant information of the Company for six months ended at June 30, 2017, the 2016 year, the 2015 year and the 2014 year ended.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting period

The Company adopts the calendar year as its accounting year from January 1 to December 31.

2. Functional currency

RMB is the currency of the primary economic environment where the Company and its domestic subsidiaries operate, and the Company and its domestic subsidiaries used RMB as the functional currency. The financial statements have been prepared in RMB.

3. Recognition criteria of cash and cash equivalents

Cash and cash equivalents of the Company comprise cash, deposits that can be readily withdrawn on demand, short-term (usually within a period of 3 months from purchase date on) and highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

4. Financial instruments

Financial assets and financial liabilities are recognized when the Company 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 recognized in profit and loss for the current period. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts.

4.1 Fair value of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where there is an active market, the Company adopts the quotation in the active market as the fair value of financial instruments. Quoted prices in an active market are the prices which are easily and regularly obtained from an exchange, broker, trade association and the pricing service etc., and those prices represent actual and occurring market transactions on an arm's length basis. If the market for financial assets is not active, the Company 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 etc.

4.2 Classification, recognition and measurement of financial assets

Financial assets purchased or sold in regular way are recognized and derecognized based on the accounting at transaction date. On initial recognition, the Company's financial assets include financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

4.2.1 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated as at fair value through profit or loss.

A financial asset held for trading is the financial asset that meets one of the following conditions: A. the financial asset is acquired for the purpose of selling it in a short term; B. the financial asset is a part of a group of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this group for the purpose of short-term profits; C. the financial asset is a derivative, except for a derivative that is designated as effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured.

A financial asset meeting one of the following requirements can be designated as a financial asset measured at fair value and of which the variation is included in the current profits or losses: A. the designation can eliminate or obviously reduce the discrepancies in the recognition or measurement of related gains or losses arising from the different basis of measurement of the financial assets; B. the official written documents on risk management or investment strategies of the Company have recorded that the combination of financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and be reported to the key management personnel.

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Financial assets at fair value through profit or loss are subsequently measured at fair value. The gains or losses related to financial assets at fair value through profit or loss and dividend or interest income related to those financial assets are recognized in profit or loss for the current period.

4.2.2 *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed maturity, fixed or determinable payments and that an entity has the positive intention and ability to hold to maturity.

Such kind of financial assets are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss for the current period.

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

When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), as well as consider all kinds of charges, transaction fees and discount or premium paid forming an integral part of the effective interest rate paid or received between both parties of financial asset or financial liability contract.

4.2.3 *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 Company include receivable, accounts receivable, interest receivable, dividends receivable, and other receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss for the current period.

4.2.4 *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.

The final cost of investment in an available-for-sale debt instrument is determined using amortized cost method. Namely the amount is measured at initial recognition amount minus principle prepayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment. The final cost of investment in an available-for-sale equity instrument is its initial acquisition cost.

Available-for-sale financial assets are subsequently measured at fair value. Except that impairment losses and exchange differences between foreign monetary financial assets and amortized costs are recorded in profit or loss for the period, gains or losses arising from changes in fair values are recognized in other comprehensive income. When the financial assets are derecognized, gains or losses

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previously recognized in other comprehensive income are transferred out and recognized as profit or loss for the period. But an equity instrument in unquoted active market whose fair value can not be reliably measured and a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument are subsequently measured at cost.

Interest received from an available-for-sale financial asset and cash dividend declared to distribute by the investee are recognized in investment income.

4.3 *Impairment of financial assets*

The Company 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 Company determines the amount of any impairment loss.

For a financial asset that is individually significant, the Company assesses the asset individually for impairment. For a financial asset that is not individually significant, the Company 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 Company 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 recognized are not included in a group of financial assets with similar credit risk characteristics for collective assessment of impairment.

4.3.1 *Impairment of held-to-maturity investment, loans and receivables*

A financial asset measured at cost or amortized cost is decreased from the carrying amount to the present value of estimated future cash flow, the decrease amount is recognized as the impairment loss and recorded in profit or loss. If, subsequent to the recognition of an impairment loss on the 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 recognized, the previously recognized impairment loss is reversed, the carrying amount after reversal of impairment loss of the financial asset should not exceed the amortization cost at the reversal date assumed if no impairment loss is provided.

4.3.2 *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 recognized directly in capital reserves is reclassified from the capital reserves to profit or loss. The amount of the cumulative loss that is reclassified from capital reserves to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized 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 recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

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 impairment loss on such financial asset is not reversed once it is recognized.

4.4 Recognition and measurement of financial asset transfer

the Company derecognizes a financial asset only when: (1) the contractual rights to the cash flows from the financial asset expire; or (2) it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity; or (3) it transfers the financial asset, neither transfers nor retains substantially all the risks and rewards of ownership but has not retained control over the financial assets.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer and any cumulative change in fair value that has been recognized in other comprehensive income is recognized in profit or loss.

For a transfer of part of a financial asset that satisfies the derecognition criteria, the carrying amount of the financial assets transferred is amortized at its corresponding fair value between the derecognized and the non-derecognized, the difference between the sum of the consideration received from the transfer and cumulative change in fair value that has been recognized in other comprehensive income and the forgoing carrying amount amortized is recognized in profit or loss.

4.5 Classification and measurement of financial liabilities

On initial recognition, financial liabilities are classified as either financial liabilities at 'fair value through profit or loss' or 'other financial liabilities'. Financial liabilities, on initial recognition, are measured at fair value. For financial assets at fair value through profit or loss, relevant transaction costs are recorded in profit or loss for the period. For other financial liabilities, relevant transaction costs are recognized in their initial recognition.

4.6 Derecognition of financial liabilities

the Company derecognizes a financial liability or part of it only when the underlying present obligation or part of it is discharged. An agreement between the Company (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 a financial liability or a part of it is derecognized, the difference between the carrying amount of the financial liability or part of the financial liability derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) is recognized in profit or loss.

4.7 Offsetting financial assets and financial liabilities

When the Company has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, financial assets and financial liabilities are offset with the net amounts presented on the balance sheet. Otherwise, financial assets and financial liabilities are separately presented on the balance sheet without offsetting.

5. Accounts receivable

Receivables include accounts receivable and other receivables etc.

APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

5.1 *Recognition of provision for bad debts*

The Company assesses the carrying amount of accounts receivable at the balance sheet date. Where the following objective evidence indicates an impairment of accounts receivable, the provisions for impairment shall be made.

Significant financial difficulties of the debtor;

A breach of contract by the debtor such as a default in interest and principal payments;

It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;

Other objective evidence which indicates there is an impairment of accounts receivable.

5.2 *Provision for bad debts*

5.2.1 *Receivables that are individually significant and for which bad debt provision individually assessed*

A receivable over RMB5 million is recognized by the Company as an individually significant receivable.

For the receivable that is individually significant, the Company assesses the receivable individually for impairment. The financial asset which is not impaired individually shall be included in the financial asset group with similar credit risk characteristics and assessed for impairment. The receivable for which the impairment loss is recognized shall not be included in the Company with similar credit risk characteristics for impairment assessment.

5.2.2 *Receivables which bad debt provision is collectively assessed on portfolio basis*

Basis for determining a portfolio according to credit risk characteristics

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

Bad debt provision for a portfolio according to 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.

5.2.3 *Receivables which are not individually significant but for which bad debt provision is individually assessed*

Impairment test is individually conducted by the Company on accounts receivable that are not individually significant but deemed to be impaired by objective evidence to determine the impairment losses recorded in profit or loss.

APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

6. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation, or both, including rented land use right, land use right which is held and prepared for transfer after appreciation, and rented building.

The initial measurement of the investment properties shall be measured at its actual cost. The follow-up expenses pertinent to the investment properties shall be included in the cost of the investment properties, if the economic benefits pertinent to this real estate are likely to flow into the enterprise, and, the cost of the investment properties can be reliably measured. Otherwise, they should be included in the current profits and losses upon occurrence.

The Company adopts the cost model for subsequent measurement of investment properties, and the depreciation or amortization policies are consistent with that of building and land use right.

When an investment properties is sold, transferred, retired or damaged, the Company recognizes the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes in profit or loss for the current period.

7. Fixed assets

7.1 Recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production of goods or supply of services, for rental to others, or for administrative purposes and have a useful life of more than one accounting year. Fixed assets are only recognized when the related economic benefits probably flow to the Company and the cost can be reliably measured. Fixed assets are initially measured at cost as well as taking into account the effect of estimated disposal costs.

