



# 北京京客隆

商业集团股份有限公司  
BEIJING JINGKELONG COMPANY LIMITED

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



# 2017

Interim Report

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### EXECUTIVE DIRECTORS

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

#### NON-EXECUTIVE DIRECTORS

Mr. Wang Weilin  
Mr. Li Shunxiang

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### SUPERVISORS

Ms. Liu Wenyu (*Chairman*)  
Ms. Wang Hong  
Mr. Chen Zhong  
Mr. Yang Baoqun  
Ms. Fu Yanjun (appointed on 26 May 2017)  
Ms. Niu Hongyan  
(appointed on 25 August 2017)  
Ms. Cheng Xianghong  
(resigned on 26 May 2017)  
Ms. Yao Jie (resigned on 25 August 2017)

### COMPANY SECRETARY

Mr. Li Bo, CPA

### AUTHORISED REPRESENTATIVES

Ms. Li Chunyan  
Mr. Li Bo, CPA

### AUDITORS

Ruihua Certified Public Accountants LLP  
(瑞华會計師事務所(特殊普通合夥))

### LEGAL ADVISERS

**As to Hong Kong law:**  
Reed Smith Richards Butler

**As to PRC law:**  
Grandall Law Firm (Beijing)

## INVESTORS AND MEDIA RELATION CONSULTANT

iPR Ogilvy Ltd.

## PRINCIPAL BANKERS

### *AGRICULTURAL BANK OF CHINA*

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

### *BANK OF BEIJING*

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

## H SHARES REGISTRAR AND TRANSFER OFFICE

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

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

Block No. 45  
XinYuan Street  
Chaoyang District  
Beijing, PRC

## PLACE OF BUSINESS IN HONG KONG

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

## COMPANY WEBSITE

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

## SHAREHOLDERS' ENQUIRIES CONTACT INFORMATION OF THE COMPANY

Department of Investor Relations  
Tel: 0086-10-64688238  
Fax: 0086-10-64611370  
Email: [jingkelong@jkl.com.cn](mailto:jingkelong@jkl.com.cn)  
Address: Block No. 45, XinYuan Street,  
Chaoyang District, Beijing, PRC

## STOCK CODE

814

## FINANCIAL HIGHLIGHTS

The Group achieved the following results during the six months ended 30 June 2017:

- Revenue amounted to RMB5,638,638,757, representing an increase of approximately 4.0% compared with last corresponding period.
- Gross profit amounted to RMB782,424,352, representing an increase of approximately 18.3% compared with last corresponding period.
- Operating profit amounted to RMB84,673,998, representing an increase of approximately 23.4% compared with last corresponding period.
- Profit attributable the owners of the parent reached RMB26,490,046, representing an increase of approximately 52.5% compared with last corresponding period.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the first half of 2017, macroeconomic growth remained stable. Consumption structure continued to transform and upgrade from survival consumption to developmental consumption, from material-based consumption to service-based consumption and from traditional consumption to new consumption model. Consumer expenditure played the main contributing role in economic growth. Continuing to adhere to the operation concept of [products+services] with consumer need as the core, the Group actively promoted renovation, reformation and upgrading by deeply understanding changing consumer demand, behavior and habits. Meanwhile, e-commerce business was also actively promoted with consumer experience as the core. On one hand, Jingkelong APP mobile e-trading function was upgraded, on the other hand the existing sophisticated third-party e-commerce platforms were accessed. Through interaction between scenario experiences of offline stores and online flow, goods and services were adjusted according to the changing consumer demand, so that more comfortable and convenient shopping experiences were brought to satisfy consumers' demand for upgrading besides exploring the opportunities available under integration of online and offline development.

### RETAIL BUSINESS

#### *CONTINUOUSLY ENHANCING PRODUCT MIX AND EXPANDING PRODUCT SALES CAPACITY*

During the Reporting Period, the Group introduced best selling new products like green vegetables and tea ware, etc. through analysis of core and key categories operation data. Besides, product categories combination and mix were enhanced, channels for selection of best suppliers and advantaged brands were expanded, new products were introduced more rapidly, slow-selling products were weeded out, product turnover rate was sped up, display of goods were improved according to seasons and goods characteristics, consumers were guided through lively displays such as themed display and scenario-based display so as to increase sales of goods.

#### *CONTINUOUSLY STRENGTHENING MANAGEMENT OF LIVE AND FRESH PRODUCE OPERATION AND INCREASING OPERATING CAPACITY OF LIVE AND FRESH PRODUCE*

During the Reporting Period, operation management of live and fresh produce was further strengthened with implementation of the version "2.0" live and fresh produce, new items were introduced to diversify product range. For example, instant fresh cut food was introduced to meet the lunch needs for the consumers who work nearby. Fruits and vegetables were packaged for sale, convenient canned food were sold such as lotus root slices, garlic moss sections and Chinese yam slices to meet the needs of customers with a quick tempo of life. The "Australian barley-fed cow" was imported to provide high-end beef product series and sold by fractions, whose selling points were highlighted through on-the-spot production to increase customers' awareness of these products. Open bidding for seasonal live and fresh produce was implemented besides strengthening direct procurement system from the place of origin, giving rise to strict control of procurement costs and maintenance of price advantage; checking on receipt, storage and sale of live and fresh produce was also stepped up to control quality and standard, so as to attract more customer flow with good quality of live and fresh produce.

### *PROMOTION OF BUSINESS INNOVATION AND SPEEDING UP DEVELOPMENT OF COMMUNITY LIVE AND FRESH PRODUCE STORES*

During the Reporting Period, the Group actively developed the Jingjie Live and fresh produce Store operated in the community live and fresh produce store model in response to the relief of non-capital functions, demographic changes and enhancement of consumption quality. The Jingjie Live and fresh produce Store mainly sells daily necessities of community residents such as meat, eggs, fruits, vegetables and milk, with live and fresh produce representing more than 50% of its operation. The store satisfies the residents' basic needs of three daily meals and creates the image of "home kitchen". It also integrates service resources by providing payment services of water and electricity bills, self-recharging service, handset charging, simple meals and self-pickup or home delivery for online shopping. These helped increase customer loyalty and increase sales. During the Reporting Period, 10 branches were opened for the Jingjie Live and fresh produce Store under the Group.

### *CONTINUOUS PROMOTION OF ONLINE BUSINESS DEVELOPMENT AND EXPANSION OF SALES CHANNELS*

During the Reporting Period, the Group continuously optimized the APP functions through improvement and continuous upgrading the APP's operation system, performance, interface and user experiences. New functions were added such as premium redemption and lucky draw for orders as ways to promote sale. More than 20,000 products were on sale including fruits, vegetables and daily necessities. More convenient online shopping was provided. More than 70 stores have joined third-party platforms including JD Daojia, Waimai Baidu, Meituan.com and ele.me. Marketing activities were repeatedly held in cooperation with various platforms, online orders were increased thanks to the flow and delivery systems of third-party platforms.

### *DIVERSIFICATION OF MEANS OF MARKETING AND IMPROVING SERVICES FOR THE CUSTOMERS*

During the Reporting Period, market research questionnaires were conducted, customers' shopping preferences were analyzed and improvements were made to modes of marketing accordingly. Customers' needs were integrated with promotion modes and festive culture, special products were displayed on festive holidays during key promotion period; shopping lucky draws were conducted. Other innovative promotion activities included online gift for offline spending, offline shopping scan for online spending and Red May Luck Draw with home delivery service etc. In order to increase members' sense of belonging and make them feel respected, member's redemption, double discount for members and point-deducting super-value shopping were introduced to increase customer flow and expand sale.

### *INTEGRATION OF SUPPLY CHAIN MANAGEMENT AND INCREASING LOGISTICS EFFICIENCY*

During the Reporting Period, the upstream supply chain management was integrated to bring into full play the functions of automatic sorting system line and sorting operations for dissembled goods line of the normal-temperature logistics center. Some of the goods originally delivered to stores by suppliers were delivered by the logistics center. Products for daily delivery such as packaged cooked food and packaged bread were delivered by the live and fresh produce logistics center instead of suppliers. This has solved the small- and medium- remote stores' problem of out of stock due to late delivery of suppliers. Integrated delivery of various goods including poultry, eggs, frozen food, vegetables and daily necessities was arranged to reduce the frequency of store collection of goods and logistics costs. As a result, logistics efficiency was increased.



### *ATTACHING HEAVY WEIGHT TO FOOD SAFETY MANAGEMENT*

During the Reporting Period, the Group adhered to strict approval procedures for the introduction of new products. New channels and new goods were monitored in accordance with strict quality standards, field inspections were conducted on newly-introduced channels and high-risk channels. Any channels that did not meet the required quality standard were not introduced. Hi-tech inspection devices such as atomic fluorescence spectrometer and atomic absorption spectrometer were used. Daily self-check and quality sampling of products for test were insisted as ways to monitor quality of products on sale. Live and fresh produce were strictly required to follow cold chain transport requirements so as to ensure freshness. Food safety self-checks were conducted on regular basis so as to eradicate hidden problems of food safety.

### *PRUDENT DEVELOPMENT OF RETAIL NETWORK*

During the Reporting Period, the Group focused on improving the operational capability of its stores, and was prudent in expanding new stores. The Group opened 3 convenience stores. Due to reasons including expiration of tenancy and modifications to the stores making losses, 3 supermarkets and 6 directly-operated convenience stores were closed during the Reporting Period. In addition, the Group renovated and upgraded and format upgrading of 9 convenience stores.

The Group had 242 retail outlets as at 30 June 2017, including 181 directly-operated outlets and 61 franchise-operated outlets, with total net operating area of 299,856 square metres. The following table sets out the number and net operating area of the Group's retail outlets as at 30 June 2017:

	<b>Department stores</b>	<b>Hypermarkets</b>	<b>Supermarkets</b>	<b>Convenience stores</b>	<b>Total</b>
Number of retail outlets:					
Directly-operated	2	12	63	104	181
Franchise-operated	-	-	1	60	61
<b>Total</b>	<b>2</b>	<b>12</b>	<b>64</b>	<b>164</b>	<b>242</b>
Net operating area (square metres):					
Directly-operated	39,742	86,089	140,671	20,884	287,386
Franchise-operated	-	-	880	11,590	12,470
<b>Total</b>	<b>39,742</b>	<b>86,089</b>	<b>141,551</b>	<b>32,474</b>	<b>299,856</b>



## RETAIL OPERATING RESULTS

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

	For the six months ended 30 June		Variance
	2017 RMB'000	2016 RMB'000	
<b>Directly-operated retail outlets:</b>			
Hypermarkets	644,743	651,757	-1.1%
Supermarkets	1,444,557	1,499,976	-3.7%
Convenience stores	175,521	157,878	11.2%
Department stores (including commissions)	20,693	21,645	-4.4%
	17,519	18,373	-4.6%
Online retail business	20,179	18,366	9.9%
<b>Total retail principal operating income</b>	<b>2,305,693</b>	<b>2,349,622</b>	<b>-1.9%</b>
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	15.9	15.5	0.4p.p

During the Reporting Period, the retail principal operating income of the Group decreased by approximately 1.9% mainly due to the following reasons: (i) an overall same-store sales decrease of approximately 0.74% during the Reporting Period; and (ii) the impact of the closure of six loss-making supermarkets in 2016 and three supermarkets during the Reporting Period.

During the Reporting Period, gross profit margin of the directly-operated retail business (excluding department stores) increased from 15.5% of the last corresponding period to 15.9%, mainly because of: (i) adjusting and optimizing the composition of the commodities by reinforcing the introduction of imported products and customised products, and increasing the standardization, the packaging and the operating capacity of live and fresh produce during the Reporting Period; and (ii) the optimization of the marketing and pricing policies.

## WHOLESALE BUSINESS

### CONTINUOUS STRENGTHENING AND EXPANSION OF ONLINE AND OFFLINE DISTRIBUTION CHANNELS

During the Reporting Period, the Group followed up and solved key problems in sale, operation and logistics of existing sales customers in all business link. The cooperation relationship with existing sale channels was improved through enhancing sales service quality and standard and increasing customer satisfaction. Intensive cooperation with major e-commerce mainstream platforms continued, especially in order handling, transport supervision and delivery control so as to provide better service and greater support to e-commerce merchants; sales to e-commerce merchants thus increased steadily. The market share was expanded through continuous expansion of offline sale channels leveraging the Group's sophisticated brand resources, marketing skills and logistics system.

## FURTHER STRENGTHENING BRAND DEVELOPMENT STRATEGIES

During the Reporting Period, the Group continuously diversified brand resources, introduced advantaged brands, added new suppliers and producers, expanded categories and types of products besides developing products under private brands. The private-branded products developed included rose cookies, dried fungus, dried fish, frozen fruits and vegetable and dried nuts. Sales network for products under private brands was developed through integration of online and offline channels. On the other hand, goods were continuously imported leveraging the Group's advantage in sale channel, where market coverage was ensured, greater efforts were made in tracking and analyzing operation data of imported goods so as to increase its marketability.

## NEW DEVELOPMENT IN THIRD-PARTY LOGISTICS BUSINESS

During the Reporting Period, the Group continuously developed third-party logistics business. Through tender, the Group became the common logistics center for third-party convenience stores as well as operator of normal-temperature and low-temperature daily delivery. The Group continued to develop third-party logistics and common logistics warehouse with upper stream suppliers. As a result, the third-party logistics business has recorded significant growth in revenue.

## WHOLESALE OPERATING RESULTS

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

	For the six months ended 30 June		Variance
	2017 RMB'000	2016 RMB'000	
Principal operating income recognised by Chaopi Group*	3,549,231	3,318,846	6.9%
Less: Intersegment Sales	(247,273)	(258,184)	-4.2%
Sales to franchisees	1,440	2,182	-34.0%
<b>Consolidated Wholesale principal operating income</b>	<b>3,303,398</b>	3,062,844	7.9%
<b>Gross profit margin** (%)</b>	<b>11.1</b>	8.5	2.6p.p

\* Chaopi Group represents Beijing Chaopi Trading Company Limited and its subsidiaries.

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

During the Reporting Period, the wholesale principal operating income of Chaopi Group increased by approximately 7.9%, which was mainly due to the following reasons: (i) the sales contribution from increased sales to e-commerce during the period; (ii) the sales contribution from the expansion the sales channels and the increase in customers; and (iii) the sales contribution from the newly introduced brands and imported products.

During the Reporting Period, the gross profit margin was 11.1%, the corresponding period was 8.5%, mainly because of: (i) adjusting the commodities mix by introducing the higher gross profit, meanwhile obsoleting the low gross profit ones; (ii) the gradually rising of partial liquor prices.

## FINANCIAL RESULTS

	For the six months ended 30 June		Variance
	2017 RMB'000	2016 RMB'000	
Principal operating income	<b>5,638,639</b>	5,419,638	4.0%
Gross profit	<b>782,424</b>	661,648	18.3%
Gross profit margin (%)	<b>13.9%</b>	12.2%	1.7p.p
Earnings before interest and tax	<b>165,176</b>	142,139	16.2%
Net profit	<b>54,322</b>	45,245	20.1%
Net profit margin (%)	<b>1.0%</b>	0.8%	0.2p.p
Net profit attributable to shareholders of the parent company	<b>26,490</b>	17,365	52.5%
Net profit margin attributable to shareholders of the parent company (%)	<b>0.5%</b>	0.3%	0.2p.p

### PRINCIPAL OPERATING INCOME

During the Reporting Period, the Group's principal operating income increased by approximately 4.0%, of which retail principal operating income decreased by approximately 1.9%, and wholesale principal operating income increased by approximately 7.9%.

### GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group increased by approximately 18.3% compared with the last corresponding period. During the Reporting Period, the gross profit margin was 13.9% (last corresponding period: 12.2%).

### NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

During the Reporting Period, net profit attributable to shareholders of the parent company increased by approximately 52.5% compared with the last corresponding period. The earnings before interest and tax amounted to approximately RMB165,176,293, representing an increase of RMB23,037,187 compared with the last corresponding period, and the net profit attributable to shareholders of the parent company increased from RMB17,365,243 of the last corresponding period to RMB26,490,046.

## LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2017, the Group had non-current assets of RMB2,419,810,498 (comprising mainly fixed assets, investment property, and land use right for a total of RMB1,320,406,094), and non-current liabilities of RMB802,998,510 (comprising mainly bonds payable of RMB748,302,553).

As at 30 June 2017, the Group had current assets of RMB5,546,247,909. Current assets mainly comprised of cash and cash equivalents of RMB703,922,651, inventories of RMB1,585,578,614, accounts receivable of RMB1,680,857,193 and prepayments and other receivables of RMB1,076,380,308. The Group had current liabilities of RMB5,062,623,197. Current liabilities mainly comprised of notes payable and accounts payable of RMB1,541,561,006, short term bank loans of RMB2,193,254,875 and other current liabilities of RMB593,738,886 (including short-term bonds of RMB512,672,056).

## INDEBTEDNESS AND PLEDGE OF ASSETS

As at 30 June 2017, the Group had bank loans of RMB2,193,254,875, which consisted of accounts receivable factored bank loans of RMB173,946,875, unsecured bank loans of RMB2,019,308,000. All the Group's bank loans bear interest rates ranging from 1.15% to 5.0025% per annum.

Certain of the Group's margin deposit of RMB88,207,902 were pledged for notes payable of RMB452,628,131 as at 30 June 2017.

The Group's gearing ratio\* was approximately 73.6% as at 30 June 2017, which was slightly higher than approximately 73.4% in the previous corresponding period.

\* Represented by: Total Liabilities/Total Assets

## FOREIGN CURRENCY RISK

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

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

## EMPLOYEES

As at 30 June 2017, the Group employed 7,206 employees domestically (as at 30 June 2016: 7,862 employees). The total staffing costs (including directors' and supervisors' remunerations) of the Group for Reporting Period amounted to RMB377,967,121 (corresponding period of 2016: RMB373,043,741). The staff emolument (including directors' and supervisors' emoluments) of the Group are based on duty (position), experience, performance and market rates, in order to maintain their remunerations at a competitive level.

## CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities.

## CHANGES OF EQUITY INTEREST IN THE ONE SUBSIDIARY

On 16 February 2017, pursuant to three agreements entered into between Chaopi Trading and three independent third parties, the said three independent third parties in aggregate disposed of 22.25% of the equity interest in Beijing Chaopi Huilong Trading Company Limited (“Chaopi Huilong”) to Chaopi Trading for a consideration of RMB4,077,636. After the completion of the said transfer, the Company held an indirect interest of approximately 79.85% in Chaopi Huilong.

## OUTLOOK

In the first half of 2017, with the stable growth in the retail market and the rationalizing consumption structure of Beijing, the urban-industrial restructuring and the consumption upgrade projects have already shown their values; and in the second half of the year, the coordinated development of Beijing, Tianjin and Hebei and the further implementation of relieving Beijing’s non-capital functions will present 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 in turn will enable an adjustment of product mix and service offering according to the data analysis. With the aid of leveraging the function of store 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. By both capturing the e-commerce growth opportunities and constantly securing 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.

## EVENTS AFTER THE REPORTING PERIOD

On 14 July 2017, the Group, through its non-wholly owned subsidiary established a subsidiary, Beijing Chaopi Huansheng International Trading Company Limited (“Chaopi Huansheng”), to mainly engage in wholesaling and retailing food and health food; import and export of goods; import and export agents. The registered capital of Chaopi Huansheng was RMB15,000,000, which has not been paid. The Company held an indirect equity interest of approximately 40.72% in Chaopi Huansheng.

On 8 August 2017, the Company entered into the equity transfer agreement with the Vendor, Beijing Shoulian Company Limited (“Shoulian”) for the acquisition of the 85% interest of Beijing Lianchao Company Limited at a total consideration of RMB244,020,502. Details of this acquisition have been disclosed in the Company’s announcements dated 8 August 2017.

As at August 15, 2016, according to the agreement 'non-financial corporate debt financing instruments of the inter-bank bond market underwriting agreement' signed with the main underwriter of Bank of Beijing Co., Ltd., the Company issued the second short-term financing bond in 2016 with par value of RMB300,000,000, a term of maturity of 365 days, value date at August 16, 2016, due date at August 16, 2017 and interest rate of 2.94%. By the end of reporting date, the Company had collected all of this short-term financing bond fund.

As at August 18, 2016, according to the agreement 'non-financial corporate debt financing instruments of the inter-bank bond market underwriting agreement' signed with the main underwriter of Bank of Beijing Co., Ltd., the Company issued the third short-term financing bond in 2016 with par value of RMB200,000,000, a term of maturity of 365 days, value date at August 19, 2016, due date at August 19, 2017 and interest rate of 2.98%. By the end of reporting date, the Company had collected all of this short-term financing bond fund.

## **OTHER INFORMATION**

### **CORPORATE GOVERNANCE**

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

Provision A4.2 of the Corporate Governance Code requires that every director (including those appointed for a specific term) of a listed issuer shall be subject to retirement by rotation at least once every three years. The Company's Articles of Association of the Company stipulates that each director shall be elected by the general meeting of the Company for a term of not more than three years, and eligible for re-election upon the expiry of the term. Having taken into account of the continuity of the Group's operation and management policies, the Company's Articles of Association contains no express provision for the directors' retirement by rotation and thus deviate from the aforementioned provision of the Corporate Governance Code.

### **DIRECTOR'S SECURITIES TRANSACTIONS**

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

## AUDIT COMMITTEE

The Audit Committee together with the management of the Company and the independent auditor have considered and reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting, including the review of the Group's 2017 unaudited interim consolidated results. The Audit Committee considered that the interim financial report for the six months ended 30 June 2017 was in compliance with the relevant accounting standards, requirements of the Stock Exchange and the Laws of Hong Kong, and appropriate disclosures have been made.

## DISCLOSURE OF INTERESTS

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

As at 30 June 2017, the interests and positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules, were as follows:

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

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 30 June 2017, none of the directors, supervisors or chief executive of the Company nor any of their associates had any interest and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules.

### ***SUBSTANTIAL SHAREHOLDERS***

As at 30 June 2017, so far as is known to the directors, supervisors or chief executive of the Company, the persons (other than a director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

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

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

<b>Name</b>	<b>Total number of H shares held</b>	<b>Approximate percentage of total issued H shares (%)</b>	<b>Approximate percentage of total issued shares (%)</b>
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 Hina 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 above, as far as is known to the directors, supervisors or chief executive of the Company, as at 30 June 2017, no other persons (not being a director, supervisor or chief executive of the Company) had, or were deemed or taken to have any interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

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

Beijing, PRC

25 August 2017

## AUDITOR'S REPORT

RuiHua Yue Zi [2017] No.01870001

TO THE SHAREHOLDERS OF BEIJING JINGKELONG COMPANY LIMITED:

We have reviewed the accompanying interim financial statements of Beijing Jingkelong Company Limited (the "Company") and its subsidiaries (collectively, the Group), which comprise the consolidated balance sheets of the Group and the balance sheets of the Company as at June 30, 2017, and the consolidated income statement of the Group and the income statement of the Company, the consolidated statement of changes in shareholders' equity and the consolidated cash flow statement of the Group and the statement of changes in shareholders' equity and the cash flow statement of the Company for the six-month period then ended and a summary of significant accounting policies and other certain explanatory notes. The management of the Company is responsible for the preparation of these interim financial statements. Our responsibility is to express a conclusion on the interim financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements are not prepared in accordance with "Accounting Standard for Business Enterprises" and did not present fairly, in all material respects, the Beijing Jingkelong Company Limited's financial position as of June 30, 2017, and Beijing Jingkelong Company Limited's results of operations and cash flows for the six-month period then ended.

*Ruihua Certified Public Accountants*

*Chinese Certified Public Accountants: Zhou Huiyan*

*Chinese Certified Public Accountants: Zhang Youquan*

Beijing, China  
August 25, 2017

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

## CONSOLIDATED BALANCE SHEETS

AT JUNE 30, 2017

Currency: RMB

Item	Notes	2017.6.30 (unaudited)	2016.12.31 (audited)
<b>Current Assets:</b>			
Cash and bank balances	(VI)1	804,430,553	844,840,438
Accounts receivable	(VI)2	1,680,857,193	1,692,790,112
Prepayments	(VI)3	914,708,539	1,198,834,416
Other receivables	(VI)4	161,671,769	257,294,217
Inventories	(VI)5	1,585,578,614	1,724,194,672
Other current assets	(VI)6	399,001,241	293,270,673
<b>Total current assets</b>		<b>5,546,247,909</b>	<b>6,011,224,528</b>
<b>Non-current Assets:</b>			
Available-for-sale financial assets	(VI)7	31,873,200	29,753,200
Investment properties	(VI)8	131,247,506	134,563,814
Fixed assets	(VI)9	1,038,215,641	1,076,062,296
Construction in progress	(VI)10	104,846,897	108,915,935
Disposal of fixed assets		1,493,905	–
Intangible assets	(VI)11	191,203,438	196,656,797
Goodwill	(VI)12	86,673,788	86,673,788
Long-term prepaid expenses	(VI)13	509,552,380	531,022,968
Deferred tax assets	(VI)14	21,352,400	22,812,594
Other non-current assets	(VI)15	303,351,343	184,762,165
<b>Total non-current assets</b>		<b>2,419,810,498</b>	<b>2,371,223,557</b>
<b>TOTAL ASSETS</b>		<b>7,966,058,407</b>	<b>8,382,448,085</b>

## CONSOLIDATED BALANCE SHEETS (Continued)

AT JUNE 30, 2017

Currency: RMB

Item	Notes	2017.6.30 (unaudited)	2016.12.31 (audited)
<b>Current Liabilities:</b>			
Short-term borrowings	(V)16	2,193,254,875	2,006,169,441
Notes payable	(V)17	452,628,131	598,656,860
Accounts payable	(V)18	1,088,932,875	1,224,230,304
Advance from customers	(V)19	404,323,759	465,966,914
Payroll payable	(V)20	1,578,218	2,111,358
Taxes payable	(V)21	97,358,397	94,974,541
Dividends payable	(V)22	16,229,701	3,796,189
Other payables	(V)23	214,578,355	202,354,948
Other current liabilities	(V)24	593,738,886	865,282,645
<b>Total current liabilities</b>		<b>5,062,623,197</b>	<b>5,463,543,200</b>
<b>Non-current Liabilities:</b>			
Bonds payable	(V)25	748,302,553	747,573,030
Deferred tax liabilities	(V)14	2,563,473	2,071,925
Other non-current liabilities	(V)26	52,132,484	50,981,814
<b>Total non-current liabilities</b>		<b>802,998,510</b>	<b>800,626,769</b>
<b>TOTAL LIABILITIES</b>		<b>5,865,621,707</b>	<b>6,264,169,969</b>
<b>Shareholders' equity:</b>			
Share capital	(V)27	412,220,000	412,220,000
Capital reserves	(V)28	605,008,846	609,501,004
Other comprehensive income	(V)29	3,968,031	2,672,758
Surplus reserves	(V)30	142,729,211	142,729,211
Undistributed profits	(V)31	482,110,026	476,230,980
Total equity attributable to shareholders of the parent company		1,646,036,114	1,643,353,953
Minority interests		454,400,586	474,924,163
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,100,436,700</b>	<b>2,118,278,116</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>7,966,058,407</b>	<b>8,382,448,085</b>

The notes as set out from page 33 to 92 form an integral part of the financial statements

The financial statements as set out from pages 18 to 32 have been signed by

Legal Representative  
Li Jianwen

Chief Financial Officer  
Li Chunyan

Chief Accountant  
Pei Lianhuan

## BALANCE SHEETS OF THE COMPANY

AT JUNE 30, 2017

Currency: RMB

Item	Notes	2017.6.30 (unaudited)	2016.12.31 (audited)
<b>Current Assets:</b>			
Cash and bank balances		162,259,980	129,564,870
Accounts receivable	(XIII)1	247,985,465	264,277,638
Prepayments		694,827	665,188
Other receivables	(XIII)2	572,127,120	716,148,657
Inventories		217,281,690	275,637,391
Other current assets		768,441,825	558,522,719
<b>Total current assets</b>		<b>1,968,790,907</b>	<b>1,944,816,463</b>
<b>Non-current Assets:</b>			
Available-for-sale financial assets		24,935,200	24,935,200
Long-term equity investments	(XIII)3	978,035,869	978,035,869
Investment properties		55,440,144	57,075,083
Fixed assets		766,784,100	795,592,389
Construction in progress		96,445,928	100,441,501
Disposal of fixed assets		1,444,982	-
Intangible assets		89,518,702	91,718,710
Long-term prepaid expenses		385,281,080	400,070,917
Deferred tax assets		982,342	1,262,893
Other non-current assets		106,923,089	7,406,599
<b>Total non-current assets</b>		<b>2,505,791,436</b>	<b>2,456,539,161</b>
<b>TOTAL ASSETS</b>		<b>4,474,582,343</b>	<b>4,401,355,624</b>

## BALANCE SHEETS OF THE COMPANY (Continued)

AT JUNE 30, 2017

Currency: RMB

Item	Notes	2017.6.30 (unaudited)	2016.12.31 (audited)
<b>Current Liabilities:</b>			
Short-term borrowings		470,000,000	100,000,000
Accounts payable		693,165,999	720,745,503
Advance from customers		345,572,048	383,449,897
Payroll payable		1,022,135	1,279,015
Taxes payable		1,785,710	1,258,350
Dividends payable		9,412,576	781,564
Other payables		122,692,288	104,045,430
Other current liabilities		580,335,326	852,737,764
<b>Total current liabilities</b>		<b>2,223,986,082</b>	<b>2,164,297,523</b>
<b>Non-current Liabilities:</b>			
Bonds payable		748,302,553	747,573,030
Other non-current liabilities		24,902,969	28,549,146
<b>Total non-current liabilities</b>		<b>773,205,522</b>	<b>776,122,176</b>
<b>TOTAL LIABILITIES</b>		<b>2,997,191,604</b>	<b>2,940,419,699</b>
<b>Shareholders' equity:</b>			
Share capital		412,220,000	412,220,000
Capital reserves		615,293,521	610,293,521
Surplus reserves		118,951,976	118,951,976
Undistributed profits		330,925,242	319,470,428
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,477,390,739</b>	<b>1,460,935,925</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4,474,582,343</b>	<b>4,401,355,624</b>

The notes as set out from page 33 to 92 form an integral part of the financial statements