7.2 Method for depreciation of different fixed assets

Fixed assets are depreciated on straight-line basis over their estimated useful lives from the month after they are brought to working condition for the intended use. The useful lives, estimated net residual values and annual depreciation rates of each category of fixed assets are as follows:

Category	Useful life (year)	Residual value (%)	Annual depreciation (%)
Buildings	35	3	2.77
Office equipment	5	3	19.40

Estimated net residual value is the amount which would be obtained from the disposal of the assets after deducting of estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

7.3 Recognition, measurement method of fixed assets leased under finance leases

A finance lease is a lease that transfers in substance all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. Consistent depreciation policies are adopted to finance leased fixed assets. Leased fixed assets are depreciated over the estimated useful lives when it is reasonably determined that the ownership of the asset will be obtained after the lease term is over. Otherwise, the leased assets are depreciated over the shorter period between the lease term and the estimated useful lives of the assets.

7.4 Other explanations

Subsequent expenditures incurred for a fixed asset are recognized in the cost of fixed assets when the associated economic benefits will probably flow to the Company and the related cost can be reliably measured, and the carrying amount of replaced part is derecognized. All the other subsequent expenditures are recognized in profit or loss for the period in which they are incurred.

A fixed asset is derecognized on disposal or when no economic benefits are expected from its use or disposal. When a fixed asset is sold, transferred, retired or damaged, the Company recognizes the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes in profit or loss for the current period.

the Company reviews the useful life, estimated net residual value of a fixed asset and the depreciation method at least at each financial year-end. A change in the useful life, estimated net residual value of a fixed asset or the depreciation method shall be accounted for as a change in accounting estimate.

8. Intangible assets

Intangible assets include land-use right.

Intangible assets are initially measured as cost. When an intangible asset with a finite useful life is available for use, its original cost is amortized using straight line method over its estimated useful life.

For an intangible asset with a finite useful life, the useful life and amortization method shall be reviewed at the period end, and the adjustments shall be made if necessary.

9. Employee benefits

Employee benefits mainly include short-term employee benefits, post-employment benefits and resignation benefits.

Short-term benefits include salaries, bonuses, allowance and benefits, employee benefits, medical insurance, maternity insurance, work injury insurance, housing fund, labor union running costs and employee education cost and non-monetary benefits etc. Actual short-term benefits are recognized as liabilities during the accounting period when employees render services and are charged into profit or loss for the period or capitalized in costs of related assets. Non-monetary benefits are measured at fair value.

All post-employment benefits of the Company are defined contribution plan. The amounts to be contributed under defined contribution plan are recognized as liabilities during the accounting period of when employees render service and are charged into profit or loss for the period or capitalized in costs of related assets.

10. Revenue

10.1 Revenue from sales of goods

Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the Company and the relevant revenue and costs can be measured reliably.

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For sale of goods that result in award credits for customers, the Company allocates the consideration received or receivable 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 recognized as revenue, the portion of the fair value of the award credits is recognized as deferred income.

When a customer redeems the award credits, the Company reclassifies the amount associated with the credits redeemed from deferred income to revenue. The amount of revenue recognized 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.

10.2 Revenue from rendering of services

When the amount of revenue from rendering of services can be reliably measured, the associated economic benefits probably flow into the Company, the stage of completion of the transaction can be measured reliably and the costs incurred and to be incurred for the transaction can be measured reliably, the revenue from rendering of services is recognized.

Where the outcome cannot be estimated reliably, revenues are recognized to the extent of the costs incurred that are expected to be compensated, and the service costs incurred are regarded as the current cost; if the service costs incurred are not compensated as anticipated, no revenue is recognized.

Revenue from service of the Company mainly includes the promotional activities. When the various services have been provided and related economic benefit probably flow into the enterprise, revenue from provision of service is recognized.

10.3 Rental Income

Primary rental income of the Company includes property lease and sublease and counter rental income. According to relative lease contracts and agreements we make decision based on term that people have leased property or counter and prices they agreed.

11. Deferred tax assets and deferred tax liabilities

11.1 Current income taxes

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws. The taxable income used for calculation of current income tax is calculated based on the current period adjusted taxable profit in compliance with the regulation of taxation law.

11.2 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 carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

For taxable temporary difference which is related to the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profits or taxable income (or deductible losses), a deferred tax liability is not recognized. In addition, for deductible temporary difference arising from investments in subsidiaries,

APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

associates and joint ventures, the Company shall recognize a deferred tax liability for all taxable temporary difference except to the extent that the Company is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

For deductible temporary difference which is related to the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit or taxable income (or deductible losses), a deferred tax asset is not recognized. In addition, for deductible temporary difference arising from investments in subsidiaries, associates and joint ventures, the Company shall recognize a deferred tax asset for other deductible temporary difference to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be deducted except to the extent that it is not probable that the temporary difference will reverse in the foreseeable future or taxable profit will not be available against which the temporary difference can be utilized.

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

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 realized or the liability is settled.

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 income will be available in the future to allow the benefit of deferred tax assets to be deducted. Such reduction in amount is reversed when it is probable that sufficient taxable income is available.

11.3 Income tax

Income tax comprises current and deferred tax.

Income tax is recognized as an income or an expense and included in the income statement for the current period, except to the extent that the current income tax related to a transaction or events which is recognized under other comprehensive income or directly recorded in equity, deferred tax recorded under other comprehensive income or equity, and deferred tax arises from a business combination that have impact on the carrying value of goodwill.

11.4 Offsetting of income taxes

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

When the Company 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 realize 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.

12. Lease

Finance leases are the leases in which substantially all the risks and rewards of asset ownership are transferred, the ownership will be transferred or may not be transferred eventually. All other leases are classified as operating leases.

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12.1 *the Company as lessee under operating leases*

Operating lease payments are recognized on a straight-line basis over the terms of the 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.

12.2 *the Company as lessor under operating leases*

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the terms of the relevant lease. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized 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.

13. Changes in significant accounting policies and estimates

13.1 *Changes in accounting policies*

None.

13.2 *Changes in accounting estimates*

None.

V. TAXATION

Taxes	Specific tax rate situation
Value-added tax	Output tax calculated at 5%-17% of taxable income, and the VAT shall be paid after deducting the amount of taxes on purchases from the current period.
Business tax	Payable at 5% of taxable turnover.
Corporate income tax	Payable at 25% of the taxable income.
City construction and maintenance tax	Payable at 7% of the tax payable.
Building taxes	70.00% of the original value of the property as the personal property tax basis(1.20%) The rental property is based on the rental income of the property(12.00%)
Land taxes	Calculated according to the use of the area and the amount of tax.
Income tax for individuals	The company withheld and paid 3.00-45.00% of income tax for individuals.
Education surcharge	Payable at 3% of the tax payable.
Local educational surcharge	Payable at 2% of the tax payable.

VI. NOTES TO FINANCIAL STATEMENTS

All AMOUNTS IN RMB UNLESS OTHERWISE STATED.

The following items except when specially illustrated, the beginning balance refers to December 31, 2016, closing balance refers to June 30, 2017.

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1. Cash and bank balances

Item	2017.6.30	2016.12.31
Cash on hand	3,751	4,031
Cash in bank	542,190	859,025
Other cash and bank balances	-	-
Total	545,941	863,056
Including: Overseas deposits	-	-

2. Other receivables

(1) Presentation of other receivables by category:

Category	Carrying amount		Bad debt provision		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
			2017.6.30		
Other receivables that are individually significant and for which bad debt provision is assessed individually	31,800,000	100	-	-	31,800,000
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	-	-	-	-	-
Other receivables that are not individually significant but for which the bad debt provision is assessed individually	-	-	-	-	-
Total	31,800,000	100	-	-	161,671,769

Category	Carrying amount		Bad debt provision		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
			2016.12.31		
Other receivables that are individually significant and for which bad debt provision is assessed individually	29,500,000	100	-	-	29,500,000
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	-	-	-	-	-
Other receivables that are not individually significant but for which the bad debt provision is assessed individually	-	-	-	-	-
Total	29,500,000	100	-	-	29,500,000

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(2) *Presentation of other receivables by aging analysis:*

Aging	Carrying amount	2017.6.30		Net book value
		Proportion (%)	Bad debt provision	
Within 1 year	6,300,000	20	-	6,300,000
1-2 years	25,500,000	80	-	25,500,000
Total	31,800,000	100	-	31,800,000

(3) *Other receivables that are individually significant and for which the bad debt provision is assessed individually:*

Content of accounts receivable	Amount	Bad debt provision	Rate (%)	Reason
Shoulian Group Co., Ltd.	31,800,000	-	-	Loan to the company's parent company, there is no possibility of bad debt.

3. Other current assets

Item	2017.6.30	2016.12.31
Prepaid lease expenses	3,712	-
Total	3,712	-

4. Investment properties

Investment properties under the cost method

Item	Buildings	Land use rights	Total
I. Original carrying amount			
1. 2016.12.31	50,319,293	91,180,800	141,500,093
2. Increase in the period	-	-	-
3. Decrease in the period	-	-	-
4. 2017.6.30	50,319,293	91,180,800	141,500,093
II. Accumulated depreciation and amortization			
1. 2016.12.31	1,969,605	3,907,749	5,877,354
2. Increase in the period	697,282	1,302,583	1,999,865
(1) Accrual or amortization	697,282	1,302,583	1,999,865
3. Decrease in the period	-	-	-
4. 2017.6.30	2,666,887	5,210,332	7,877,219
III. Impairment provision			
1. 2016.12.31	-	-	-
2. Increase in the period	-	-	-
3. Decrease in the period	-	-	-
4. 2017.6.30	-	-	-
IV. Net book value			
1. Net book value as at June 30, 2017	47,652,406	85,970,468	133,622,874
2. Net book value as at December 31, 2016	48,349,688	87,273,051	135,622,739

APPENDIX II ACCOUNTANT’S REPORT ON THE TARGET COMPANY

5. Fixed assets

Item	Machinery and equipment	Buildings	Total
I. Original carrying amount			
1. 2016.12.31	–	7,150	7,150
2. Increase in the period	–	–	–
3. Decrease in the period	–	–	–
4. 2017.6.30	–	7,150	7,150
II. Accumulated depreciation and amortization			
1. 2016.12.31	–	1,503	1,503
2. Increase in the period	–	693	693
(1) Accrual	–	693	693
3. Decrease in the period	–	–	–
4. 2017.6.30	–	2,196	2,196
III. Impairment provision			
1. 2016.12.31	–	–	–
2. Increase in the period	–	–	–
3. Decrease in the period	–	–	–
4. 2017.6.30	–	–	–
IV. Net book value			
1. Net book value as at June 30, 2017	–	4,954	4,954
2. Net book value as at December 31, 2016	–	5,647	5,647

6. Taxes payable

Item	2017.6.30	2016.12.31
Value-added tax	13,427	13,501
City construction and maintenance tax	945	945
Education surcharge	405	405
Local Education surcharge	270	270
Total	15,047	15,121

7. Other payables

(1) Presentation of other payables by category

Item	2017.6.30	2016.12.31
Construction fees payable	10,035	10,035
Deposit	1,118,209	1,118,209
Rent received in advance	784,020	1,568,040
Total	1,912,264	2,696,284

APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

(2) *Significant other payables aging over one year*

Item	2017.6.30	Reasons for not being paid or carried forward
Beijing Ningshanglong Commercial Co., Ltd	1,118,209	The deposit is not due.
Total	1,118,209	

8. Paid-in Capital

(1) *The changes of Paid-in capital from January to June, 2017*

Name of investor	2016.12.31	Increase	Decrease	2017.6.30	Shareholding ratio (%)
Beijing Jingkelong Co.,Ltd	1,500,000	-	-	1,500,000	15
Shoulian Group Co.,Ltd	8,500,000	-	-	8,500,000	85
Total	10,000,000	-	-	10,000,000	100

(2) *The changes of Paid-in capital from January to June, 2016 (unaudited)*

Name of investor	2015.12.31	Increase	Decrease	2016.6.30	Shareholding ratio (%)
Beijing Jingkelong Co.,Ltd	1,500,000	-	-	1,500,000	15
Shoulian Group Co.,Ltd	8,500,000	-	-	8,500,000	85
Total	10,000,000	-	-	10,000,000	100

(3) *The changes of Paid-in capital in 2016*

Name of investor	2015.12.31	Increase	Decrease	2016.12.31	Shareholding ratio (%)
Beijing Jingkelong Co.,Ltd	1,500,000	-	-	1,500,000	15
Shoulian Group Co.,Ltd	8,500,000	-	-	8,500,000	85
Total	10,000,000	-	-	10,000,000	100

(4) *The changes of Paid-in capital in 2015*

Name of investor	2014.12.31	Increase	Decrease	2015.12.31	Shareholding ratio (%)
Beijing Jingkelong Co.,Ltd	-	1,500,000	-	1,500,000	15
Shoulian Group Co.,Ltd	-	8,500,000	-	8,500,000	85
Total	-	10,000,000	-	10,000,000	100

APPENDIX II ACCOUNTANT’S REPORT ON THE TARGET COMPANY

9. Capital reserves

(1) The changes of Capital reserves from January to June, 2017

Item	2016.12.31	Increase	Decrease	2017.6.30
Capital premium	156,234,600	-	-	156,234,600
Total	156,234,600	-	-	156,234,600

(2) The changes of Capital reserves from January to June, 2016 (unaudited)

Item	2015.12.31	Increase	Decrease	2016.6.30
Capital premium	156,234,600	-	-	156,234,600
Total	156,234,600	-	-	156,234,600

(3) The changes of Capital reserves in 2016

Item	2015.12.31	Increase	Decrease	2016.12.31
Capital premium	156,234,600	-	-	156,234,600
Total	156,234,600	-	-	156,234,600

(4) The changes of Capital reserves in 2015

Item	2014.12.31	Increase	Decrease	2015.12.31
Capital premium	-	156,234,600	-	156,234,600
Total	-	156,234,600	-	156,234,600

10. Undistributed profits

Item	2017 (1-6)	2016 (1-6) (unaudited)	2016	2015	2014
Unadjusted undistributed profits at the end of the previous year	-2,954,563	-1,950,413	-1,950,413	-5,925	-
Total adjustment to undistributed profits at the beginning of the year (Increase +, Decrease-)	-	-	-	-	-
Adjusted undistributed profits at the beginning of the year	-2,954,563	-1,950,413	-1,950,413	-5,925	-
Add: Net profit attributable to the shareholders of the parent company for the year	770,133	-1,261,931	-1,004,150	-1,944,488	-5,925
Less: Appropriation to statutory surplus reserve	-	-	-	-	-
Appropriation to discretionary surplus reserve	-	-	-	-	-
Appropriation to general risk provisions	-	-	-	-	-
Ordinary shares’ dividends payable	-	-	-	-	-
Undistributed profits at the end of the year	-2,184,430	-3,212,344	-2,954,563	-1,950,413	-5,925

APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

11. Operating income and operating cost

Item	2017 (1-6)		2016 (1-6) (unaudited)	
	Income	Cost	Income	Cost
Principal operating	-	-	-	-
Other operating	3,469,456	1,999,864	1,485,334	1,997,083
Total	3,469,456	1,999,864	1,485,334	1,997,083

Item	2016		2015		2014	
	Income	Cost	Income	Cost	Income	Cost
Principal operating	-	-	-	-	-	-
Other operating	4,930,860	3,996,021	787,561	1,881,333	-	-
Total	4,930,860	3,996,021	787,561	1,881,333	-	-

12. Taxes and surcharges

Item	2017 (1-6)		2016 (1-6) (unaudited)		2016	2015	2014
	Business tax	-	60,766	60,766	39,378	-	-
City construction and maintenance tax	9,507	5,199	26,578	2,756	-	-	-
Education surcharge	4,074	2,228	11,390	1,181	-	-	-
Local education surcharge	2,716	1,485	7,594	788	-	-	-
Building tax (Note)	360,108	197,819	534,406	-	-	-	-
Land tax (Note)	42,862	14,287	57,149	-	-	-	-
Total	419,267	281,784	697,883	44,103	-	-	-

Note: In December 2016, Ministry of Finance has announced 'Circular on Printing and Issuing value-added tax accounting rules' (Finance and Accounting [2016] No.22). According to the document, after implementing the change from business tax to value-added tax the title 'business taxes and surcharges' has changed to 'taxes and surcharges' since May 1, 2016. This title accounts for taxes engaged from enterprise operation activities, which include consumption tax, city construction and maintenance tax, resource tax, educational surtax, building tax, land tax, vehicle vessel use tax and stamp tax.

13. Selling expenses

Item	2017 (1-6)		2016 (1-6) (unaudited)		2016	2015	2014
	Depreciation fee	694	694	1,387	116	-	-
Energy expenses	248,459	347,183	704,717	42,062	-	-	-
Lease expenses	13,788	-	-	-	5,000	-	-
Maintenance fee	4,848	-	-	-	-	-	-
Transportation	-	-	98,163	-	-	-	-
Service fee	-	330	330	120	120	-	-
Insurance	11,430	12,414	12,414	-	-	-	-
Others	264	-	-	4,974	430	-	-
Total	279,483	360,621	817,011	47,272	5,550	-	-

APPENDIX II ACCOUNTANT’S REPORT ON THE TARGET COMPANY

14. Administrative expenses

Item	2017 (1-6)	2016 (1-6) (unaudited)	2016	2015	2014
Audit fee	1,942	2,000	2,000	2,000	-
Building tax	-	395,640	395,640	593,457	-
Land tax	-	28,573	28,573	42,862	-
Stamp tax	-	-	-	125,323	15
Amortization of low value consumable products	-	490	490	-	-
Total	1,942	426,703	426,703	763,642	15

15. Financial expenses

Item	2017 (1-6)	2016 (1-6) (unaudited)	2016	2015	2014
Interest expenses	-	-	-	-	-
Less: Capitalized interest expenses	-	-	-	-	-
Interest income	-885	-1,129	-2,455	-4,421	-
Bank charges	305	2	307	-	60
Exchange losses (gains)	-	-	-	-	-
Others	160	360	360	120	300
Total	-420	-767	-1,788	-4,301	360