The financial statements as set out from pages 18 to 32 have been signed by

Legal Representative  
Li Jianwen

Chief Financial Officer  
Li Chunyan

Chief Accountant  
Pei Lianhuan

## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED AT JUNE 30, 2017

Currency: RMB

Item	Notes	Six months ended at June 30, 2017 (unaudited)	Six months ended at June 30, 2016 (unaudited)
<b>I. Total operating income</b>		<b>6,210,704,356</b>	5,935,802,626
Including: Operating income	(V)32	6,210,704,356	5,935,802,626
<b>II. Total operating costs</b>		<b>6,129,941,614</b>	5,879,944,581
Including: Operating cost	(V)32	4,859,652,391	4,762,984,656
Tax and surcharges		26,061,653	31,136,580
Selling expenses	(V)33	1,014,367,933	862,665,772
Administrative expenses	(V)34	148,742,678	153,230,170
Financial expenses	(V)35	81,116,959	69,945,543
Impairment losses on assets		–	(18,140)
Add: Investment income	(V)36	332,960	585,058
<b>III. Operating profit</b>		<b>81,095,702</b>	56,443,103
Add: Non-operating income		10,124,070	14,368,502
Including: Gains from disposal of non-current assets		70	14,414
Less: Non-operating expenses		6,545,774	2,187,220
Including: Losses from disposal of non-current assets		2,657,808	1,271,349
<b>IV. Total profit</b>		<b>84,673,998</b>	68,624,385
Less: Income tax expenses	(V)37	30,351,536	23,379,194
<b>V. Net profit</b>		<b>54,322,462</b>	45,245,191
Net profit attributable to shareholders of the parent company		26,490,046	17,365,243
Profit or loss attributable to minority interests		27,832,416	27,879,948
<b>VI. Net value of other comprehensive income after tax</b>		<b>1,639,436</b>	459,180
Net value of other comprehensive income attributable to shareholders of the parent company after tax	(V)29	1,295,273	360,316
(I) Other comprehensive income which cannot be reclassified into profit or loss subsequently		–	–
1. Remeasurement of changes in net defined benefit liabilities or assets		–	–
2. Share in investees' other comprehensive income cannot be reclassified into profit or loss under equity method		–	–

## CONSOLIDATED INCOME STATEMENT (Continued)

FOR THE YEAR ENDED AT JUNE 30, 2017

Currency: RMB

Item	Notes	Six months ended at June 30, 2017 (unaudited)	Six months ended at June 30, 2016 (unaudited)
(II) Other comprehensive income which can be reclassified into profit or loss subsequently	(V)29	1,295,273	360,316
1. Share in investees' other comprehensive income can be reclassified into profit or loss under equity method		–	–
2. Gains or losses from changes in fair value of available-for-sale financial assets	(V)29	1,269,615	348,545
3. Balancing arising from the translation of foreign currency financial statements	(V)29	25,658	11,771
Net value of other comprehensive income attributable to minority interests after tax	(V)29	344,163	98,864
<b>VII. Total comprehensive income</b>		<b>55,961,898</b>	<b>45,704,371</b>
Total comprehensive income attributable to shareholders of the parent company		27,785,319	17,725,559
Total comprehensive income attributable to minority interests		28,176,579	27,978,812
<b>VIII. Earnings per share</b>			
(I) Basic earnings per share	(V)38	0.06	0.04
(II) Diluted earnings per share		–	–

The notes as set out from page 33 to 92 form an integral part of the financial statements

The financial statements as set out from page 18 to 32 have been signed by

Legal Representative  
Li Jianwen

Chief Financial Officer  
Li Chunyan

Chief Accountant  
Pei Lianhuan



# INCOME STATEMENT OF THE COMPANY

FOR THE YEAR ENDED AT JUNE 30 2017

Currency: RMB

Item	Notes	Six months ended at June 30, 2017 (unaudited)	Six months ended at June 30, 2016 (unaudited)
<b>I. Operating income</b>	(XIII)4	<b>2,253,942,657</b>	2,303,269,739
Less: Operating cost	(XIII)4	<b>1,784,731,758</b>	1,831,071,494
Tax and surcharges		<b>13,760,427</b>	13,311,024
Selling expenses		<b>345,623,924</b>	356,204,435
Administrative expenses		<b>80,242,432</b>	88,550,870
Financial expenses		<b>18,447,066</b>	20,148,245
Impairment losses on assets		–	(18,140)
Add: Investment income	(XIII)5	<b>20,574,192</b>	20,430,430
<b>II. Operating profit</b>		<b>31,711,242</b>	14,432,241
Add: Non-operating income		<b>3,809,188</b>	12,734,217
Including: Gains from disposal of non-current assets		–	10,523
Less: Non-operating expenses		<b>359,213</b>	682,473
Including: Losses from disposal of non-current assets		<b>755</b>	22,071
<b>III. Total profit</b>		<b>35,161,217</b>	26,483,985
Less: Income tax expenses		<b>3,095,403</b>	1,897,109
<b>IV. Net profit</b>		<b>32,065,814</b>	24,586,876
<b>V. Net value of other comprehensive income after tax</b>		–	–
(I) Other comprehensive income which cannot be reclassified into profit or loss subsequently		–	–
1. Remeasurement of changes in net defined benefit liabilities or assets		–	–
2. Share in investees' other comprehensive income cannot be reclassified into profit or loss under equity method		–	–
(II) Other comprehensive income which can be reclassified into profit or loss subsequently		–	–
1. Share in investees' other comprehensive income can be reclassified into profit or loss under equity method		–	–
2. Gains or losses from changes in fair value of available-for-sale financial assets		–	–
<b>VI. Total comprehensive income</b>		<b>32,065,814</b>	24,586,876

The notes as set out from page 33 to 92 form an integral part of the financial statements

The financial statements as set out from page 18 to 32 have been signed by

Legal Representative  
**Li Jianwen**

Chief Financial Officer  
**Li Chunyan**

Chief Accountant  
**Pei Lianhuan**

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED AT JUNE 30, 2017

Currency: RMB

Item	Notes	Six months ended at June 30, 2017 (unaudited)	Six months ended at June 30, 2016 (unaudited)
<b>I. Cash flows from operating activities</b>			
Cash received from selling goods and rendering services		6,988,538,597	6,899,900,367
Taxes and surcharges refunds received		-	1,131
Other cash received relating to operating activities		143,535,159	152,055,044
<b>Subtotal of cash inflows from operating activities</b>		<b>7,132,073,756</b>	<b>7,051,956,542</b>
Cash paid for purchasing goods and receiving services		5,638,411,524	5,396,686,647
Cash payments to and on behalf of employees		377,361,310	369,604,510
Taxes and surcharges paid		173,430,344	164,449,126
Other cash paid related to operating activities		554,485,785	564,364,134
<b>Subtotal of cash outflows from operating activities</b>		<b>6,743,688,963</b>	<b>6,495,104,417</b>
<b>Net cash flow from operating activities</b>	(V)39	<b>388,384,793</b>	<b>556,852,125</b>
<b>II. Cash flows from investing activities</b>			
Cash received from short-term investment income/interest income		332,960	8,060,852
Net cash received from disposal of fixed assets, and other long-term assets		419,979	471,524
Cash received from disposal of financial products		729,550,000	1,083,300,000
Cash received from withdrawal of margin deposits		196,940,524	310,174,756
Cash received from government grants related to assets		6,813,800	-
Cash received from recovering temporary loans from other companies		2,000,000	-
<b>Subtotal of cash inflows from investing activities</b>		<b>936,057,263</b>	<b>1,402,007,132</b>
Cash paid for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets		66,010,091	58,828,490
Cash paid for increase of margin deposits		65,739,262	402,645,260
Cash paid for financial products		859,650,000	1,033,400,000
Cash paid for investment in other business units		10,370,000	-
Temporary loans to other companies		3,286,400	57,500,000
Cash paid for investment margin		-	50,000,000
<b>Subtotal of cash outflows from investing activities</b>		<b>1,005,055,753</b>	<b>1,602,373,750</b>
<b>Net cash flow from investing activities</b>		<b>(68,998,490)</b>	<b>(200,366,618)</b>

## CONSOLIDATED CASH FLOW STATEMENT (Continued)

FOR THE YEAR ENDED AT JUNE 30, 2017

Currency: RMB

Item	Notes	Six months ended at June 30, 2017 (unaudited)	Six months ended at June 30, 2016 (unaudited)
<b>III. Cash flows from financing activities</b>			
Cash received from borrowings		2,433,199,103	2,855,270,492
Cash received from bond financing		–	300,000,000
<b>Subtotal of cash inflows from financing activities</b>		<b>2,433,199,103</b>	<b>3,155,270,492</b>
Cash paid for repayments of liabilities		2,246,013,669	3,412,335,280
Cash paid for repayments of bonds		300,000,000	–
Cash paid for the acquisition of minority interests in subsidiaries		4,077,636	–
Cash paid for distribution of dividends or repayments of interests.		111,964,908	95,821,050
Including: Dividends and profits paid by subsidiaries to minority shareholders		41,539,491	37,392,138
Cash paid for bonds underwriting fee		–	1,050,000
<b>Subtotal of cash outflows from financing activities</b>		<b>2,662,056,213</b>	<b>3,509,206,330</b>
<b>Net cash flow from financing activities</b>		<b>(228,857,110)</b>	<b>(353,935,838)</b>
<b>IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate</b>		<b>262,185</b>	<b>147,448</b>
<b>V. Net increase(decrease) in cash and cash equivalents</b>	(V)39	<b>90,791,378</b>	<b>2,697,117</b>
Add: Balance of cash and cash equivalents at the beginning of the year	(V)39	613,131,273	574,168,439
<b>VI. Balance of cash and cash equivalents at the end of the year</b>	(V)39	<b>703,922,651</b>	<b>576,865,556</b>

The notes as set out from page 33 to 92 form an integral part of the financial statements

The financial statements as set out from page 18 to 32 have been signed by

Legal Representative  
Li Jianwen

Chief Financial Officer  
Li Chunyan

Chief Accountant  
Pei Lianhuan

# CASH FLOW STATEMENT OF THE COMPANY

FOR THE YEAR ENDED AT JUNE 30, 2017

Currency: RMB

Item	Note	Six months ended at June 30, 2017 (unaudited)	Six months ended at June 30, 2016 (unaudited)
<b>I. Cash flows from operating activities</b>			
Cash received from selling goods and rendering services		2,509,302,902	2,522,864,495
Taxes and surcharges refunds received		–	1,131
Other cash received relating to operating activities		65,579,038	70,699,242
<b>Subtotal of cash inflows from operating activities</b>		<b>2,574,881,940</b>	<b>2,593,564,868</b>
Cash paid for purchasing goods and receiving services		2,009,372,009	2,032,854,158
Cash payments to and on behalf of employees		189,864,155	200,440,055
Taxes and surcharges paid		64,965,102	57,612,531
Other cash paid related to operating activities		167,866,394	180,707,403
<b>Subtotal of cash outflows from operating activities</b>		<b>2,432,067,660</b>	<b>2,471,614,147</b>
<b>Net cash flow from operating activities</b>		<b>142,814,280</b>	<b>121,950,721</b>
<b>II. Cash flows from investing activities</b>			
Cash received from short-term investment income/interest income		21,616,526	26,730,958
Net cash received from disposal of fixed assets, and other long-term assets		66,686	208,439
Cash received from disposal of financial products		729,500,000	655,300,000
Cash received from recovering entrusted loans		–	100,000,000
Cash received from dividend paid		20,241,239	19,962,950
Cash received from recovering temporary loans from other companies		220,000,000	155,000,000
<b>Subtotal of cash inflows from investing activities</b>		<b>991,424,451</b>	<b>957,202,347</b>
Cash paid for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets		36,254,608	44,252,189
Other cash paid relating to investment activities		934,600,000	605,400,000
Temporary loans to other companies		170,000,000	105,000,000
Cash paid for investment margin		–	50,000,000
<b>Subtotal of cash outflows from investing activities</b>		<b>1,140,854,608</b>	<b>804,652,189</b>
<b>Net cash flow from investing activities</b>		<b>(149,430,157)</b>	<b>152,550,158</b>

## CASH FLOW STATEMENT OF THE COMPANY (Continued)

FOR THE YEAR ENDED AT JUNE 30, 2017

Currency: RMB

Item	Note	Six months ended at June 30, 2017 (unaudited)	Six months ended at June 30, 2016 (unaudited)
<b>III. Cash flows from financing activities</b>			
Cash received from borrowings		470,000,000	800,000,000
Cash received from bond financing		–	300,000,000
<b>Subtotal of cash inflows from financing activities</b>		<b>470,000,000</b>	1,100,000,000
Cash paid for repayments of liabilities		100,000,000	1,354,947,704
Cash paid for repayments of bonds		300,000,000	–
Cash paid for distribution of dividends or repayments of interests		30,642,759	28,497,889
Cash paid for bonds underwriting fee		–	1,050,000
<b>Subtotal of cash outflows from financing activities</b>		<b>430,642,759</b>	1,384,495,593
<b>Net cash flow from financing activities</b>		<b>39,357,241</b>	(284,495,593)
<b>IV. Effect on cash or cash equivalents due to change in foreign currency exchange rate</b>		<b>(46,254)</b>	(60,893)
<b>V. Net increase in cash and cash equivalents</b>		<b>32,695,110</b>	(10,055,607)
Add: Balance of cash and cash equivalents at the beginning of the year		<b>129,564,870</b>	249,032,801
<b>VI. Balance of cash and cash equivalents at the end of the year</b>		<b>162,259,980</b>	238,977,194

The notes as set out from page 33 to 92 form an integral part of the financial statements

The financial statements as set out from page 18 to 32 have been signed by

Legal Representative  
**Li Jianwen**

Chief Financial Officer  
**Li Chunyan**

Chief Accountant  
**Pei Lianhuan**

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED AT JUNE 30, 2017

Currency: RMB

Item	Six months ended at June 30, 2017 (unaudited)						Total shareholders' equity
	Equity attributable to shareholders of the parent company						
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Undistributed profits	Minority interests	
<b>I. Balance at the end of the prior period</b>	412,220,000	609,501,004	2,672,758	142,729,211	476,230,980	474,924,163	2,118,278,116
Add: Changes in accounting policies	-	-	-	-	-	-	-
Correction of prior errors	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
<b>II. Balance at the beginning of the period</b>	412,220,000	609,501,004	2,672,758	142,729,211	476,230,980	474,924,163	2,118,278,116
<b>III. Increase or decrease amount in the year</b>	-	(4,492,158)	1,295,273	-	5,879,046	(20,523,577)	(17,841,416)
<b>(I) Total comprehensive income</b>	-	-	1,295,273	-	26,490,046	28,176,579	55,961,898
<b>(II) Contribution and reduction of shareholders' capital</b>	-	(4,492,158)	-	-	-	5,414,519	922,361
1. Ordinary shares contribution from shareholders	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-
3. Dividends payments recognized in shareholders' equity	-	-	-	-	-	-	-
4. Others	-	(4,492,158)	-	-	-	5,414,519	922,361
<b>(III) Profit contribution</b>	-	-	-	-	(20,611,000)	(54,114,675)	(74,725,675)
1. Appropriation to surplus reserves	-	-	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	(20,611,000)	(54,114,675)	(74,725,675)
4. Others	-	-	-	-	-	-	-
<b>(IV) Internal transfer within shareholders' equity</b>	-	-	-	-	-	-	-
1. Capital reserves transferred to capital (or shares)	-	-	-	-	-	-	-
2. Surplus reserves transferred to capital (or shares)	-	-	-	-	-	-	-
3. Surplus reserves made up for losses	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
<b>(V) Special reserve</b>	-	-	-	-	-	-	-
1. Appropriation in the period	-	-	-	-	-	-	-
2. Usage in the period	-	-	-	-	-	-	-
<b>(VI) Other</b>	-	-	-	-	-	-	-
<b>IV. Balance at the end of the year</b>	412,220,000	605,008,846	3,968,031	142,729,211	482,110,026	454,400,586	2,100,436,700