16. Income tax expenses

(1) Details of income tax expenses

Item	2017 (1-6)	2016 (1-6) (unaudited)	2016	2015	2014
Current income tax expenses	-	-	-	-	-
Deferred income tax expenses	-	-	-	-	-
Total	-	-	-	-	-

APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

(2) *Reconciliation between income tax expenses and accounting profits*

Item	2017 (1-6)	2016 (1-6) (unaudited)	2016	2015	2014
Total profit	770,133	-1,580,090	-1,004,150	-1,944,488	-5,925
Income tax expenses calculated at tax rate of 25%	192,533	-395,023	-251,038	-486,122	-1,481
Effect of adjustment to income tax expenses of previous year	-	-	-	-	-
Effect of non-taxable income	-	-	-	-	-
Effect of non-deductible costs, expenses and losses	-	-	-	-	-
Effect of using deductible losses of previously unrecognized deferred tax assets	-192,533	-	-	-	-
Effect of deductible losses recover of previously recognized deferred tax assets	-	-	-	-	-
Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets	-	395,023	251,038	486,122	1,481
Income tax expenses	-	-	-	-	-

17. Items in the cash flow statements

(1) *Other cash received relating to operating activities*

Item	2017 (1-6)	2016 (1-6) (unaudited)	2016	2015	2014
Interest income	885	1,129	2,455	4,421	-
Rent deposit	-	-	-	650,000	-
Rent, electricity revenue	2,828,641	567,044	5,891,915	2,187,561	-
Total	2,829,526	568,173	5,894,370	2,841,982	-

(2) *Other cash paid relating to operating activities*

Item	2017 (1-6)	2016 (1-6) (unaudited)	2016	2015	2014
Rent (Beijing Huixinguanhui Education Technology Co., Ltd)	17,500	-	-	-	5,000
Electricity	255,163	347,183	704,716	42,062	-
Audit fee	-	2,000	2,000	2,000	-
Surveying and mapping fee	-	-	-	4,000	-
Transportation	-	-	104,053	-	-
Property Insurance	12,116	12,414	12,414	-	-
Maintenance fee	4,848	-	-	-	-
Others	2,752	1,182	1,487	1,214	910
Total	292,379	362,779	824,670	49,276	5,910

APPENDIX II ACCOUNTANT’S REPORT ON THE TARGET COMPANY

(3) Other cash received relating to investing activities

Item	2017 (1-6)	2016 (1-6) (unaudited)	2016	2015	2014
Recovery of borrowings from other companies	-	500,000	500,000	-	-
Total	-	500,000	500,000	-	-

(4) Other cash paid relating to investing activities

Item	2017 (1-6)	2016 (1-6) (unaudited)	2016	2015	2014
Payment of loans to other companies	2,300,000	-	4,000,000	26,000,000	-
Total	2,300,000	-	4,000,000	26,000,000	-

(5) Other cash received relating to financing activities

Item	2017 (1-6)	2016 (1-6) (unaudited)	2016	2015	2014
Receive loans from other companies	-	-	-	6,650	6,000
Total	-	-	-	6,650	6,000

(6) Other cash paid relating to financing activities

Item	2017 (1-6)	2016 (1-6) (unaudited)	2016	2015	2014
Repayment borrowings to other companies	-	-	-	12,650	-
Total	-	-	-	12,650	-

APPENDIX II ACCOUNTANT’S REPORT ON THE TARGET COMPANY

18. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Supplementary information	2017 (1-6)	2016 (1-6) (unaudited)	2016	2015	2014
1. Reconciliation of net profits and cash flow from operating activities:					
Net profits	770,133	-1,580,090	-1,004,150	-1,944,488	-5,925
Add: Provision for impairment losses on assets	-	-	-	-	-
Depreciation of fixed assets and investment properties, depletion of oil and gas assets, depreciation of productive biological assets	2,000,558	1,997,777	3,997,408	1,881,449	-
Amortization of intangible assets	-	-	-	-	-
Amortization of long-term prepaid expenses	-	-	-	-	-
Losses on disposal of fixed assets, intangible assets and other long-term assets (gain expressed with ‘-’)	-	-	-	-	-
Loss on disposal of fixed assets (gain expressed with ‘-’)	-	-	-	-	-
Loss from changes in fair values (gain expressed with ‘-’)	-	-	-	-	-
Financial expenses (gain expressed with ‘-’)	-	-	-	-	-
Losses arising from investments (gain expressed with ‘-’)	-	-	-	-	-
Amortization of government grants related to assets in current year	-	-	-	-	-
Decrease in deferred tax assets (increase expressed with ‘-’)	-	-	-	-	-
Increase in deferred tax liabilities (decrease expressed with ‘-’)	-	-	-	-	-
Decrease in inventories (increase expressed with ‘-’)	-	-	-	-	-
Decrease in operating receivables (increase expressed with ‘-’)	-3,712	-	-	-	-
Increase in operating payables (decrease expressed with ‘-’)	-784,094	-960,773	607,267	2,094,103	-
Others	-	-	-	-	-
Net cash flows from operating activities	1,982,885	-543,086	3,600,525	2,031,064	-5,925
2. Net changes in cash and cash equivalents:					
Closing balance of cash	545,941	910,102	863,056	953,189	75
Less: Opening balance of cash	863,056	953,189	953,189	75	-
Add: Closing balance of cash equivalents	-	-	-	-	-
Less: Opening balance of cash equivalents	-	-	-	-	-
Net increase in cash and cash equivalents	-317,115	-43,087	-90,133	953,114	75

APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

(2) Cash and cash equivalents

Item	2017.6.30	2016.6.30	2016.12.31	2015.12.31	2014.12.31
		(unaudited)			
1. Cash	545,941	910,102	863,056	953,189	75
Including: Cash on hand	3,751	4,031	4,031	4,851	75
Bank deposits on demand	542,190	906,071	859,025	948,338	-
Other monetary fund available for payment at any time	-	-	-	-	-
Deposit of central bank funds available for payment	-	-	-	-	-
Inter-bank deposits	-	-	-	-	-
Inter-bank offers	-	-	-	-	-
2. Cash equivalents	-	-	-	-	-
Including: Bond Investment due within three months	-	-	-	-	-
3. Closing balance of cash and cash equivalents	545,941	910,102	863,056	953,189	75
Including: Restricted cash and cash equivalents of parent company or group subsidiaries	-	-	-	-	-

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

Name of the parent company	Type	Place of incorporation	Legal representative	Nature of business	Registered capital(10 thousand yuan)	Proportion of the entity's ownership interests held by the parent (%)	Proportion of the entity's voting power held by the parent (%)	The ultimate controlling party of the Company	Uniform social credit code
Shoulian Group Co.,Ltd	Corporation Limited(corporate owned)	1-4/F, No. 2, Beidajie, Pingguoyuan, Shijingshan District, Beijing	Chunyi Li	commodity circulation	45,300	85	85	Shoulian Group Co.,Ltd	911100007351301645

2. Receivables and payables of related parties

(1) Receivables

Item	2017.6.30		2016.12.31	
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Other receivable:				
Shoulian Group Co.,Ltd	31,800,000	-	29,500,000	-
Total	31,800,000	-	29,500,000	-

APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET COMPANY

(Continued)

Item	2015.12.31		2014.12.31	
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Other receivable:				
Shoulian Group Co.,Ltd	26,000,000	-	-	-
Total	26,000,000	-	-	-

(2) *payables*

Item	2017.6.30	2016.12.31	2015.12.31	2014.12.31
Other payable :				
Shoulian Group Co.,Ltd	-	-	-	6,000
Total	-	-	-	6,000

VIII. COMMITMENTS

As at June 30, 2017, no material commitments should be disclosed by the Company.

IX. SIGNIFICANT SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

No significant subsequent events after balance sheet date should be disclosed by the Group by the end of the approval date of the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY

The following is the management discussion and analysis of the financial conditions and operating results of the Target Company for each of the three financial years ended 31 December 2016, and the six months ended 30 June 2017, respectively. The financials for each of the three financial years ended 31 December 2016 and the six months ended 30 June 2017 are prepared in accordance with the PRC GAAP. The following discussions and analysis should be read in conjunction with the accountants' report of the Target Company for each of the three financial years ended 31 December 2016, and the six months ended 30 June 2017, as well as the notes thereto, as set out in Appendix II to this circular. Certain numerical figures included in this management discussion and analysis of the Target Company have been rounded. Therefore, discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding.

Business description

The Target Company is a limited liability company established by the Company and the Vendor with a registered capital of RMB10 million (owned as to 85% by the Vendor and 15% by the Company, respectively) in the PRC in April 2014. The Target Company has not commenced any operating activity other than the leasing of the Properties.