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

FOR THE YEAR ENDED AT 2016

Currency: RMB

Item	Year ended at December 31, 2016 (audited)						Total shareholders' equity
	Equity attributable to shareholders of the parent company						
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Undistributed profits	Minority interests	
<b>I. Balance at the end of the prior period</b>	412,220,000	609,308,148	2,098,458	139,259,934	473,625,451	473,001,721	2,109,513,712
Add: Changes in accounting policies	-	-	-	-	-	-	-
Correction of prior errors	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
<b>II. Balance at the beginning of the period</b>	412,220,000	609,308,148	2,098,458	139,259,934	473,625,451	473,001,721	2,109,513,712
<b>III. Increase or decrease amount in the year</b>	-	192,856	574,300	3,469,277	2,605,529	1,922,442	8,764,404
(I) Total comprehensive income	-	-	574,300	-	26,685,806	48,777,789	76,037,895
(II) Contribution and reduction of shareholders' capital	-	192,856	-	-	-	4,916,180	5,109,036
1. Ordinary shares contribution from shareholders	-	-	-	-	-	4,867,513	4,867,513
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-
3. Dividends payments recognized in shareholders' equity	-	-	-	-	-	-	-
4. Others	-	192,856	-	-	-	48,667	241,523
(III) Profit contribution	-	-	-	3,469,277	(24,080,277)	(51,771,527)	(72,382,527)
1. Appropriation to surplus reserves	-	-	-	3,469,277	(3,469,277)	-	-
2. Appropriation to general risk reserve	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	(20,611,000)	(51,771,527)	(72,382,527)
4. Others	-	-	-	-	-	-	-
(IV) Internal transfer within shareholders' equity	-	-	-	-	-	-	-
1. Capital reserves transferred to capital (or shares)	-	-	-	-	-	-	-
2. Surplus reserves transferred to capital (or shares)	-	-	-	-	-	-	-
3. Surplus reserves made up for losses	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-
1. Appropriation in the period	-	-	-	-	-	-	-
2. Usage in the period	-	-	-	-	-	-	-
(VI) Other	-	-	-	-	-	-	-
<b>IV. Balance at the end of the year</b>	412,220,000	609,501,004	2,672,758	142,729,211	476,230,980	474,924,163	2,118,278,116

The notes as set out from page 33 to 92 form an integral part of the financial statements

The financial statements as set out from page 18 to 32 have been signed by

Legal Representative  
**Li Jianwen**

Chief Financial Officer  
**Li Chunyan**

Chief Accountant  
**Pei Lianhuan**

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

FOR THE YEAR ENDED AT JUNE 30, 2017

Currency: RMB

Item	Six months ended at June 30, 2017 (unaudited)				Total shareholders' equity
	Capital share	Capital reserves	Surplus reserves	Undistributed profits	
<b>I. Balance at the end of last year</b>	412,220,000	610,293,521	118,951,976	319,470,428	1,460,935,925
Add: Changes in accounting policies	-	-	-	-	-
Correction of prior errors	-	-	-	-	-
Others	-	-	-	-	-
<b>II. Balance at the beginning of the year</b>	412,220,000	610,293,521	118,951,976	319,470,428	1,460,935,925
<b>III. Increase or decrease amount in the year</b>	-	5,000,000	-	11,454,814	16,454,814
<b>(I) Total comprehensive income</b>	-	-	-	32,065,814	32,065,814
<b>(II) Contribution and reduction of shareholders' capital</b>	-	5,000,000	-	-	5,000,000
1. Ordinary shares contribution from shareholders	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	-	-	-	-
3. Dividends payments recognized in shareholders' equity	-	-	-	-	-
4. Others	-	5,000,000	-	-	5,000,000
<b>(III) Profit contribution</b>	-	-	-	(20,611,000)	(20,611,000)
1. Appropriation to surplus reserves	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-
3. Distribution to shareholders	-	-	-	(20,611,000)	(20,611,000)
4. Others	-	-	-	-	-
<b>(IV) Internal transfer within shareholders' equity</b>	-	-	-	-	-
1. Capital reserves transferred to capital (or shares)	-	-	-	-	-
2. Surplus reserves transferred to capital (or shares)	-	-	-	-	-
3. Surplus reserves made up for losses	-	-	-	-	-
4. Others	-	-	-	-	-
<b>(V) Special reserves</b>	-	-	-	-	-
1. Appropriation in the period	-	-	-	-	-
2. Usage in the period	-	-	-	-	-
<b>(VI) Others</b>	-	-	-	-	-
<b>IV. Balance at the end of the period</b>	412,220,000	615,293,521	118,951,976	330,925,242	1,477,390,739



# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY (Continued)

FOR THE YEAR ENDED AT DECEMBER 31, 2016

Currency: RMB

For the year ended at December 31, 2016 (audited)

Item	Share capital	Capital reserves	Surplus reserves	Undistributed profits	Total shareholders' equity
<b>I. Balance at the end of last year</b>	412,220,000	610,293,521	111,793,791	316,879,762	1,451,187,074
Add: Changes in accounting policies	-	-	-	-	-
Correction of prior errors	-	-	-	-	-
Others	-	-	-	-	-
<b>II. Balance at the beginning of the year</b>	412,220,000	610,293,521	111,793,791	316,879,762	1,451,187,074
<b>III. Increase or decrease amount in the year</b>	-	-	-	(851,211)	(851,211)
<b>(I) Total comprehensive income</b>	-	-	-	40,370,789	40,370,789
<b>(II) Contribution and reduction of shareholders' capital</b>	-	-	-	-	-
1. Ordinary shares contribution from shareholders	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	-	-	-	-
3. Dividends payments recognized in shareholders' equity	-	-	-	-	-
4. Others	-	-	-	-	-
<b>(III) Profit contribution</b>	-	-	-	(41,222,000)	(41,222,000)
1. Appropriation to surplus reserves	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-
3. Distribution to shareholders	-	-	-	(41,222,000)	(41,222,000)
4. Others	-	-	-	-	-
<b>(IV) Internal transfer within shareholders' equity</b>	-	-	-	-	-
1. Capital reserves transferred to capital (or shares)	-	-	-	-	-
2. Surplus reserves transferred to capital (or shares)	-	-	-	-	-
3. Surplus reserves made up for losses	-	-	-	-	-
4. Others	-	-	-	-	-
<b>(V) Special reserves</b>	-	-	-	-	-
1. Appropriation in the year	-	-	-	-	-
2. Usage in the year	-	-	-	-	-
<b>(VI) Others</b>	-	-	-	-	-
<b>IV. Balance at the end of the year</b>	412,220,000	610,293,521	111,793,791	316,028,551	1,450,335,863

The notes as set out from page 33 to 92 form an integral part of the financial statements

The financial statements as set out from page 18 to 32 have been signed by

Legal Representative  
Li Jianwen

Chief Financial Officer  
Li Chunyan

Chief Accountant  
Pei Lianhuan

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AT JUNE 30, 2017

## I. GENERAL INFORMATION

Beijing Jingkelong Company Limited (the “Company”) is a joint stock limited company incorporated in the People’s Republic of China (the “PRC”). On November 1, 2004, with the approval by Beijing Administration for Industry and Commerce, the Company (formerly known as “Beijing Jingkelong Supermarket Chain Company Limited”) was established and the registered capital of the Company was RMB412,220,000. The company’s unified social credit code is 91110000101782670P. The registered office and the principal place of business of the Company are located at Block No. 45, Xinyuan Street, Chaoyang District, Beijing. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the retail and wholesale distribution of daily consumer products.

As at September 25, 2006, the H shares issued by the Company were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. As at February 26, 2008, all the H shares were transferred to the Main Board for listed trading. The Company issued a total of 412,220,000 ordinary shares as at June 30, 2017.

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

The consolidated financial statements of the Group and financial statements of the Company were approved by the board of directors on August 25, 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 Group has adopted the accrual basis of accounting. Except for certain financial instruments, the Company adopts the historical cost as the principle of measurement in the financial statements. When assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

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

The financial statements prepared by the Group have been in compliance with ASBE and truly and completely reflect the financial position of the Group as at June 30, 2017 and the operating results, cash flows and other relevant information of the Company for the 6 months ended at June 30, 2017. In addition, the Company has also disclosed relevant financial information required by the Company Ordinance of Hong Kong and the Listing Rules of The Stock Exchange of Hong Kong Limited.

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### 1. Accounting period

The accounting period of the Group is divided into the year and the middle period, and the accounting period refers to the reporting period shorter than a full fiscal year. The Group 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 Group and its domestic subsidiaries operate, and the Group and its domestic subsidiaries used RMB as the functional currency. The financial statements have been prepared in RMB.

### 3. Business combinations involving enterprises not under common control and goodwill

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

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed and equity securities issued by the acquirer in exchange for control of the acquiree. For the business combination involving enterprises not under common control and achieved in stages, the cost of combination is the price paid at the acquisition date plus the fair value of previously-held equity interest in the acquiree at the acquisition date. The intermediary expenses incurred in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combinations are recognized in profit or loss when they were incurred. The previously-held equity interest in the acquiree is remeasured to its acquisition-date fair value and any resulting difference between the fair value and the carrying amount are recognized as investment income for the current period. Where the previously-held equity interest in the acquiree involves other comprehensive income, the relevant comprehensive income is transferred to investment income in the period.

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

The goodwill arising on the business combination is represented separately and measured at cost less accumulated impairment losses. The goodwill is tested for impairment at least at the end of each year.

When conducting the impairment test for goodwill, the test is conducted through combination with the related asset group or portfolio of asset group. That is, the carrying amount of goodwill is allocated to the relevant asset group or portfolio of asset group benefited by synergetic effect of merging since the acquisition date. If the recoverable amount of asset group or portfolio of asset group which contains the allocated goodwill is lower than its carrying amount, relevant impairment loss is recognized. The amount of impairment loss is first written-down carrying amount of goodwill allocated to that asset group or portfolio of asset group, and then written down to the carrying amount of all other types of assets proportionally other than goodwill, according to the weighting of the carrying amount of all other types of assets within asset group or portfolio of asset group.

The recoverable amount is the higher of the net value the fair value of an asset less costs of disposal and the present value of the future cash flow expected to be derived from the asset.

The impairment loss of goodwill is recorded in profit and loss for the current period and shall not be reversed in subsequent accounting period.

#### **4. Preparation of consolidated financial statements**

The consolidation scope in consolidated financial statements is determined on the basis of control. The control refers to the power to influence the investee and participate in its operating activities to obtain benefits, the amount at which shall be effected by the power.

Major accounting policies and accounting periods adopted by the subsidiaries are defined according to the standardized accounting policies and accounting periods stipulated by the Company.

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

The portion of a subsidiaries' equity not attributable to the parent company is treated as the minority interests and represented as minority interests in the consolidated balance sheets within shareholder's equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is represented as minority interests in the consolidated profit and loss statement under net profit item.

When the loss amount of the subsidiary attributable to minority shareholders of a subsidiary exceeds minority shareholders' portion of the opening balance of owner's equity of the subsidiary, the excess amount are still allocated against minority interests.

For the transactions of acquiring minority interests of the subsidiaries or disposing part of its subsidiaries' equity without losing control, treated as equity transaction, the book value of shareholder's equity attributable to the parent company and that of minority interests should be adjusted to reflect the change in the company's interests in the subsidiaries. Differences between the adjustment of the minority interests and the fair value of consideration are adjusted to capital reserve. If the difference exceeds capital reserve, retained earnings shall be adjusted.

#### **5. Recognition criteria of cash and cash equivalents**

Cash and cash equivalents of the Group comprise cash, deposits that can be readily withdrew 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 value.

#### **6. Foreign currency transactions**

The foreign currency transactions are, on initial recognition, translated to the functional currency at the spot exchange rate on the dates of transactions, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. The exchange difference arising from the difference between the spot exchange rate at the balance sheet date and the spot exchange rate on initial recognition or at the previous balance sheet date is recognized in profit or loss for the period.

## 7. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are 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.

### 7.1 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 Group 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 Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models etc.

### 7.2 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 Group'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.

#### 7.2.1 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 deduce the discrepancies in the recognition or measurement of related gains or losses arisen from the different basis of measurement of the financial assets; B. the official written documents on risk management or investment strategies of the Group 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.

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.

### *7.2.2 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 Group 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.

### *7.2.3 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 Group 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.

### *7.2.4 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 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.

### **7.3 Impairment of financial assets**

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss.

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

#### **7.3.1 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.

#### **7.3.2 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.

#### **7.4 Recognition and measurement of financial asset transfer**

The Group 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.

#### **7.5 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.

#### **7.6 Derecognition of financial liabilities**

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

When 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.



### **7.7 Offsetting financial assets and financial liabilities**

When the Group 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.

## **8. Accounts receivable**

Receivables include accounts receivable and other receivables etc.

### **8.1 Recognition of provision for bad debts**

The Group 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. (1) Significant financial difficulties of the debtor; (2) A breach of contract by the debtor such as a default in interest and principal payments; (3) It becoming probable that the borrower will enter bankruptcy or other financial reorganizations; (4) Other objective evidence which indicates there is an impairment of accounts receivable.

### **8.2 Provision for bad debts**

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

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

For the receivable that is individually significant, the Group 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 group with similar credit risk characteristics for impairment assessment.

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

- (a) Basis for determining a portfolio according to credit risk characteristics

The Group 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.

- (b) 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.

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

Impairment test is individually conducted by the Group 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.

## **9. Inventories**

### **9.1 Classification of inventories**

Inventories include raw materials, turnover materials and goods in stocks, etc.

### **9.2 The measurement of inventories received and issued**

The inventory is initially measured at the actual cost; Inventory costs comprise costs of purchase, costs of conversion and other costs. Cost of sales is determined using First in first out.

### **9.3 Recognition of the net realizable value and measurement of provision for decline in value of inventories**

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value of the inventory is lower than the cost, a provision for decline in value of inventories is recognized. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The Group determines the net realizable value of inventories based on solid evidence obtained and after taking into consideration the purpose for which the inventory is held, and the effect of events occurring after the balance sheet date.

For the inventory with tremendous number and relatively low unit price, the decline in value of inventories is provided according to the type of inventory; for other inventories, the decline in value of inventories is provided at the difference of the cost of a single inventory item exceeding its net realizable value. After the provision of decline in value of inventories is made, if the circumstances that caused the value of the inventory to be written down below cost no longer exist so that the net realizable value is higher than the carrying amount, the original provision for decline in value is reversed and the reversed amount is recognized in profit or loss for the period.

### **9.4 The stock count system for inventories is perpetual inventory system**

### **9.5 Amortization methods of low-value consumables and packaging materials**

Low-value consumables are written off in full when issued for use. Packing materials are written off in full when issued for use.

## 10. Long-term equity investments

A long-term equity investment is the long-term equity investment of the Group that is able to control, jointly control or significantly influence on the investee. The long-term equity investment of the Group that is not able to control, jointly control or significantly influence on the investee is recognized as the held-for-sale financial asset or the financial asset measured at fair value through profit or loss.

### 10.1 Determination of investment cost

For a long-term equity investment acquired by a business combination involving enterprises under common control, the initial investment cost of long-term equity investment is the share of the carrying amount of the owner's equity of the merged party in the consolidated financial statements of ultimate controlling party at the acquisition date. For a long-term equity investment acquired by a business combination involving enterprises not under common control, the initial investment cost is the cost of acquisition. The long-term equity investment through means other than a business combination is initially measured at its cost.

### 10.2 Subsequent measurement and recognition of profit or loss

The long-term equity investment that is able to jointly control or significantly influence in the investee adopts the equity method. In addition, the financial statement of the Company adopts the cost method for the long-term equity investment that is able to control over the investee.

#### 10.2.1A long-term equity investment accounted for using the cost method

Under the cost method, a long-term equity investment, on its initial recognition, is measured as cost and adjusted according to the amount of additional investment or disinvestment. Except for cash dividends or profits which include in actual payment or consideration as the Group obtains the investment but have not been paid, the investment income for the period is recognized according to cash dividends or profits declared to distribute by the investee

#### 10.2.2A long-term equity investment accounted for using the equity method

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income made by the investee as investment income and other comprehensive income respectively, and adjusts the carrying amount of the long-term equity investment accordingly; The carrying amount of the investment is reduced by the portion of any profit distributions or cash dividends declared by the investee that is distributed to the Group; the share of changes in owners' equity of the investee other than those arising from net profit or loss, other comprehensive income and profit distribution are recognized in the capital reserves the carrying amount of the long-term equity investment is adjusted accordingly. The Group recognizes its share of the investee's net profit or loss after making appropriate adjustments based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date. Where the accounting policies and accounting period adopted by the investee are not consistent with those of the Group, the Group shall adjust the financial statements of the investee to conform to its own accounting policies and accounting period, and recognize investment income and other comprehensive income based on the adjusted financial statements. For the Group's transactions with its associates and joint ventures where assets contributed or sold does not constitute a business, unrealized intra-group profits or losses are recognized as investment income or loss to the extent that those attributable to the Group's proportionate share of interest are eliminated. However, unrealized losses resulting from the Group's transactions with its investees which represent impairment losses on the transferred assets are not eliminated.