Operation results

The Target Company owns the land use rights to the land located in No. 6 West Hongmen Road, Daxing District, Beijing (北京大興區西紅門路6號), the PRC with a site area of approximately 28,574.36 square metres for commercial use and a term ending 19 July 2050, and a major building (and four other buildings) elected thereon with an aggregate gross floor area of approximately 17,724.44 square metres for commercial use (the "**Properties**"). The Properties are currently leased (i) as to approximately 6,412.94 square metres, to 北京京客隆首超商業有限公司 (Beijing Jingkelong Shouchao Commercial Company Limited*, a wholly-owned subsidiary of the Company) for the operation of a supermarket; (ii) as to approximately 5,638.5 square metres, to 北京京客隆昊天酒店管理有限公司 (Beijing Jingkelong Haotian Hotel Management Company Limited*, an indirect wholly-owned subsidiary of the Company) for the operation of a business hotel; and (iii) as to approximately 5,673 square metres, to certain independent third parties.

The Target Company has no operating activity other than the aforesaid leasing of the Properties.

Financial results

A summary of the audited financial results of the Target Company for each of the three years ended 31 December 2016 and each of the six months ended 30 June 2016 (unaudited) and 30 June 2017, respectively, is set out below:

	2014	2015	2016	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2017
Principal operating income	-	-	-	-	-
Other income	-	787,561	4,930,860	1,485,334	3,469,456
Earnings before interest and tax	-5,925	-1,944,488	-1,004,150	-1,580,090	770,133
Net profit	-5,925	-1,944,488	-1,004,150	-1,580,090	770,133
Net profit attributable to the parent company	-5,925	-1,944,488	-1,004,150	-1,580,090	770,133

Operating income*Principal operating income*

The Target Company has not commenced any principal operating activity since its establishment.

Other income

The other income of the Target Company was mainly generated from the leasing of the Properties located at No. 6 West Hongmen Road, Daxing District, Beijing (北京大興區西紅門路6號), the PRC as follows:

1. as to approximately 6,412.94 square metres, to 北京京客隆首超商業有限公司 (Beijing Jingkelong Shouchao Commercial Company Limited*, a wholly-owned subsidiary of the Company) for the operation of a supermarket, for a term from 1 January 2009 up to 31 December 2028, for a monthly rental of approximately RMB94,507.35;
2. as to approximately 5,638.5 square metres, to 北京京客隆昊天酒店管理有限公司 (Beijing Jingkelong Haotian Hotel Management Company Limited*, an indirect wholly-owned subsidiary of the Company) for the operation of a business hotel, for a term from 1 January 2016 to 31 December 2035 (with a rent-free period of nine months), for a rental (i) for the period from 1 October 2016 to 31 December 2017, in the amount of RMB2,058,052.50; (ii) for the period from 1 January 2018 to 31 December 2019, in the amount of RMB 4,116,105.00; and (iii) for the remaining period of the term to be agreed by the parties; and.

3. as to approximately 5,673 square metres, to certain independent third parties for the operation of apartments, for a term from 5 September 2015 to 4 September 2025 (with a rent-free period of six months) for an annual rental for the period of two years from 5 September 2015 in the amount of RMB3,727,164, which shall be (i) increased by 5% for the following two years; and (ii) further increased by 7% every two years thereafter for the remainder of the term.

Pursuant to the aforesaid leases, the recognized other income for each of the years ended 31 December 2014, 2015 and 2016, and each of the six months ended 30 June 2016 (unaudited) and 2017 were RMB0, RMB787,561, RMB4,425,629, RMB1,485,334 and RMB3,098,902, respectively.

Net profit attributable to the parent company

The net profit attributable to the parent company was RMB-5,925, RMB-1,944,488, RMB-1,004,150, RMB-1,580,090 and RMB770,133, respectively, for each of the years ended 31 December 2014, 2015 and 2016 and each of the six months ended 30 June 2016 (unaudited) and 2017. With the commencement of the leases of the Properties and the receipt of rental income, the profit has gradually improved.

Liquidity and financial resources

The cash flow of the Target Company was mainly generated from internal operating activities.

As at 31 December 2014, the Target Company had non-current assets of RMB0 and non-current liabilities of RMB0.

As at 31 December 2015, the Target Company had non-current assets of RMB139,425,101 (comprising mainly investment properties of RMB139,418,067) and non-current liabilities of RMB0.

As at 31 December 2016, the Target Company had non-current assets of RMB135,628,386 (comprising mainly investment properties of RMB135,622,739) and non-current liabilities of RMB0.

As at 30 June 2017, the Target Company had non-current assets of RMB133,627,828 (comprising mainly investment properties of RMB133,622,874) and non-current liabilities of RMB0.

As at 31 December 2014, the Target Company had current assets of RMB 75, which was cash and bank balances and current liabilities of RMB6,000, which was other payables.

As at 31 December 2015, the Target Company had current assets of RMB 26,953,189 (comprising mainly cash and bank balances of RMB 953,189 and other receivables of RMB 26,000,000), and current liabilities of RMB2,094,103 (comprising taxes payable of RMB44,103 and other payables of RMB2,050,000).

As at 31 December 2016, the Target Company had current assets of RMB30,363,056 (comprising mainly cash and bank balances of RMB863,056 and other receivables of RMB29,500,000), and current liabilities of RMB2,711,405 (comprising taxes payable of RMB15,121 and other payables of RMB2,696,284).

As at 30 June 2017, the Target Company had current assets of RMB32,349,653 (comprising mainly cash and bank balances of RMB545,941 and other receivables of RMB31,800,000), and current liabilities of RMB1,927,311 (comprising taxes payable of RMB15,047 and other payables of RMB1,912,264).

Indebtedness and pledge of assets

As at 31 December 2014, the Target Company's gearing ratio (calculated based on total liabilities at the end of the period divided by total assets at the end of the period) was approximately 8000%, because capital contribution to the Target Company had not yet been paid.

As at 31 December 2015, the Target Company's gearing ratio (calculated based on total liabilities at the end of the period divided by total assets at the end of the period) was approximately 1.3%.

As at 31 December 2016, the Target Company's gearing ratio (calculated based on total liabilities at the end of the period divided by total assets at the end of the period) was approximately 1.6%, which was slightly higher than that of 1.3% in the previous year.

As at 30 June 2017, the Target Company's gearing ratio (calculated based on total liabilities at the end of the period divided by total assets at the end of the period) was approximately 1.2%, which was slightly lower than that of 1.6% in the previous year.

As at 30 June 2017, the Target Company had no borrowing from financial institution and no pledge of assets.

Comparison with peers

The Target Company has not commenced any principal operating activity, its income was only derived from the leasing of the Properties, as such, comparison with peers is not applicable.

Foreign currency risk

The Target Company's operating revenues and expenses are principally denominated in RMB.

The Target Company did not encounter any material effect on its operation or liquidity as a result of fluctuation in currency exchange rates during the three years ended 31 December 2016 and the six months ended 30 June 2017.

Contingent liabilities

As at 30 June 2017, the Target Company had no material contingent liabilities.

Outlook

By leveraging on the various favourable resources of the Company, it is expected that the Target Company will generate higher returns and seek better development for it in future through the leasing of properties or other appropriate means.

Plans for investment and material investment

The Target Company has no investment, subsidiary or joint venture currently, and has not acquired or disposed of any subsidiary, associate or joint venture in the three years ended 31 December 2016 and the six months ended 30 June 2017.

The Target Company has no plans for any material investment or acquisition of capital assets currently.

Employees and remuneration

The Target Company has no employee, and accordingly, no remuneration, bonus, share option scheme and training plan are involved.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the reporting accountants of the Company, Ruihua Certified Public Accountants LLP (瑞華會計師事務所(特殊普通合夥)):



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ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

Ruihua Zhuan Shen Zi [2017] No. 01870108

To Beijing Jingkelong Company Limited:

We report on the Unaudited Pro Forma Financial Information (the “**Unaudited Pro Forma Financial Information**”) under the heading of “Unaudited Pro Forma Balance Sheet of the Enlarged Group” in Appendix IV to the Circular (the “**Circular**”) issued on September 13, 2017 by Beijing Jingkelong Company Limited in connection with the acquisition concerning proposed acquisition of 85% of the equity interests in Beijing Lianchao Company Limited (the “**Lianchao Limited**”) held by Beijing Shoulian Company Limited (the “**Shoulian Limited**”) by payment of cash to Shoulian Limited.

The Unaudited Pro Forma Financial Information was prepared by the directors of Beijing Jingkelong Company Limited for illustrative purposes only, to provide information about how the acquisition might have affected on the relevant financial information of Beijing Jingkelong Company Limited and its subsidiaries (hereinafter collectively referred to as the “**Jingkelong Group**”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix IV to this circular.