#### *10.2.3 Acquisitions of minority interest*

When the Group prepares the consolidated financial statements, the difference between the long-term equity investment arising from the acquisition of minority interest and shares of the subsidiary's net assets attributable to the Company which are continuously calculated from the purchase date (or the acquisition date) based on new additional proportions of shares is used to adjust capital reserves, if capital reserves are not sufficient to be written down, the retained earnings shall be adjusted.

#### *10.2.4 Disposals of long-term equity investment*

In consolidated financial statements, when the parent company disposes a part of a long-term equity investment without losing power of control, the difference between its disposal price and its subsidiary' net assets attributable to the Company corresponding to the disposal of long-term equity investment is recorded in owner's equity. For other circumstances of disposing of a long-term equity investment, the difference between its carrying amount and actual purchase price is recorded in profit or loss for the period.

## 11. 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 Group 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 Group 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.

## 12. Fixed assets

### 12.1 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 Group 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.

### 12.2 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	20-35	3-4	2.70-4.85
Machinery and equipment	5-10	3-5	9.50-19.40
Office equipment	5	3-5	19.00-19.40
Vehicles	5-8	3-4	12.00-19.40

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.

### 12.3 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.

#### **12.4 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 Group 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 Group 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 Group 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.

#### **13. Construction in progress**

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is transferred to a fixed asset when it is ready for intended use.

#### **14. Borrowing costs**

Borrowing costs include interest expenses, amortization of discount or premium, auxiliary expenses, exchange differences arising from foreign currency borrowings etc. Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Other borrowing costs are recognized as an expense in the period in which they are incurred.

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

The qualifying assets to be capitalized are fixed assets, investment properties and inventories which need to be acquired, constructed or produced through a long period of time, in order to become ready for its intended use or sale.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed.

## 15. Intangible assets

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

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.

## 16. Long-term prepaid expenses

Long-term prepaid expenses are expenses which have occurred but shall be amortized over the reporting period and subsequent periods of more than one year long-term prepaid expenses shall be amortized evenly over expected benefit periods.

## 17. Long-term assets impairment

For non-current and non-financial assets such as fixed assets, work in progress, intangible assets with a finite useful life, investment properties measured at cost, long-term equity investment of joint ventures and associated enterprises etc., the Group assesses if any of them is impaired at the balance sheet date. If there is any evidence indicating that an asset is impaired, recoverable amounts shall be estimated for impairment test. Goodwill and intangible assets with a uncertainty useful life and intangible assets which have not reach work condition shall be tested for impairment annually regardless of whether there is any evidence indicating that the assets have been impaired.

If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is determined based on the sales price agreed in an arm's length transaction. When no sales agreement but the active market of an asset is available, its fair value is determined according to a buyer's bid. When no sales agreement and the active market of an asset are available, its fair value is estimated on the basis of best information which is can be obtained. The disposal expenses include asset- related legal expenses, relevant taxes, handling fees and direct costs incurred for the asset intended sale. The present value of expected future cash flows of an asset is the amount that an asset's expected future cash flows arising from its continuous use and final disposal are discounted at an appropriate rate. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the goodwill allocated, is lower than its carrying amount, the corresponding impairment loss is recognized. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of other assets.

An impairment loss recognized on the assets mentioned above shall not be reversed in the subsequent period.

## **18. 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 Group 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.

## **19. Revenue**

### **19.1 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 Group 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 Group and the relevant revenue and costs can be measured reliably.

For sale of goods that result in award credits for customers, the Group 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 Group 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.



### **19.2 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 Group, 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 Group 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.

### **19.3 Rental Income**

Primary rental income of the Group 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.

## **20. Government grants**

Government grants are transfers of monetary assets and non-monetary assets from the government to the Group, which do not include any capital contribution from the government as an investor. Government grants include government grants related to assets and government grants related to income. The Group defines government grants that are acquired for the acquisition or otherwise formation of long-term assets as government grants related to assets, and the rest of them are defined as government grants related to income. If the government documents do not have a specific classification, the grants will be divided into government grants related to assets and government grants related to income by the following methods: (1) the government documents confirm the specific programme of the grants, according to the proportion, which based on the grants expend on assets and expenses separately in the specific programme's budget, it is used to divide the government grants. Meanwhile, the division ratio will be reviewed at each balance sheet date and changed it if necessary. (2) The government documents do not confirm the specific programme and only have a general explanation for the programme, which will be regard as government grants related to income. If a government grant is a transfer of a monetary asset, it is measured at amounts received or receivable, otherwise, a non-monetary asset will be measured at fair value. If the fair value is not accurate, the grant is measured at nominal amount and credited to the current profit or loss.

The government grants of the Group are normally recognized and measured at the moment they are actually received. However, if they have conclusive evidence to prove that they can correspond the relevant provisions of the financial support policies and they will receive the financial support funds in the future, it is measured by the amount of money receivable. The government grants that measured by the amount of money receivable will meet the following conditions simultaneously: (1) the amount of receivables have been confirmed by the documents, which issued by the related authorities of the government, or the Group calculate reasonable receivables depending on the relevant provisions of officially released Measures for the Administration of Financial Funds, as well as, there is no significant uncertainty about the amount; (2) According to the regulations based on 'Government Information Disclosure Ordinance' issued by local finance department officially, the financial support project and Measures for the Administration of Financial Funds should be initiative publicly. The formulation of this management approach is general and benefit for all enterprise, instead of a specific enterprise, which means the company who meets the specified conditions can apply it; (3) the approval of the related grants has promised the disbursement period, and the payment is guaranteed by the corresponding budget. Thus, they have a reasonable guarantee about the grants and will receive them within the prescribed time.

A government grant related to assets is recognized as deferred income. It is allocated to the profit or loss for the period over the useful life of related assets reasonably and systematically, or offset the book value of related assets. For a government grant related to income, if the grant is a compensation for related expenses and losses to be incurred in subsequent periods, the grant is recognized as deferred income and charged in the profit or loss over the period in which the related costs are recognized, or offset the related cost; if the grant is a compensation for related expenses and losses already incurred, the grant is recognized immediately in profit or loss for the current period, or offset the related cost.

At the same time, if the government grants contain both assets related and income related, the accounting treatment will depend on the different parts of government grants; if it is difficult to distinguish, the whole government grants are classified as the income-related government grants.

The government grants related to daily activities of the Group relying on the essence of economic business, the grant is recognized in other income or offset related expenses of cost, otherwise, recognized in non-operating income or non-operating expenses.

When the government grants that confirmed by the Group required to be returned, if they have the balance of related deferred income, they can offset the book value of them, the other government grants are classified as current profits and losses or adjust the book value of the assets. If not, the government grants are included in the current profits and losses directly.

## **21. Deferred tax assets and deferred tax liabilities**

### **21.1 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.

### **21.2 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, associates and joint ventures, the Group shall recognize a deferred tax liability for all taxable temporary difference except to the extent that the Group 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 Group 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.

### **21.3 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.

### **21.4 Offsetting of income taxes**

When the Group 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 Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to 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.

## **22. 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.

### **22.1 The Group 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.

### **22.2 The Group 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.

## 23. Changes in significant accounting policies and accounting estimates

### (1) Changes in accounting policies

The reason of this change is the implementation of new ASBE.

As at April 28, 2017, ministry of finance promulgated CAIKUAI NO. [2017] 13, which refers to 'NO. 42 of Accounting Standards for Business Enterprises-Holding non-current assets for sale, disposing of groups and terminating operations' and implemented at May 28, 2017. As at May 10, 2017, ministry of finance promulgated CAIKUAI NO. [2017] 15, which is 'NO. 16 of Accounting Standards for Business Enterprises- Government Grants (Revised at 2017)' and implemented at June 12, 2017. The Group begin to implement the two accounting standards mentioned before, when the ministry of finance required.

'NO. 42 of Accounting Standards for Business Enterprises-Holding non-current assets for sale, disposing of groups and terminating operations' defines the classification, measurement and disclosure of non-current assets or disposal groups for sale, and the disclosure of termination operations.

The Group included the government grants related to income in non-operating income or the government grants related to assets in deferred income, and the average amortization is included in the profit or loss for the current period, before the ministry of finance carried on 'NO. 16 of Accounting Standards for Business Enterprises-Government Grants (Revised at 2017)'. After the document published, the government grants related to daily activities of the Group, it is recognized in other income or offset related expenses of cost, if not, it is recognized in non-operating income or non-operating expenses.

### (2) Changes in accounting estimates

None.

## V. TAXATION

### 1. Major taxes and tax rates

Tax types	Tax basis	Tax rate
Value-added tax	Note 1	17%/13%/11%/6%/5%
Consumption tax	Taxable sales subject to consumption tax	5%
City construction and maintenance tax	Value-added tax, business tax and consumption tax	5%/7%
Education surcharge	Value-added tax, business tax and consumption tax	3%
Local education surcharge	Value-added tax, business tax and consumption tax	2%
Corporate income tax	Taxable income	See table below

Taxable entities	Tax basis	Tax rate of income tax
Chaopi Maolisheng Hong Kong Co., Ltd.	Note 2	16.5%
Hong Kong Chaopi Asia Company Limited	Note 2	16.5%
Others		25%

*Note 1:*The value-added tax payable is the residual value of the output value-added tax after deduction of input value-added tax. The output value-added tax is computed on a basis of sales resolved by relevant tax laws.

*Note 2:*The Company's subsidiary Chaopi Maolisheng Hong Kong Company Limited and Hong Kong Chaopi Asia Company Limited were registered and established in Hong Kong and in accordance with Hong Kong taxation law its corporate income tax rate was 16.5%.

## 2. Tax incentives and approvals

According to the Circular of the paragraph 86, item 1, point 7, the scope of the preferential policy of primary processing of agricultural products relating to the business tax issued by the Ministry of Finance, State Administration of Taxation on November 20, 2008, the Group obtained the right of exemption of relevant income tax of the primarily processed agricultural products in the fresh logistics center.

## VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All AMOUNTS IN RMB UNLESS OTHERWISE STATED.

The period used in all notes below is that this period is from January 1, 2017 to June 30, 2017 and the prior period was from January 1, 2016 to June 30, 2016. UNLESS OTHERWISE STATED.

### 1. Cash and Bank balances

Item	2017.6.30 (unaudited)	2016.12.31 (audited)
Cash on hand	20,620,053	18,903,274
Cash in bank	683,302,598	594,227,999
Other cash and cash equivalents (Note 1)	100,507,902	231,709,165
Total	804,430,553	844,840,438
Including: Overseas deposits (Note 2)	3,378,554	5,622,576

Note 1: As at June 30, 2017, the Group's margin deposits with use restrictions was RMB88,207,902 (December 31, 2016: RMB207,259,165), and details were referred to Note (VI) 17 notes payable. The credit margin deposits amounted to RMB12,300,000 (December 31, 2016: RMB24,450,000).

Note 2: The overseas deposits were the Chaopi Maolisheng Hong Kong Company Limited in The Hongkong and Shanghai Banking Corporation Limited.

### 2. Accounts receivable

#### (1) Presentation of accounts receivable by category:

Category	2017.6.30 (unaudited)				Net book value
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Rate (%)	
Receivables that are individually significant and for which bad debt provision is assessed individually	19,137,345	1	4,042,602	21	15,094,743
Receivables for which bad debt provision is assessed by groups according to credit risk characteristics	1,664,560,714	99	-	-	1,664,560,714
Receivables that are not individually significant but for which the bad debt provision is assessed individually.	3,462,762	-	2,261,026	65	1,201,736
Total	1,687,160,821	100	6,303,628		1,680,857,193

Category	Carrying amount		2016.12.31 (audited) Bad debt provision		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
Receivables that are individually significant and for which bad debt provision is assessed individually	28,023,259	2	4,042,602	14	23,980,657
Receivables for which bad debt provision is assessed by groups according to credit risk characteristics	1,666,781,013	98	-	-	1,666,781,013
Receivables that are not individually significant but for which the bad debt provision is assessed individually	4,289,468	-	2,261,026	53	2,028,442
Total	1,699,093,740	100	6,303,628		1,692,790,112

(2) **Presentation of accounts receivable according to aging analysis on the basis of the date when revenue is recognized**

Aging	Carrying amount	2017.6.30 (unaudited)		Net book value
		Proportion %	Bad debt provision	
Within 1 year	1,531,682,953	91	-	1,531,682,953
1-2 years	45,208,627	3	-	45,208,627
2-3 years	3,135,075	-	66,264	3,068,811
3-4 years	25,380,250	1	4,483,448	20,896,802
4-5 years	1,753,916	-	1,753,916	-
Over 5 years	80,000,000	5	-	80,000,000
Total	1,687,160,821	100	6,303,628	1,680,857,193

(3) **Receivables that are individually significant but for which the bad debt provision is assessed individually**

Content of accounts receivable	Amount	Bad debt provision	Rate %	Reason
Beijing Lotus Supermarket Chain Store Co. Ltd.	19,137,345	4,042,602	21	Parts of the amount are over the normal settlement period, and there is uncertainty in the recovery

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

Content of accounts receivable	Amount	Bad debt provision	Rate %	Reason
Beijing Huarun vanguard Supermarket Co. Ltd.	1,708,846	507,110	30	Parts of the amount are over the normal settlement period, and there is uncertainty in the recovery
Liu Lianguo	1,753,916	1,753,916	100	Controversial debts which are unlikely to recover

On June 30, 2017 and December 12, 2016, the Group had an amount of RMB80,000,000 due from Shoulian Group which belonged to accounts receivable that are individually significant, and it was already overdue more than 3 months. In the opinion of the directors, no impairment is necessary on June 30, 2017, and December 31, 2016 in view of the following consideration: the accounts receivable bear interest at the rate stated below and all the interest has been received in full. Moreover, certain buildings and land use rights with a total value of not less than the overdue accounts receivable have been pledged in favor of the Company, so there is no need for impairment to be made.

The Group normally allows a credit period of no more than 90 days to its customers with a longer credit period of 180 days granted to its major customers. Accounts receivable bear no interest except the amount due from Shoulian which bears interest at 1 to 5 year loan rate.

On June 30, 2017, the total accounts receivable due from Wu-mart, Beijing Carrefour Commercial Co. Ltd., Beijing Lotus Supermarket Chain Co., Ltd., Beijing Yonghui Superstores Co. Ltd., Jingdong, Tianjin jumei.com Technology Co., Ltd, Vipshop, and Lefeng (Shanghai) Information Technology Company Limited amounted to RMB363,906,998 (December 31, 2016: RMB374,369,708) were limited by being factored to secure certain bank loans of the Group.

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

Since factored accounts receivable is on full recourse basis, the Group has not transferred the significant risks and rewards relating of these receivables, it continues to recognize the receivables and has recognized the cash received from the bank as accounts receivable secured loan (See Note (VI) 16).

	<b>Factoring accounts receivable on full recourses basis</b>	
	<b>2017.6.30 (unaudited)</b>	2016.12.31 (audited)
Carrying amount of transferred assets	<b>363,906,998</b>	374,369,708
Carrying amount of related liabilities	<b>173,946,875</b>	166,655,041
Net book value	<b>189,960,123</b>	207,714,667

### 3. Prepayments

Presentation of prepayments according to aging analysis

Aging	2017.6.30 (unaudited)		2016.12.31 (audited)	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	914,708,539	100	1,198,834,416	100
Total	914,708,539	100	1,198,834,416	100

On June 30, 2017 and December 31, 2016, there was no prepayment from shareholders who held voting shares of more than 5% (including 5%).