I. DIRECTOR'S RESPONSIBILITY ON THE PRO FORMA FINANCIAL INFORMATION

It is the responsibility solely of the directors of Beijing Jingkelong Company Limited to prepare the Unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Accounting Guideline 7 (“**Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

II. ACCOUNTANT'S RESPONSIBILITY

It is our responsibility to form an opinion, as required by Paragraph 4.29 (7) of the Listing Rules, on the Unaudited Pro Forma Financial Information. We do not accept any responsibility for any report previously given by us on any financial information used in preparing the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether: (1) The related pro forma adjustments give appropriate effect to those criteria; and (2) The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. OPINION

In our opinion:

1. The Unaudited Pro Forma Financial Information has been properly compiled by the directors of Beijing Jingkelong Company Limited on the basis stated; and
2. Such basis is consistent with the accounting policies of the Jingkelong Group; and
3. The adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ruihua Certified Public Accountants

Chinese certified public accountant: Zhou Huiyan

Beijing • China

Chinese certified public accountant: Zhang Youquan

September 13, 2017

APPENDIX IV

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

Prepared by: Beijing Jingkelong Company Limited

Unit: RMB

ITEMS	Unaudited consolidated balance sheet of the Group as at	Audited balance sheet of Lianchao Limited as at	Pro forma adjustments				Unaudited pro forma consolidated balance sheet of the Enlarged Group as at
	30 June 2017	30 June 2017	Payment of consideration	Adjustment of the fair value of identifiable assets	Relative adjustment of elimination and reclassification in pro forma consolidation	Adjustment of Stamp duty	30 June 2017
	Note III, 1	Note III, 2	Note III, 3	Note III, 4	Note III, 5	Note III, 6	
CURRENT ASSETS:							
Cash and bank balances	804,430,553	545,941	-64,020,502	-	-	-	740,955,992
Notes receivable	-	-	-	-	-	-	-
Accounts receivable	1,680,857,193	-	-80,000,000	-	-	-	1,600,857,193
Prepayments	914,708,539	-	-	-	-	-	914,708,539
Interests receivable	-	-	-	-	-	-	-
Dividends receivable	-	-	-	-	-	-	-
Other receivables	161,671,769	31,800,000	-	-	-	-	193,471,769
Inventories	1,585,578,614	-	-	-	-	-	1,585,578,614
Non-current assets maturing within one year	-	-	-	-	-	-	-
Other current assets	399,001,241	3,712	-	-	-784,020	-	398,220,933
TOTAL CURRENT ASSETS	5,546,247,909	32,349,653	-144,020,502	-	-784,020	-	5,433,793,040
NON-CURRENT ASSETS:							
Available-for-sale financial assets	31,873,200	-	-	-	-24,935,200	-	6,938,000
Held-to-maturity investments	-	-	-	-	-	-	-
Long-term equity investments	-	-	244,020,502	-	-244,020,502	-	-
Investment properties	131,247,506	133,622,874	-	104,905,532	-169,255,552	-	200,520,360
Fixed assets	1,038,215,641	4,954	-	-	42,779,401	-	1,080,999,996
Construction in progress	104,846,897	-	-	-	-	-	104,846,897
Liquidation of fixed assets	1,493,905	-	-	-	-	-	1,493,905
Intangible assets	191,203,438	-	-	-	126,476,151	-	317,679,589
Goodwill	86,673,788	-	-	-	-	-	86,673,788
Long-term unamortized expenses	509,552,380	-	-	-	-	-	509,552,380
Deferred income tax assets	21,352,400	-	-	-	-	-	21,352,400
Other non-current assets	303,351,343	-	-100,000,000	-	-	-	203,351,343
TOTAL NON-CURRENT ASSETS	2,419,810,498	133,627,828	144,020,502	104,905,532	-268,955,702	-	2,533,408,658
SUM TOTAL OF ASSETS	7,966,058,407	165,977,481	-	104,905,532	-269,739,722	-	7,967,201,698

APPENDIX IV

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET (CONTINUED)

Prepared by: Beijing Jingkelong Company Limited

Unit: RMB

ITEMS	Unaudited consolidated balance sheet of the Group as at 30 June 2017	Audited balance sheet of Lianchao Limited as at 30 June 2017	Pro forma adjustments				Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2017
			Payment of consideration Note III, 3	Adjustment of the fair value of identifiable assets Note III, 4	Relative adjustment of elimination and reclassification in pro forma consolidation Note III, 5	Adjustment of Stamp duty Note III, 6	
CURRENT LIABILITIES:							
Short-term borrowings	2,193,254,875	-	-	-	-	-	2,193,254,875
Notes payable	452,628,131	-	-	-	-	-	452,628,131
Accounts payable	1,088,932,875	-	-	-	-	-	1,088,932,875
Advance from customers	404,323,759	-	-	-	-	-	404,323,759
Payroll payable	1,578,218	-	-	-	-	-	1,578,218
Taxes payable	97,358,397	15,047	-	-	-	122,010	97,495,454
Interests payable	-	-	-	-	-	-	-
Dividends payable	16,229,701	-	-	-	-	-	16,229,701
Other payables	214,578,355	1,912,264	-	-	-784,020	-	215,706,599
Non-current liabilities maturing within one year	-	-	-	-	-	-	-
Other current liabilities	593,738,886	-	-	-	-	-	593,738,886
TOTAL CURRENT LIABILITIES	5,062,623,197	1,927,311	-	-	-784,020	122,010	5,063,888,498
NON-CURRENT LIABILITIES:							
Long-term borrowings	-	-	-	-	-	-	-
Bonds payable	748,302,553	-	-	-	-	-	748,302,553
Long-term accounts payable	-	-	-	-	-	-	-
Special accounts payable	-	-	-	-	-	-	-
Anticipated liabilities	-	-	-	-	-	-	-
Deferred income	-	-	-	-	-	-	-
Deferred income tax liabilities	2,563,473	-	-	-	-	-	2,563,473
Other non-current liabilities	52,132,484	-	-	-	-	-	52,132,484
TOTAL NON-CURRENT LIABILITIES	802,998,510	-	-	-	-	-	802,998,510
TOTAL LIABILITIES	5,865,621,707	1,927,311	-	-	-784,020	122,010	5,866,887,008
STOCKHOLDERS' EQUITY:							
Share capital	412,220,000	10,000,000	-	-	-10,000,000	-	412,220,000
Additional paid-in capital	605,008,846	156,234,600	-	104,905,532	-261,140,132	-	605,008,846
Other comprehensive income	3,968,031	-	-	-	-	-	3,968,031
Surplus reserves	142,729,211	-	-	-	-	-	142,729,211
Undistributed profits	482,110,026	-2,184,430	-	-	2,184,430	-122,010	481,988,016
Total equity attributed to the parent company's shareholders	1,646,036,114	164,050,170	-	104,905,532	-268,955,702	-122,010	1,645,914,104
Minority shareholders' interest	454,400,586	-	-	-	-	-	454,400,586
TOTAL STOCKHOLDERS' EQUITY	2,100,436,700	164,050,170	-	104,905,532	-268,955,702	-122,010	2,100,314,690
Total liabilities and shareholder's equity	7,966,058,407	165,977,481	-	104,905,532	-269,739,722	-	7,967,201,698

Legal Representative: Li Jianwen Accounting Director: Li Chunyan Accounting Manager: Pei Lianhuan

**NOTES TO THE UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP****I. GENERAL INFORMATION OF THE ACQUISITION**

According to the resolution passed at the the eighth session of the fifth meeting of the Board of Beijing Jingkelong Company Limited (hereinafter the “**Company**”), the Company proposed to acquire 85% of the equity interests in Beijing Lianchao Company Limited (the “**Lianchao Limited**”) held by Beijing Shoulian Company Limited (the “**Shoulian Limited**”) by payment of cash to Shoulian Limited. Pursuant to the framework agreement between the Company and Shoulian Limited, consideration of this transaction is RMB244,020,502. Lianchao Limited is a limited liability company established by the Company and Shoulian Limited with a registered capital of RMB10 million in the PRC in April 2014. Among which, 85% owned by Shoulian Limited and 15% by the Company, respectively. Lianchao Limited is principally engaged in the leasing of properties. Upon completion of this transaction, Lianchao Limited would become a wholly-owned subsidiary of the Company.

II. PREPARATION BASIS OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Unaudited Pro Forma Financial Information was prepared for the acquisition proposed to be conducted by the Company.

The following is the unaudited pro forma financial information of the Enlarged Group for illustration purposes (the “**Unaudited Pro Forma Financial Information**”). These statements were prepared under the basis set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the basis set out below to illustrate the impact on the Company and its subsidiaries (hereinafter the “**Group**”) when Lianchao Limited became a wholly-owned subsidiary of the Company (assuming the acquisition is completed on June 30, 2017).

The Unaudited Pro Forma Financial Information has been prepared using accounting policies consistent with that of the Group, as set out in the Company’s 2017 Interim Report.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not reflect the true picture of the financial position of the Enlarged Group had the Equity Transfer been completed at June 30, 2017 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the other financial information contained in this circular.

III. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The unaudited consolidated balance sheet of the Group as at June 30, 2017 is extracted from the unaudited consolidated balance sheet (to be consistent with the Company’s 2017 Interim Report).
2. The audited balance sheet of Lianchao Limited as at June 30, 2017 are extracted from the audited consolidated balance sheet (as set out in Appendix II to this circular).
3. **Payment of consideration**

(1) *Judgment and process of the acquiree does not constitute a business*

Pursuant to the requirement of “Accounting standards for Enterprises No.20 Business Combination” and its relative application and notes, “Business” refers to a combination of certain production and business activities or assets and liabilities within the enterprise of which has the ability to invest, process and produce, as well as the cost or income generated can be independently calculated. “Business” usually has three elements:

“input”, “processing process” and “output”. The acquiree, Lianchao Limited, belongs to a “single assets entity” (which is refers to an entity with an absolute share of value of irreplaceable identifiable assets, of which other assets and liabilities are not significant immaterial). The purpose of this transaction is to acquire the irreplaceable identifiable assets of Lianchao Limited, investment property. Although the control of the acquiree has been taken, it is not constituting a business combination.

On the buyer’s single entity statement level: Long-term equity investment is treated other than that has been generated by business combination. It should be in accordance with the “Accounting Standard for Business Enterprises No. 2 Long-term Equity Investment” of the initial measurement, the direct transaction costs to obtain acquiree’s assets shall be booked in the long-term equity investment costs accounts.

On the buyer’s consolidated statement Level: In accordance with the “Enterprise Accounting Standards”, if an enterprise has control over another one or more companies through acquisition, and the acquiree (or the merged party) does not constitute a “business”, then the transaction or acquisition does not form a business combination. When enterprise obtains a group of assets or net assets that do not constitute a business, the purchase cost shall be distributed according to the relative fair value of the identifiable assets and liabilities acquired on the purchase date and shall not be dealt with the treatment according to the rules of enterprise acquisition.

(2) Acquisition costs increase long-term equity investments

The consideration of the acquisition is RMB244,020,502, which increases long-term equity investments by RMB244,020,502.

Pursuant to the contract of “Beijing Jingkelong Company Limited franchise contract” dated February 10, 2007 entered into between the Company and Shoulian Limited, Shoulian Limited has RMB80 million trade payable due to the Company as at the date of this report.

Pursuant to the “Framework agreement” dated January 1, 2016 entered into between the Company and Shoulian Limited, the Company paid Shoulian Limited RMB50 million as security deposit which can be converted to the equity interest transfer price.

The company entered into a “borrowing contract” with Shoulian Limited on January 1, 2016. Shoulian Limited borrows RMB50 million from the Company from February 4, 2016 to December 31, 2017.

Now the Company entered into agreement with Shoulian Limited, in which Shoulian Limited shall offset part of the transaction consideration with trade payable, security deposit and borrowing, and the Company pay the rest of the transaction consideration totaling RMB64,020,502 to Lianchao Limited by cash.

4. Adjustment of the relative fair value of identifiable assets

(1) Adjustment of the relative fair value of identifiable assets

The group of assets acquired does not constitute a business and therefore the Acquisition is accounted for as acquisition of assets. See Note III, 3.

In this transaction, when the Company acquired a group of assets does not constitute a business, the transaction costs is distributed among the identifiable assets and liabilities acquired on fair value basis. Assuming the company acquired 85% of equity interest of Lianchao Limited held by Shoulian Limited by RMB244,020,502, the investment cost of the other 15% equity interest of Lianchao Limited originally held by

the Company is RMB24,935,200, the Company total investment in Lianchao Limited is equaling RMB268,955,702, and that means the relative fair value of the net assets of Lianchao Limited is RMB268,955,702.

The fair value of identifiable assets of Lianchao (investment property) increases by RMB104,905,532 (acquisition costs of 15% equity interest of Lianchao Limited RMB24,935,200 plus acquisition costs of 85% equity interest of Lianchao Limited RMB244,020,502 minus the book net assets RMB164,050,170.)

(2) *Investment property after adjustment of relative fair value is not impaired*

The trading price of the equity interests of Lianchao Limited is subject to the valuation result from the valuation report issued by the asset evaluation agency which has securities business qualification and determined through negotiation by both parties. Pursuant to the valuation certificate “RHKK/CTSK/VA27327-2017” issued by Vigers Assets Appraisal Co., Ltd., the value of property and land held by Lianchao Limited as of July 31, 2017 is RMB292,480,000.

Relative fair value of investment property after adjustment is RMB238,528,406 and the adjustment is as follows: ①Company has obtained 15% equity interest of Lianchao Limited before, and the acquisition costs is RMB24,935,200, in addition, Company has also obtained another 85% equity interest of Lianchao Limited and acquisition costs is RMB244,020,502. Thus, a total of 100% equity investment cost of Lianchao Limited is RMB268,955,702. ②The book value of total assets (excluding investment property) as at June 30, 2017 is RMB32,354,607, and the book value of total liabilities as at June 30, 2017 is RMB1,927,311. ③Relative fair value of investment property after adjustment is RMB238,528,406, which consist of a total of 100% equity investment cost of Lianchao Limited (RMB268,955,702) minus the book value of total assets (excluding investment property) (RMB32,354,607) plus the book value of total liabilities as at June 30, 2017 (RMB1,927,311).

Relative fair value of investment property after adjustment is less than the assessed value of property and land held by Lianchao Limited which was assessed by Vigers Assets Appraisal Co., Ltd. Thus, investment property is not impaired.

5. **Relative elimination and reclassification adjustment in pro forma consolidation**

(1) *Elimination of investment and interest*

Assuming the acquisition was completed on June 30, 2017, the cost of investment is the Company RMB268,955,702 has been offset by the net assets of Lianchao Limited RMB268,955,702.

(2) *Elimination of company transaction*

Assuming the acquisition was completed on June 30, 2017, Lianchao Limited received the rent in advance from the Group RMB 784,020 as at June 30, 2017 has been offset.

(3) *Reclassification of the investment property Lianchao Limited leased to the Group*

Pursuant to the leasing agreement April 2015 entered into between Beijing Jingkelong Shouchao Limited (hereinafter “**Shouchao Limited**”), a subsidiary of the Company and Lianchao Limited, the property of 1st floor of Building No.1, Building No.4 and Building No.5 are leased to Shouchao Limited. The 1st floor of Building No.1 is used as a hypermarket, and Building No.4 and Building No.5 are used as offices. Term is twenty years from January 1, 2009 till December 31, 2028; Meanwhile, Pursuant to the leasing agreement December 2015 entered into between Beijing Jingkelong Haotian Hotel Management Limited (hereinafter “**Haotian Hotel**”) and Lianchao Limited, the property of 2nd floor of Building No.1 is leased to Haotian

Limited used as an economy business hotel for a term of twenty years from January 1, 2016 till December 31, 2035. The property of 1st floor and 2nd floor of Building No.1, Building No.4 and Building No.5 will continue to be used as hypermarket and economy business hotel correspondingly after the proposed acquisition. Assuming the acquisition was completed, on the consolidation level, the Group held the two properties mentioned above as property owned instead of investment properties. Thus, by and after the reclassification adjustment, fixed assets increased by RMB42,779,401, (the basis of calculation is as follows: the total book value of the property of 1st floor and 2nd of Building No.1, No. 4 and No.5 as at June 30, 2017 is RMB 38,817,628 plus the fair value of identifiable assets increased by RMB 3,961,773 (comprising properties only), which is mentioned in Note 4 (1) above, which calculating the reclassification adjustment of the value of fixed assets is RMB 42,779,401); intangible assets increased by RMB126,476,151, (the basis of calculation is as follows: the book value of land use rights of Lianchao Limited as at June 30, 2017 is RMB 85,970,469, plus the fair value of identifiable assets increased by RMB 100,042,070 (comprising land only), which is mentioned in Note 4 (1) above, thus, the total fair value of land use rights is RMB186,012,539. According to the ratio between the areas of the Group rental property of 1st floor and 2nd of Building No.1, No. 4 and No.5 (12,051.44 square meters) and all housing construction areas (17,724.44 square meters), calculating the reclassification adjustment of the value of intangible assets is RMB 126,476,151); investment properties increased by RMB169,255,552, which consist of fixed assets (increased by RMB42,779,401) and intangible assets (increased by RMB126,476,151) both as mentioned before. Other properties continue to be rented for the use by third parties outside the company still grouped as investment properties in disclosure.

6. Stamp duty on adjustment

Based on the 0.05% of the transfer price recorded on the equity transfer agreement RMB244,020,502, RMB122,010 is calculated for stamp duty. Implementation is recommended after the acquisition is completed.