### 4. Other receivables

#### (1) Presentation of other receivables by category

Category	2017.6.30 (unaudited)				Net book value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Rate (%)	
Other receivables that are individually significant and for which bad debt provision is assessed individually	5,537,250	3	4,224,750	76	1,312,500
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	160,359,269	97	-	-	160,359,269
Other receivables that are not individually significant but for which the bad debt provision is assessed individually	-	-	-	-	-
Total	165,896,519	100	4,224,750	-	161,671,769

Category	2016.12.31 (audited)				Net book value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Rate (%)	
Other receivables that are individually significant and for which bad debt provision is assessed individually	5,762,250	98	4,224,750	73	1,537,500
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	255,756,717	2	-	-	255,756,717
Other receivables that are not individually significant but for which the bad debt provision is assessed individually	-	-	-	-	-
Total	261,518,967	100	4,224,750	-	257,294,217



(2) *Presentation of other receivables according to aging analysis*

Aging	Carrying amount	2017.6.30 (unaudited)		Net book value
		Proportion %	Bad debt provision	
Within 1 year	139,048,559	84	–	139,048,559
1-2 years	17,592,460	11	–	17,592,460
2-3 years	3,316,289	2	–	3,316,289
3-4 years	401,961	–	–	401,961
4-5 years	–	–	–	–
Over 5 years	5,537,250	3	4,224,750	1,312,500
Total	165,896,519	100	4,224,750	161,671,769

(3) *Other receivables that are individually significant and for which bad debt provision has been assessed individually*

Content of other receivables	Carrying amount	Bad debt provision	Rate %	Reason
Beijing Guanyuan Wholesale Market Co., Ltd.	5,537,250	4,224,750	76	Full bad debt provision for the part unrecovered, according to the agreement

5. **Inventories**

(1) *Presentation of Inventories by category*

Item	2017.6.30 (unaudited)		
	Carrying amount	Impairment	Net book value
Merchandise inventory	1,574,500,033	1,377,122	1,573,122,911
Raw material	12,408,471	–	12,408,471
Goods in process	43,292	–	43,292
Low-value consumables	3,940	–	3,940
Total	1,586,955,736	1,377,122	1,585,578,614

Item	2016.12.31 (audited)		
	Carrying amount	Impairment	Net book value
Merchandise inventory	1,707,979,811	1,377,122	1,706,602,689
Raw material	17,307,369	–	17,307,369
Goods in process	281,601	–	281,601
Low-value consumables	3,013	–	3,013
Total	1,725,571,794	1,377,122	1,724,194,672

(2) *Impairment allowance of inventories*

Item	2016.12.31 (audited)	Increase in the current period		Decrease in the current period		2017.6.30 (unaudited)
		accrual	Other	Reversal or written-off	Other	
Merchandise inventory	1,377,122	-	-	-	-	1,377,122
Total	1,377,122	-	-	-	-	1,377,122

6. **Other current assets**

Item	2017.6.30 (unaudited)	2016.12.31 (audited)
Short-term investments (Note 1)	<b>180,100,000</b>	50,000,000
Deductible input value-added tax	<b>176,147,399</b>	199,986,173
Prepaid lease expenses	<b>39,762,340</b>	36,634,174
Prepaid heating expenses	-	2,633,219
Other prepaid expenses (Note 2)	<b>2,991,502</b>	4,017,107
Total	<b>399,001,241</b>	293,270,673

Note 1: As at June 30, 2017, the Company held principal-guaranteed floating-income financial products of RMB80,000,000 managed by Bank of Beijing Co., Ltd. with annual yield from 0% to 2.1%. The principal and interest of such short-term investments were fully recovered on July 6, 2017.

As at June 30, 2017, the Company held treasury reverse repurchase wealth management financial products of RMB100,100,000 managed by Everbright Securities Co., Ltd. with annual yield from 4.96% to 5.455%. The principal and interest of these short-term investments were fully recovered on July 6, 2017.

Note 2: Prepaid cooling fees, property fees, cleaning fees and security fees, etc. are the primary expenses of other prepaid expenses.

## 7. Available-for-sale financial assets

### (1) Details of available-for-sale financial assets

Item	2017.6.30 (unaudited)			2016.12.31 (audited)		
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
Available-for-sale equity instrument						
Including: Measured by fair value	6,938,000	–	6,938,000	4,818,000	–	4,818,000
Measured by cost	26,123,200	1,188,000	24,935,200	26,123,200	1,188,000	24,935,200
Total	33,061,200	1,188,000	31,873,200	30,941,200	1,188,000	29,753,200

### (2) Available-for-sale financial assets measured at fair value at the end of period

Category	Available-for-sale equity instrument	
	2017.6.30 (unaudited)	2016.12.31 (audited)
Cost of equity instrument (Note 1)	350,000	350,000
Fair value	6,938,000	4,818,000
Accumulative amount of other comprehensive income by fair value	6,588,000	4,468,000
Accrued amount of asset impairment	–	–

### (3) Available-for-sale financial assets measured at cost at the end of period

Investee	2016.12.31 (audited)	Carrying amount		2017.6.30 (unaudited)
		Increase in the current period	Decrease in the current period	
Beijing Lianchao Commercial Co., Ltd. (Lianchao Commercial) (Note 2)	24,935,200	–	–	24,935,200
Luoyang Chundu Group Limited (Luoyang Chundu) (Note 3)	1,188,000	–	–	1,188,000
Total	26,123,200	–	–	26,123,200

Investee	2016.12.31 (audited)	Provision for impairment of assets		2017.6.30 (unaudited)	Share proportion (%)	Cash dividend in the period
		Increase in the current period	Decrease in the current period			
Beijing Lianchao Commercial Co., Ltd. (Lianchao Commercial) (Note 2)	–	–	–	–	15	–
Luoyang Chundu Group Limited (Luoyang Chundu) (Note 3)	1,188,000	–	–	1,188,000	0.12	–
Total	1,188,000	–	–	1,188,000		–

Note 1: Chaopi Trading, a subsidiary of the Company subscribed for 100,000 legal person shares (RMB1 per share) of Shanxi Xinghuacun Fen Wine Factory Co., Ltd. (Shanxi Xinghuacun) for RMB350,000 in November 1993. In the same year, Shanxi Xinghuacun was listed in Shanghai Stock Exchange. On May 18, 2012, Shanxi Xinghuacun issued a stock dividend of 10 for 10 stocks based on the total shares at December 31, 2011 to all shareholders through the notice of 2011 annual general meeting. As at June 30, 2017, Chaopi Trading possessed 0.023% of its equity in total (December 31, 2016: 0.023%). In the current year ended at June 30, 2017, the increase in fair value, namely its market value, of the Group's available-for-sale financial assets was RMB2,120,000 (2015: Increased by RMB582,000) and has been recognized into other comprehensive income (Note (VI) 31).

Note 2: The registered capital of Lianchao Commercial was RMB10,000,000. In July 2015, the monetary contribution of the Company was RMB24,935,200 which was composed of RMB1,500,000 of registered capital and RMB23,435,200 of capital reserves; the subscribed capital of the Shoulian Group was RMB141,299,400 with building (No: X-Beijing House Property Right Certificate Xing Zi 065778; location: Apartment 1 and Apartment 5, No. 6, Xihongmen Street, Daxing District) and land use right (No: BXGY[2011]00052; location: No. 6, Xihongmen Street, Daxing District) which composed of RMB8,500,000 of registered capital and capital reserves RMB132,799,400.

Note 3: Chaopi Trading, a subsidiary of the Company, subscribed for 600,000 legal person shares (RMB1 per share) of Luoyang Chundu for RMB1,188,000 in June 1993. At June 30, 2017 and December 31, 2016, Chaopi Trading possessed 0.12% of its equity. As the deterioration of operating condition of Luoyang Chundu, the Group took full provision for the long term equity investment whose recoverable amount is less than the carrying amount and such decrease expected not to be recovered in the foreseeable future.

## 8. Investment properties

### (1) Investment properties under the cost method

Item	Buildings	Land use rights	Total
<b>I. Original carrying amount</b>			
1. 2016.12.31 (audited)	128,972,784	61,834,184	190,806,968
2. Increase in the period	-	-	-
(1) Revised carrying amount by the company	-	-	-
3. Decrease in the period	-	-	-
(1) Transferred to the fixed assets	-	-	-
4. 2017.6.30 (unaudited)	128,972,784	61,834,184	190,806,968
<b>II. Accumulated depreciation and amortization</b>			
1. 2016.12.31 (audited)	45,658,998	10,584,156	56,243,154
2. Increase in the period	2,502,142	814,166	3,316,308
(1) Accrual or amortization	2,502,142	814,166	3,316,308
3. Decrease in the period	-	-	-
(1) Disposal	-	-	-
4. 2017.6.30 (unaudited)	48,161,140	11,398,322	59,559,462
<b>III. Provision for impairment</b>			
1. 2016.12.31 (audited)	-	-	-
2. Increase in the period	-	-	-
(1) Accrual	-	-	-
3. Decrease in the period	-	-	-
(1) Disposal	-	-	-
4. 2017.6.30 (unaudited)	-	-	-
<b>IV. Net book value</b>			
1. Net book value as at June 30, 2017 (unaudited)	80,811,644	50,435,862	131,247,506
2. Net book value as at December 31, 2016 (audited)	83,313,786	51,250,028	134,563,814

As at June 30, 2017 and December 31, 2016, all land use rights in the investment properties of the Group are medium-term lease.

## 9. Fixed assets

### (1) Details of fixed assets

Item	Buildings	Machinery and equipment	Electronic devices and others	Transportation vehicles	Total
<b>I. Original carrying amount</b>					
1. 2016.12.31(audited)	1,020,771,577	905,280,954	165,463,288	76,170,718	2,167,686,537
2. Increase in the period	535,045	13,053,188	4,895,427	10,955,531	29,439,191
(1) Purchase	535,045	12,117,034	4,745,493	9,427,074	26,824,646
(2) Transferred from the construction in process	–	936,154	149,934	1,528,457	2,614,545
(3) Transferred from the investment properties	–	–	–	–	–
3. Decrease in the period	–	13,245,723	2,585,583	1,773,647	17,604,953
(1) Disposal or retirement	–	13,245,723	2,585,583	1,773,647	17,604,953
4. 2017.6.30 (unaudited)	1,021,306,622	905,088,419	167,773,132	85,352,602	2,179,520,775
<b>II. Accumulative depreciation</b>					
1. 2016.12.31 (audited)	322,502,049	598,756,611	124,137,365	46,228,216	1,091,624,241
2. Increase in the period	17,528,231	24,867,750	7,102,790	8,956,438	58,455,209
(1) Accrual	17,528,231	24,867,750	7,102,790	8,956,438	58,455,209
3. Decrease in the period	–	4,927,376	2,327,936	1,519,004	8,774,316
(1) Disposal or retirement	–	4,927,376	2,327,936	1,519,004	8,774,316
4. 2017.6.30 (unaudited)	340,030,280	618,696,985	128,912,219	53,665,650	1,141,305,134
<b>III. Provision for impairment losses</b>					
1. 2016.12.31 (audited)	–	–	–	–	–
2. Increase in the period	–	–	–	–	–
(1) Accrual	–	–	–	–	–
3. Decrease in the period	–	–	–	–	–
(1) Disposal or retirement	–	–	–	–	–
4. 2017.6.30 (unaudited)	–	–	–	–	–
<b>IV. Net book value</b>					
1. Net book value as at June 30, 2017 (unaudited)	681,276,342	286,391,434	38,860,913	31,686,952	1,038,215,641
2. Net book value as at December 31, 2016 (audited)	698,269,528	306,524,343	41,325,923	29,942,502	1,076,062,296

## 10. Construction in progress

### (1) Details of construction in progress

Item	2017.6.30 (unaudited)			2016.12.31 (audited)		
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
Shuangqiao Project	50,232,653	–	50,232,653	50,232,653	–	50,232,653
Pingfang Project	36,403,145	–	36,403,145	36,694,407	–	36,694,407
Pingfang Refrigeratory Project	9,413,448	–	9,413,448	9,130,429	–	9,130,429
System Software Project	7,733,037	–	7,733,037	8,474,434	–	8,474,434
Jingbai store Reconstruction Project	–	–	–	4,384,012	–	4,384,012
Fresh Delivery Reconstruction Project	329,189	–	329,189	–	–	–
Jiuxianqiao Property plaza	67,492	–	67,492	–	–	–
Logistics Center	–	–	–	–	–	–
Reconstruction Project	667,933	–	667,933	–	–	–
Total	104,846,897	–	104,846,897	108,915,935	–	108,915,935

(2) *Changes in significant construction in progress in the current period*

Item	Budget amount	2016.12.31 (audited)	Increase in the period	Transferred to fixed assets, intangible assets or long-term prepaid expenses	Other deduction	2017.6.30 (unaudited)
Shuangqiao Project	108,988,036	50,232,653	-	-	-	50,232,653
Pingfang Project	73,655,986	36,694,408	-	-	291,263	36,403,145
Pingfang Refrigeratory Project	35,047,286	9,130,429	283,019	-	-	9,413,448
Jingbai store Reconstruction Project	25,531,163	4,384,012	5,327,697	8,495,433	1,216,276	-
Others	19,292,629	8,474,433	4,634,122	4,310,021	883	8,797,651
Total	262,515,100	108,915,935	10,244,838	12,805,454	1,508,422	104,846,897

Project name	Amount injected as a proportion of budget amount (%)	Construction progress (%)	Amount of accumulated capitalized interest	Including: Capitalized interest in the period	Interest capitalization rate for the period (%)	Source of funds
Shuangqiao Project	46	46	3,000,000	-	-	Own funds and bank loans
Pingfang Project	50	50	425,988	-	-	Own funds and bank loans
Pingfang Refrigeratory Project	27	27	-	-	-	Own funds and bank loans
Jingbai store Reconstruction Project	38	38	-	-	-	Own funds and bank loans
Others	4 to 100	4 to 100	106,920	-	-	Own funds and bank loans
Total			3,532,908	-	-	

## 11. Intangible assets

### (1) Details of intangible assets

Item	Land use rights	Software	Operation rights	Total
			of distribution network	
<b>I. Original carrying amount</b>				
1. 2016.12.31 (audited)	193,141,817	43,804,937	34,254,633	271,201,387
2. Increase in the period	-	491,501	-	491,501
(1) Purchase	-	491,501	-	491,501
(2) Transferred from the construction in process	-	-	-	-
3. Decrease in the period	-	-	-	-
(1) Disposal	-	-	-	-
4. 2017.6.30 (unaudited)	193,141,817	44,296,438	34,254,633	271,692,888
<b>II. Accumulated amortization</b>				
1. 2016.12.31 (audited)	39,573,184	17,406,606	17,564,800	74,544,590
2. Increase in the period	2,625,686	1,881,174	1,438,000	5,944,860
(1) Accrual	2,625,686	1,881,174	1,438,000	5,944,860
3. Decrease in the period	-	-	-	-
(1) Disposal	-	-	-	-
4. 2017.6.30 (unaudited)	42,198,870	19,287,780	19,002,800	80,489,450
<b>III. Provision for impairment losses</b>				
1. 2016.12.31 (audited)	-	-	-	-
2. Increase in the period	-	-	-	-
(1) Accrual	-	-	-	-
3. Decrease in the period	-	-	-	-
(1) Disposal	-	-	-	-
4. Carrying amount	-	-	-	-
<b>IV. Net book value</b>				
1. Net book value as at June 30, 2017 (unaudited)	150,942,947	25,008,658	15,251,833	191,203,438
2. Net book value as at December 31, 2016 (audited)	153,568,633	26,398,331	16,689,833	196,656,797

## 12. Goodwill

### (1) Original carrying amount of goodwill

Name of the investee or item resulting in goodwill	2016.12.31 (audited)	Increase in the period Business combination		Decrease in the period		2017.6.30 (unaudited)
		Others	Disposal	Others	Disposal	
Acquisition of Shouchao Group	86,673,788	-	-	-	-	86,673,788
Total	86,673,788	-	-	-	-	86,673,788

On June 30, 2017 and December 31, 2016, the balance was the goodwill arising from the acquisition of Shoulian Supermarket and its subsidiaries ("Shouchao Group") as well as Beijing Jingchao Commercial Company Limited (Hereinafter referred to as "Jingchao").