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



13 September 2017

The Directors
Beijing Jingkelong Company Limited
No. 45 Xinyuan Street,
Chaoyang District,
Beijing City,
the PRC

Dear Sirs,

In accordance with the instructions of Beijing Jingkelong Company Limited (the “**Company**”) and its subsidiaries (hereinafter referred to as the “**Group**”) for us to value the property interest held by Beijing Lianchao Company Limited (北京聯超商業有限公司) in the People’s Republic of China (“**the PRC**”), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interest as at 31 July 2017 (“**valuation date**”) for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the property interest, we have valued on the basis of capitalization of net rental income derived from the existing tenancy with allowance for the reversionary income potential of the property. We have also valued the property interest by the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market. We have adopted a weight average of both valuation methods to assess the market value of the property interest.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interest. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion (the “**PRC legal opinion**”) provided by the Company’s PRC legal adviser, Grandall Law Firm (Beijing).

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate used in valuing the property interest in the PRC as at 31 July 2017 was HK\$1=RMB0.861. There has been no significant fluctuation in the exchange rate for Renminbi against Hong Kong Dollars (HK\$) between that date and the date of this letter.

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc(e-com)
China Real Estate Appraiser
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty nine years' experiences in undertaking valuations of properties in Hong Kong and has over twenty two years' experiences in valuations of properties in the PRC.

VALUATION CERTIFICATE

Property interest to be acquired by the Group in the PRC for owner-occupation and investment

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2017
The land and 5 commercial buildings erected thereon located at No. 6 West Hongmen Road, Daxing District, Beijing City, the PRC	<p>The property comprises a parcel of land with a site area of approximately 28,574.36 sq.m. and 5 commercial buildings erected thereon completed in between 1999 and 2005.</p> <p>The buildings have a total gross floor area of approximately 17,724.44 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 19 July 2050 for commercial uses.</p>	The property has been leased to 3 tenants under 3 tenancy agreements for a latest term expiring on 31 December 2035 at a total annual rent of RMB6,507,694.20 as at the valuation date.	<p>RMB292,480,000</p> <p>(equivalent to approximately HK\$339,700,000)</p>

Notes:

1. According to a State-owned Land Use Rights Certificate (Document No.: Jing Xing Guo Yong (2015 Chu) No. 00071), the land use rights of the property having a site area of approximately 28,574.36 sq.m. have been granted to Beijing Lianchao Company Limited for a term expiring on 19 July 2050 for commercial uses.
2. According to a Building Ownership Rights Certificate (Document No.: X Jing Fang Quan Zheng Xing Zi No. 194098), the building ownership rights of 5 buildings of the property having a total gross floor area of approximately 17,724.44 sq.m. are vested in Beijing Lianchao Company Limited for commercial uses.
3. The PRC legal opinion states, inter alia, the following:
 - (i) Beijing Lianchao Company Limited is entitled to lease of the property;
 - (ii) Beijing Lianchao Company Limited entered into 3 tenancy agreements with Beijing Jingkelong Haotian Hotel Management Company Limited (北京京客隆昊天酒店管理有限公司), Beijing Jingkelong Shouchao Commercial Company Limited (北京京客隆首超商業有限公司), Zhang Hui Ning (張會寧) and Qu Fei (瞿飛) and these tenancy agreements are legal and valid; and
 - (iii) The property is not subject to seizure, mortgage or other encumbrances.

4. The status of title and grant of major approvals and permits in accordance with the PRC legal opinion and information provided by the Company are as follows:
- (i) State-owned Land Use Rights Certificate Yes
 - (ii) Building Ownership Rights Certificate Yes
5. The property was inspected by Ms. Li Shuang, China Real Estate Appraiser, on 4 August 2017.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, supervisors or the chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; (iii) notified to the Company and the Stock Exchange pursuant to the Model Code or otherwise 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 (%)
Li Jianwen	Personal	2,022,579	0.88	0.49
Shang Yongtian	Personal	989,451	0.43	0.24
Li Chunyan	Personal	505,992	0.22	0.12
Liu Yuejin	Personal	375,151	0.16	0.09
Li Shunxiang	Personal	5,210,428	2.26	1.26
Yang Baoqun	Personal	1,042,086	0.45	0.25
Liu Wenyu	Personal	365,151	0.16	0.09
Yao Jie	Personal	125,051	0.05	0.03
Wang Hong	Personal	186,696	0.08	0.05

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, none of the Directors, supervisors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions

which the Directors, supervisors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code or otherwise.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than Directors or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares 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 pursuant to Section 336 of the SFO:

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

Long 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 (%)
Schroders Plc (<i>Note 1</i>)	19,977,000(L)	10.96	4.85
China Galaxy International Asset Management (Hong Kong) Co., Limited (<i>Note 2</i>)	14,231,500(L)	7.81	3.45
China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) (<i>Note 3</i>)	13,117,000(L)	7.20	3.18
Schroder Investment Management (Hong Kong) Limited (<i>Note 4</i>)	13,036,000(L)	7.16	3.16
Citigroup Inc. (<i>Note 5</i>)	11,134,000(L)	6.11	2.70

(L) – Long Position

Note:

1. These 19,977,000 H shares were held by Schroders Plc in its capacity as an investment manager.
2. These 14,231,500 H shares were held by China Galaxy International Asset Management (Hong Kong) Co., Limited in its capacity as an investment manager.
3. These 13,117,000 H shares were held by China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) in its capacity as an investment manager.
4. These 13,036,000 H shares were held by Schroder Investment Management (Hong Kong) Limited in its capacity as an investment manager.
5. These 11,134,000 H shares were held by Citigroup Inc. in its capacity as an investment manager.

Save as disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, there was no other person, other than Directors or chief executive of the Company and (in the case of the other members of the Group) other than the Company, who had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares 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 kept by the Company pursuant to Section 336 of the SFO.

As at the Latest Practicable Date, save Mr. Wang Weilin (an independent non-executive Director) who is also the general manager of Beijing Chaoyang Auxiliary Food Company, none of the Directors are also a director or employee of the substantial Shareholders of the Company as set out above.

4. DISCLOSURE OF OTHER INTERESTS

(i) Interests in competing business

The Group is principally engaged in the retail and wholesale business of daily consumer products. As at the Latest Practicable Date, none of the Directors or their respective associates had an interest in any business that competes with or is likely to compete with the business of the Group.

(ii) Interests in assets

As at the Latest Practicable Date, none of the Directors and supervisors of the Company had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2016 (being the date to which the latest published audited accounts of the Company were made up).

(iii) Interests in contract or arrangement

As at the Latest Practicable Date, there was no contract or arrangement in which any Director or supervisors of the Company was materially interested in and which was significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

There is a letter of appointment entered into between the Company and each of the Directors. As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, none of the members of the Group was engaged in any litigation, arbitration or administration proceedings of material importance and there was no litigation, arbitration or administration proceedings or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The members of the Group had, within the date of two years immediately preceding the Latest Practicable Date, entered into the following contracts which were or might be material, other than contracts in the ordinary course of business of the Group:

- (i) the Agreement;
- (ii) a framework agreement dated 1 January 2016 between the Company and the Vendor in respect of the Acquisition pursuant to which RMB50 million (being part of the Consideration) has been paid to the Vendor in cash as deposit; and
- (iii) a loan agreement dated 1 January 2016 between the Vendor and the Company pursuant to which the Vendor granted a loan in the amount of RMB50 million to the Company.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who had given opinion contained in this circular:

Name	Qualification
Ruihua Certified Public Accountants LLP	Certified Public Accountants
Vigers Appraisal and Consulting Company Limited	Professional surveyor and valuer
Grandall Law Firm (Beijing)	Legal Advisers as to PRC law

As at the Latest Practicable Date, each of the above experts had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter dated the date of this circular and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any interests, either direct or indirect, in any assets which have been acquired or disclosed of by or leased to or are proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. GENERAL

- (i) The company secretary of the Company is Mr. Li Bo, a member of the Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant of Australia.
- (ii) The registered office and principal place of business in the PRC of the Company is situated at Block No. 45, Xinyuan Street, Chaoyang District, Beijing, PRC.
- (iii) The place of business in Hong Kong of the Company is situated at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the the place of business of the Company in Hong Kong at 20th floor, Alexandra House, 18 Chater Road, Central, Hong Kong, during normal business hours on any Business Day from the date of this circular up to and including 27 September 2017:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the three years ended 31 December 2014, 31 December 2015 and 31 December 2016;
- (iii) the letter from the Board as set out in this circular;
- (iv) the accountants' report, the text of which is set out in Appendix II to this circular;
- (v) the letter from Ruihua Certified Public Accountants LLP on the Unaudited Pro Forma Financial Information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;
- (vi) the letter and valuation certificate prepared by Vigers Appraisal and Consulting Company Limited, the text of which is set out in Appendix V to this circular;
- (vii) the letters of consents referred to under the section headed "8. Experts and consents" in this Appendix;

- (viii) the material contracts referred to under the section headed “7. Material contracts” in this Appendix; and
- (ix) this circular.