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

The recoverable amount of the group of assets had been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to calculate the present value of a future stream of cash flows was 11% (2016: 11%). The growth rate used to extrapolate the cash flows of the subsidiary beyond the five-year period was 3% (2016: 3%).

As at June 30, 2017, and December 31, 2016, certain key assumptions are taken into consideration of the calculation of the present value of the cash flow of Shouchao Group. Below are the key assumptions made by the management in forecasting the present value of a future stream of cash flows to conduct impairment tests of goodwill:

Expected gross profit- The estimation of gross profit is based on the average gross profit realized in previous year, and then appropriately increased according to the increase of expected efficiency and market expansion.

Discount rate- Using the discount rate before tax which reflects Shouchao Group's specific risks.

### 13. Long-term prepaid expenses

Item	2016.12.31 (audited)	Increase in the period	Amortization in the period	Other deduction	2017.6.30 (unaudited)
Transferred from construction in progress to leasehold improvements	473,162,482	22,478,310	38,823,740	-	456,817,052
Rent	57,860,486	-	480,833	4,644,325	52,735,328
Total	531,022,968	22,478,310	39,304,573	4,644,325	509,552,380

### 14. Deferred tax assets/deferred tax liabilities

#### (1) Deferred tax assets without offset

Item	2017.6.30 (unaudited)		2016.12.31 (audited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax asset
Deductible losses	69,053,341	17,263,335	76,400,649	19,100,162
Taxable government grants	36,296,122	9,074,030	36,097,821	9,024,455
Total	105,349,463	26,337,365	112,498,470	28,124,617

#### (2) Deferred tax liabilities without offset

Item	2017.6.30 (unaudited)		2016.12.31 (audited)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value adjustment of assets arising from non-monetary asset exchange	14,139,048	3,534,762	14,672,267	3,668,067
Changes on the fair value of available-for-sale financial assets	6,588,000	1,647,000	4,468,000	1,117,000
Capitalized interest adjustment of borrowing costs	5,800,815	1,450,204	6,575,826	1,643,956
Difference between the fair value and the carrying amount of subsidiary merger and acquisition	3,665,890	916,472	3,819,702	954,925
Total	30,193,753	7,548,438	29,535,795	7,383,948



(3) **Net deferred tax assets or liabilities with offset**

Item	Offset amount of deferred tax assets and deferred tax liabilities at the end of year	Amount after offset of deferred tax assets and deferred tax liabilities at the end of period 2017.6.30 (unaudited) year	Offset amount of deferred tax assets and deferred tax liabilities in the beginning of year	Amount after offset of deferred tax assets and deferred tax liabilities in the beginning of year 2016.12.31 (audited)
Deferred tax assets	4,984,965	21,352,400	5,312,023	22,812,594
Deferred tax liabilities	4,984,965	2,563,473	5,312,023	2,071,925

15. **Other non-current assets**

Item	2017.6.30 (unaudited)	2016.12.31 (audited)
Long-term receivables due from Beijing Shoulian Group (Note 1)	209,100,000	159,100,000
Security deposit	79,835,752	23,252,479
Prepaid construction fees	2,745,591	2,409,686
Cash for investment (Note 2)	11,670,000	–
Total	303,351,343	184,762,165

Note 1: As at June 30, 2017, such long-term receivables consist of borrowings lent by the Company and Shoulian Supermarket to Shoulian Group. The long-term receivables bear interest at 4.64% and 5.48% per annum respectively. Meanwhile certain buildings and land use rights of Shoulian Group with a total fair value not less than the balance of the long-term receivables have been pledged for these long-term receivables in favor of Shoulian Supermarket.

Note 2: As at June 30, 2017, such cash for investment consists of Chaopi trading, a subsidiary of the Company, purchased non-public offering shares of Yibin Wuliangye Co., Ltd. As of the date of this report, these shares have not yet completed the final issuance process.

16. **Short-term borrowings**

(1) **Presentation of short-term borrowings by category**

Item	2017.6.30 (unaudited)	2016.12.31 (audited)
Accounts receivable secured loan (Note 1)	173,946,875	166,655,041
Guaranteed loan (Note 2)	1,612,308,000	1,590,514,400
Unsecured loan (Note 3)	407,000,000	249,000,000
Mortgage loan	–	–
Total	2,193,254,875	2,006,169,441

As at June 30, 2017, and December 31, 2016, the short-term borrowings above bore annual interest rates ranging from 1.15% to 5.0025% and 1.15% to 4.79% respectively without any due but unsettled ones.

*Note 1:*As at June 30, 2017, such short-term loan was obtained by several accounts receivable factoring of the Company totaling to RMB363,906,998 (December 31, 2016: RMB374,369,708), and details were referred to Note (VI) 2.

*Note 2:*As at June 30, 2017, such short-term loans include RMB433,000,000, which was borrowed by Chaopi Trading, a subsidiary of the company, with a surety provided by the Company; RMB909,308,000, which was borrowed by a subsidiary of Chaopi Trading with a surety offered by Chaopi Trading, and another RMB270,000,000 was borrowed by the Company with the surety provided by Chaopi Trading.

As at December 31, 2016, among such short-term bank loans, RMB570,000,000 was borrowed by the Company's subsidiary Chaopi Trading upon a surety provided by the Company; RMB20,000,000 was borrowed by a subsidiary of Chaopi Trading upon a surety provided by the Company; and RMB1,000,514,400 was borrowed by a subsidiary of Chaopi Trading upon a surety provided by Chaopi Trading.

*Note 3:*As at June 30, 2017, the credit loans included RMB50,000,000 and RMB150,000,000 respectively granted by Mizuho Bank (China), Ltd. Beijing Branch and Industrial and Commercial Bank of China Co., Ltd Beijing Chaoyang Sub-branch on an unsecured basis; The credit loans included RMB207,000,000 borrowed by the Company's subsidiary Chaopi Trading that granted by China Everbright Bank Beijing Branch and China Merchants Bank Co., Ltd. Beijing Branch on an unsecured basis.

As at December 31, 2016, the credit loans included RMB50,000,000, RMB50,000,000 respectively granted by Mizuho Bank (China), Ltd. Beijing Branch, Industrial and Commercial Bank of China Co., Ltd. Beijing Chaoyang Sub-branch on an unsecured basis. The credit loans consisted RMB149,000,000 borrowed by the Company's subsidiary Chaopi Trading that granted by China Everbright Bank Beijing Branch on an unsecured basis.

## 17. Notes payable

Category	2017.6.30 (unaudited)	2016.12.31 (audited)
Bank acceptances	<b>452,628,131</b>	598,656,860
Total	<b>452,628,131</b>	598,656,860

As at June 30, 2017, security deposit for the issuance of bank acceptances above amounted to RMB88,207,902 (December 31, 2016: RMB207,259,165).

All of the bank acceptances of the Group will be due within one year.

## 18. Accounts payable

Aging of accounts payable based on date of pick-up:

Item	2017.6.30 (unaudited)	2016.12.31 (audited)
Within 1 year	1,064,609,182	1,203,278,502
1-2 years	11,132,266	10,459,241
2-3 years	6,675,866	6,307,175
Over 3 years	6,515,561	4,185,386
Total	1,088,932,875	1,224,230,304

The majority of accounts payable aging over one year consist of the final payments for suppliers.

## 19. Advance from customers

Details of advance from customers

Item	2017.6.30 (unaudited)	2016.12.31 (audited)
Procurements received in advance	404,323,759	465,966,914
Total	404,323,759	465,966,914

As at June 30, 2017 and December 31, 2016, the advance from customers consisted of procurements received in advance, among which there were no significant advance from customers aged more than one year.

## 20. Payroll payable

### (1) Details of payroll payable

Item	2016.12.31 (audited)	Increase in the period	Decrease in the period	2017.6.30 (unaudited)
1. Short-term remuneration	2,111,358	338,409,019	338,959,287	1,561,090
2. Post-employment benefits-defined contribution plans	–	38,419,151	38,402,023	17,128
3. Dismissal compensation	–	–	–	–
Total	2,111,358	376,828,170	377,361,310	1,578,218

(2) *Short-term remuneration*

Item	2016.12.31 (audited)	Increase in the period	Decrease in the period	2017.6.30 (unaudited)
1) Wages or salaries, bonus, allowance, subsidies	-	277,887,186	277,887,186	-
2) Staff welfare	-	13,880,881	13,880,881	-
3) Social security	-	24,394,757	24,221,295	<b>173,462</b>
Including: Medical insurance	-	21,945,279	21,772,951	<b>172,328</b>
Work injury insurance	-	770,680	770,371	<b>309</b>
Maternity insurance	-	1,678,798	1,677,973	<b>825</b>
4) Housing funds	-	16,160,164	16,160,164	-
5) Labor union expenses and employees' education expenses	2,111,358	6,086,031	6,809,761	<b>1,387,628</b>
Total	2,111,358	338,409,019	338,959,287	<b>1,561,090</b>

(3) *Details of defined contribution plan*

Item	2016.12.31 (audited)	Increase in the period	Decrease in the period	2017.6.30 (unaudited)
Basic retirement insurance	-	36,924,760	36,908,324	<b>16,436</b>
Unemployment insurance	-	1,494,391	1,493,699	<b>692</b>
Annuity	-	-	-	-
Total	-	38,419,151	38,402,023	<b>17,128</b>

Note 1: The Group participated in retirement insurance and the unemployment insurance plans established by government institutions as required. Based on such plans, the Group contributes 20% of staff basic monthly salary to their retirement insurance and 1% to unemployment insurance. Besides these monthly contributions, the Group will not take responsibility for further payments. Corresponding payments when they occur shall be accrued in current period profit, loss or related assets cost.

Currently, the Group will contribute RMB36,924,760 and RMB1,494,390 to retirement insurance and unemployment insurance accordingly.

## 21. Taxes payable

Item	2017.6.30 (unaudited)	2016.12.31 (audited)
Value-added tax	69,992,542	78,188,338
Business tax	–	65,996
Corporate income tax	12,125,928	13,682,516
City construction and maintenance tax	966,478	930,788
Education surcharge	417,419	402,169
Others	13,856,030	1,704,734
Total	97,358,397	94,974,541

## 22. Dividends payable

Item	2017.6.30 (unaudited)	2016.12.31 (audited)
Ordinary shares dividend (domestic-owned shares)	9,412,576	781,564
Other minority shareholders' dividend	6,817,125	3,014,625
Total	16,229,701	3,796,189

## 23. Other payables

*Presentation of other payables by category*

Item	2017.6.30 (unaudited)	2016.12.31 (audited)
Construction fees payable	38,394,277	58,894,287
Deposit	54,780,149	50,694,392
Rent received in advance	13,661,698	9,049,102
Others	107,742,231	83,717,167
Total	214,578,355	202,354,948

## 24. Other current liabilities

Item	2017.6.30 (unaudited)	2016.12.31 (audited)
Short-term financing bond (Note 1)	512,672,056	813,171,750
Accrued expenses	69,406,243	40,799,206
Deferred income due within one year	11,660,587	11,311,689
Total	593,738,886	865,282,645

### (1) Accrued expenses

Item	2017.6.30 (unaudited)	2016.12.31 (audited)
Accrued interest expenses	39,574,351	19,123,876
Accrued rent expenses	19,697,974	15,466,362
Accrued audit expenses	1,226,415	1,226,415
Others	8,907,503	4,982,553
Total	69,406,243	40,799,206

(2) *Deferred income due with one year*

<b>Item</b>	<i>Notes</i>	<b>2017.6.30 (unaudited)</b>	2016.12.31 (audited)
Asset-related government grants due within one year	<i>Note 2</i>	<b>8,224,996</b>	7,876,098
Considerations allocated to the award credits	<i>Note 3</i>	<b>3,435,591</b>	3,435,591
<b>Total</b>		<b>11,660,587</b>	11,311,689

*Note 1:*As at February 2, 2016, according to the agreement 'non-financial corporate debt financing instruments of the inter-bank bond market underwriting agreement' signed with the main underwriter of Bank of Beijing Co., Ltd., the Company issued the first short-term financing bond in 2016 with par value of RMB300,000,000, a term of maturity of 366 days, value date at February 3, 2016, due date at February 3, 2017, interest rate of 3.43% and As at February 3, 2017, such bonds payable and interest payable had been cleared.

As at August 15, 2016, according to the agreement 'non-financial corporate debt financing instruments of the inter-bank bond market underwriting agreement' signed with the main underwriter of Bank of Beijing Co., Ltd., the Company issued the second short-term financing bond in 2016 with par value of RMB300,000,000, a term of maturity of 365 days, value date at August 16, 2016, due date at August 16, 2017 and interest rate of 2.94%. As at August 16, 2017, the Company had collected all of this short-term financing bond fund.

As at August 18, 2016, according to the agreement 'non-financial corporate debt financing instruments of the inter-bank bond market underwriting agreement' signed with the main underwriter of Bank of Beijing Co., Ltd., the Company issued the third short-term financing bond in 2016 with par value of RMB200,000,000, a term of maturity of 365 days, value date at August 19, 2016, due date at August 19, 2017 and interest rate of 2.98%. As at August 19, 2017, the Company had collected all of this short-term financing bond fund.

*Note 2:*Asset-related government grants due within one year consisted of deferred income due within one year generated from special funds received in 2005, 2013, 2014, 2015, 2016 and 2017 by the Group and would be recognized as revenue in the next year, and details were referred to Note (VI) 29.

*Note 3:*The Group offers membership credit cards to customers, and awards credit reaching certain points can be converted into cash while shopping. As deferred income, considerations allocated to the award credits will be recognized as revenue when the award credits are converted or cleared in the next year.

## 25. Bonds payable

### (1) Bonds payable

Item	2017.6.30 (unaudited)	2016.12.31 (audited)
Corporate bonds	748,302,553	747,573,030
Total	748,302,553	747,573,030

### (2) Changes in the bonds payable

Bonds	Par value	Issue date	Term of the bond	Issue amount	2016.12.31 (audited)	Issue in the period
Corporate bonds	750,000,000	2013.8.13	5 years	750,000,000	747,573,030	-
Total	750,000,000			750,000,000	747,573,030	-

Bonds	Accrued interest for the period	Bond discount/premium amortization	Paid during the period	2017.6.30 (unaudited)
Corporate bonds	41,100,000	729,523	-	748,302,553
Total	41,100,000	729,523	-	748,302,553

Pursuant to the "Approval on Issuance of Corporate Bonds of Beijing Jingkelong Company Limited" (Zheng Jian Xu Ke [2013] No. 791) issued by the CSRC, on August 15, 2013, the Company issued the corporate bonds aggregated to RMB750,000,000 with a term of maturity of 5 years, embedded with the option to increase the coupon rate by the issuer and puttable option by the investor at the end of the third year. The corporate bonds were jointly secured by Beijing Chaoyang District National Capital Operating Management Center, a state-owned enterprise, bearing coupon rate at 5.48% per annum. The issuance expenses of RMB6,923,208 had been included in bonds payable.

Based on "Corporate bond prospectus in 2013", issuers has the right to rise the coupon rate for the last 2 years in the end of third year during bond duration and the adjustment range lies between 0 and 100 basis point (contains this number) where 1 basis point is 0.01%. Investors have rights to sell parts of bonds or all of bonds they hold back to the issuers on the third interest payment date, alternatively, they may give up puttable option and continue to hold bonds. The third annual interest payment date is the repurchase date and issuers should follow relevant business rules of Shanghai Stock Exchange and bond registration organizations to complete repurchase.

On July 3, 2016, the Company announced they would not adjust current bond coupon rate and they would repurchase bonds. On July 7, 2016, the Company announced bonds repurchase declaration situation that according to China Securities Depository and Clearing Company Limited (CSDCC) Shanghai branch statistic, there was no effective repurchase declaration and the amount of repurchase was RMB Nil during this bond repurchase declaration term. (July 4, 2016 to July 6, 2016).

## 26. Other non-current liabilities

Item	2017.6.30 (unaudited)	2016.12.31 (audited)
Long-term rent payable	22,665,076	20,555,175
Deferred income-Government granted related to assets	37,692,404	38,302,737
Less: Government granted related to assets due within one year	8,224,996	7,876,098
Total	52,132,484	50,981,814

Deferred income includes:

- (1) Deferred income was the government grants totaling RMB4,000,000 received in 2005 from Beijing Municipal Development and Reform Commission and Beijing Chaoyang District Finance Bureau to support the construction of fresh distribution center, fresh procurement center and distribution center logistics system. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (15 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (2) In 2013, the Company received government grants totaling RMB3,753,000 from Beijing Municipal Commission of Commerce as a special funding for renovation of energy-saving lamps. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be evenly amortized in the estimated useful life (5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (3) In 2014, the Company received government grants totaling RMB14,186,700 from Beijing Municipal Commission of Commerce and Beijing Finance Bureau as a special funding for agriculture-supermarket jointing program. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (11 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (4) In 2014, the Company received government grants totaling RMB8,820,000 from Beijing Municipal Commission of Commerce and Beijing Finance Bureau and as a special funding for service development program. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (11 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (5) In 2014, the Company received government grants totaling RMB3,000,000 from Beijing Municipal Commission of Commerce as a special funding for renovation of energy-saving lamps. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.



- (6) In 2014, Chaopi Trading, a subsidiary of the Company, received government grants totaling RMB5,000,000 from Beijing Municipal Commission of Commerce as a special funding for group building sorting equipment. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by the initial entry value of assets, and deferred income would be evenly amortized in the estimated useful life (10 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (7) In 2015, the Company received government grants totaling RMB8,310,000 from Beijing Municipal Commission of Commerce as a special funding for logistics standardization project. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (10 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (8) In 2015, the Company received government grants totaling RMB5,865,700 from Beijing Municipal Commission of Commerce and Beijing Finance Bureau and as a special funding for upgrading business facilities program. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (9) In 2015, the Company received government grants totaling RMB2,080,000 from Beijing Finance Bureau as a special funding for renovation of energy-saving lamps. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (10 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (10) In 2015, Chaopi Trading, a subsidiary of the Company, received government grants totaling RMB8,730,000 from Beijing Municipal Commission of Commerce as a special funding for logistics standardization project. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by the initial entry value of assets, and deferred income would be evenly amortized in the estimated useful life (10 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (11) In 2016, the Company received government grants totaling RMB3,000,000 from Beijing Municipal Commission of Commerce and Beijing Finance Bureau and as a special funding for Chaoyang district Cailanzi project. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by the initial entry value of assets, and deferred income would be evenly amortized in the estimated useful life (10 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (12) In 2017, Chaopi Trading, a subsidiary of the Company, received government grants totaling RMB6,813,800 from Beijing Municipal Commission of Commerce as a special funding for logistics standardization project. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by the initial entry value of assets, and deferred income would be evenly amortized in the estimated useful life (8 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.

## 27. Share capital

Item	2016.12.31 (audited)	New issue of shares	Changes in the period			Subtotal	Closing balance
			Bonus issue	Capitalization of surplus reserves	Others		
1. State-owned legal person shares							
Chaoyang Auxiliary	167,409,808	-	-	-	-	-	167,409,808
Subtotal of state-owned legal person shares	167,409,808	-	-	-	-	-	167,409,808
2. Other domestic-owned shares							
Shares held by domestic non-state owned legal person	5,210,428	-	-	-	-	-	5,210,428
Domestic individual shareholders	57,439,764	-	-	-	-	-	57,439,764
3. Foreign listed shares denominated in RMB	182,160,000	-	-	-	-	-	182,160,000
Total shares	412,220,000	-	-	-	-	-	412,220,000

## 28. Capital reserves

Item	2016.12.31 (audited)	Increase in the period	Decrease in the period	2017.6.30 (unaudited)
Capital premium	609,790,884	-	-	<b>609,790,884</b>
Equity transaction with minority shareholders of subsidiaries (Note 1)	(985,373)	-	9,492,158	<b>(10,477,531)</b>
Other capital reserves (Note 2)	695,493	5,000,000	-	<b>5,695,493</b>
Total	609,501,004	5,000,000	9,492,158	<b>605,008,846</b>

Note 1: The decreasing of "Equity transaction with minority shareholders of subsidiaries" in this period is RMB9,492,158. Chaopi Trading, a subsidiary of the Company, purchased 22.25% of the minority shareholders of its subsidiaries (Chaopi Huilong), which caused the investment cost is bigger than the shares of the net assets of Chaopi Huilong.

Note 2: The adding of "Other capital reserves" in this period is RMB5,000,000, which is received from state-owned capital management budget funds. According to the Chaoyang National Capital Approval NO. [2017] 59, it should be included in capital reserves.

## 29. Other comprehensive income

Item	2016.12.31 (audited)	Amount before tax	Change in the period				2017.6.30 (unaudited)
			Less: Amount that is previously included in other comprehensive income is transferred to profit or loss for the period	Less: income tax expense	Attributable to the parent company after tax	Attributable to minority shareholder after tax	
Other comprehensive income that will be reclassified to profit or loss Including: gains or losses on changes in fair value of available-for-sale financial assets	2,675,774	2,120,000	-	530,000	1,269,615	320,385	<b>3,945,389</b>
Difference of foreign currency financial statements convert	(3,016)	49,436	-	-	25,658	23,778	<b>22,642</b>
Total	2,672,758	2,169,436	-	530,000	1,295,273	344,163	<b>3,968,031</b>

## 30. Surplus reserves

Item	2016.12.31 (audited)	Increase in the period	Decrease in the period	2017.6.30 (unaudited)
Statutory surplus reserve	142,729,211	-	-	<b>142,729,211</b>
Total	142,729,211	-	-	<b>142,729,211</b>

*Note:* In accordance with Company Law and Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the paid in capital.

Statutory surplus reserve can be used to make up for the loss, expanding operation or increase the paid in capital.

### 31. Undistributed profits

Item	Six months ended at June 30, 2017 (unaudited)	Six months ended at June 30, 2016 (unaudited)
Before adjustment: undistributed profits at the end of prior period	476,230,980	473,625,451
Adjustment: Total undistributed profits at the beginning of the period(Increase:+,decrease)	-	-
After Adjustment: undistributed profits at the beginning of the period	476,230,980	473,625,451
Add: Net profit attributable to the shareholders of the parent company for the period	26,490,046	17,365,243
Less: Appropriation to statutory surplus reserve	-	-
Appropriation to discretionary surplus reserve	-	-
Appropriation to general risk reserve	-	-
Ordinary shares' dividends payable	20,611,000	20,611,000
Undistributed profits at the end of the period	482,110,026	470,379,694

#### Dividend

A final dividend of RMB0.05 per share, in respect of year ended at December 31, 2016 (the previous corresponding period: RMB0.05 per share in respect of the year ended at 31 December 2015) was declared and paid to the shareholders of the Company. The aggregated amount of the final dividend declared and paid was RMB20,611,000, the same as the last period.

Board of directors do not suggest distributing interim dividends in the period (Prior period:0)

### 32. Operating income and operating cost

#### (1) Operating income and cost

Item	Six months ended at June 30, 2017 (unaudited)		Six months ended at June 30, 2016 (unaudited)	
	Income	Cost	Income	Cost
Principal operating	5,638,638,757	4,856,214,405	5,419,638,055	4,757,990,357
Other operating	572,065,599	3,437,986	516,164,571	4,994,299
Total	6,210,704,356	4,859,652,391	5,935,802,626	4,762,984,656

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

Item	Six months ended at June 30, 2017 (unaudited)		Six months ended at June 30, 2016 (unaudited)	
	Principal operating income	Principal operating cost	Principal operating income	Principal operating cost
Retail	2,305,692,617	1,922,545,369	2,349,622,234	1,971,413,940
Wholesale	3,303,398,164	2,908,305,338	3,062,843,340	2,780,649,435
Others	29,547,976	25,363,698	7,172,481	5,926,982
Total	5,638,638,757	4,856,214,405	5,419,638,055	4,757,990,357

The principal operating income mainly consists of selling food, non-staple food, daily consumer goods, beverages and wines etc.

**33. Selling expenses**

<b>Item</b>	<b>Six months ended at June 30, 2017 (unaudited)</b>	Six months ended at June 30, 2016 (unaudited)
Wages and salaries	<b>255,133,031</b>	250,174,096
Depreciation and amortization expenses	<b>98,876,075</b>	96,587,738
Lease expenses	<b>118,488,489</b>	118,996,180
Others	<b>541,870,338</b>	396,907,758
<b>Total</b>	<b>1,014,367,933</b>	862,665,772

**34. Administrative expenses**

<b>Item</b>	<b>Six months ended at June 30, 2017 (unaudited)</b>	Six months ended at June 30, 2016 (unaudited)
Wages and salaries	<b>122,137,603</b>	119,327,094
Depreciation and amortization expenses	<b>4,264,182</b>	4,407,787
Others	<b>22,340,893</b>	29,495,289
<b>Total</b>	<b>148,742,678</b>	153,230,170

**35. Financial expenses**

<b>Item</b>	<b>Six months ended at June 30, 2017 (unaudited)</b>	Six months ended at June 30, 2016 (unaudited)
Interest expenses	<b>80,502,295</b>	73,524,310
Less: Capitalized interest expenses	<b>–</b>	9,589
Interest income	<b>(8,275,364)</b>	(9,646,780)
Bank charges	<b>8,988,270</b>	6,056,345
Exchange losses (gains)	<b>(98,242)</b>	21,257
Others	<b>–</b>	–
<b>Total</b>	<b>81,116,959</b>	69,945,543

**36. Investment income**

<b>Item</b>	<b>Six months ended at June 30, 2017 (unaudited)</b>	Six months ended at June 30, 2016 (unaudited)
Investment income from of short-term financial products	<b>332,960</b>	585,058
<b>Total</b>	<b>332,960</b>	585,058

### 37. Income tax expense

#### (1) Details of income tax expenses

Item	Six months ended at June 30, 2017 (unaudited)	Six months ended at June 30, 2016 (unaudited)
Current income tax expense	28,929,795	26,149,232
Deferred income tax expense	1,421,741	(2,770,038)
Total	30,351,536	23,379,194

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

Item	Six months ended at June 30, 2017 (unaudited)
Total profit	84,673,998
Income tax expenses calculated at 25% tax rate	21,168,499
Effect of subsidiary companies to adapt different tax rates	20,503
Effect of adjusting the previous years' income tax	350
Effect of non-taxable income	(541,701)
Effect of non-deductible costs, expenses and losses	1,378,433
Effect of using deductible losses of previously unrecognized deferred tax assets	-
Effect of deductible losses recover of previously recognized deferred tax assets	10,047
Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets in the period	8,315,405
Income tax	30,351,536

### 38. Earnings per share

Item	Six months ended at June 30, 2017 (unaudited)	Six months ended at June 30, 2016 (unaudited)
Net profit for the period attributable to shareholders of the parent company	26,490,046	17,365,243
Number of ordinary shares used in the calculation of basic earnings per share	412,220,000	412,220,000

Item	Six months ended at June 30, 2017 (unaudited)	Six months ended at June 30, 2016 (unaudited)
Calculated based on the net profit attributable to ordinary shareholders of the parent company:		
Basic earnings per share	0.06	0.04

### 39. Supplementary information to the cash flow statement

#### (1) Supplementary information to the cash flow statement

Supplementary information	Six months ended at June 30, 2017 (unaudited)	Six months ended at June 30, 2016 (unaudited)
<b>1. Reconciliation of net profits and cash flow from operating activities:</b>		
Net profits	54,322,462	45,245,191
Add: Provision for impairment losses on assets	–	(18,140)
Depreciation of fixed assets, investment property, oil and gas assets and productive biological assets.	61,771,517	62,992,085
Amortization of intangible assets	5,944,860	5,525,018
Amortization of long-term prepaid expenses	38,823,740	37,888,193
Net Losses on disposal of fixed assets, intangible assets and other long-term assets	2,818,555	1,256,935
Losses arising from the scrapped fixed assets	650	996
Losses (Gains) on changes in fair value	–	–
Financial expenses	72,128,689	63,867,941
Losses arising from investments	(332,960)	(585,058)
Amortization of government grants related to assets in current year	(3,239,068)	3,040,713
Increase in deferred tax liabilities	491,548	184,966
Decrease in deferred tax assets	1,460,194	(2,809,503)
Decrease(Increase) in inventories	138,616,058	173,777
Decrease in operating receivables	288,948,731	572,552,290
Increase in operating payables	(273,370,183)	(232,463,279)
Others	–	–
Net cash flows from operating activities	388,384,793	556,852,125
<b>2. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	703,922,651	576,865,556
Less: Opening balance of cash	613,131,273	574,168,439
Add: Closing balance of cash equivalents	–	–
Less: Opening balance of cash equivalents	–	–
Net increase in cash and cash equivalents	90,791,378	2,697,117

#### (2) Cash and cash equivalents

Item	Six months ended at June 30, 2017 (unaudited)	Six months ended at June 30, 2016 (unaudited)
<b>I. Cash</b>		
Including: Cash on hand	703,922,651	576,865,556
Bank deposits on demand	20,620,053	19,377,281
Other monetary funds on demand	683,302,598	557,488,275
Deposits in Central Bank that can be used for payment	–	–
Deposits in other financial institutions	–	–
Placement from other financial institutions	–	–
<b>II. Cash equivalents</b>		
Including: Investments in bonds due within 3 months	–	–
<b>III. Closing balance of cash and cash equivalents</b>		
Including: Cash and cash equivalents of parent and subsidiaries for restricted use only	703,922,651	576,865,556

## VII. CHANGES IN THE CONSOLIDATION SCOPE

None.

## VIII. EQUITY IN OTHER ENTITIES

### 1. Equity in subsidiaries

#### (1) Components of the Company

Subsidiary	Type	Place of incorporation	Nature of business	Registered Capital
Beijing Jingkelong (Langfang) Co., Ltd. (Jingkelong Langfang)	Limited company	Langfang, PRC	Retail	80,000,000
Beijing Jingkelong Supermarket Chain Co., Ltd. (Jingkelong Tongzhou)	Limited company	Beijing, PRC	Retail	29,000,000
Beijing Xinyang Tongli Commercial Facilities Co.,Ltd. (Xinyang Tongli)	Limited company	Beijing, PRC	Manufacture	10,000,000
Beijing Jingkelong Shouchao Commercial Co., Ltd. (Shoulian Supermarket)	Limited company	Beijing, PRC	Retail	398,453,439
Beijing Jingkelong Haotian Hotel Management Co., Ltd. (Haotian Hotel)	Limited company	Beijing, PRC	Hospitality	5,000,000
Beijing Jingkelong Vocational Training School(Training School)	Institutional organization	Beijing, PRC	Training	500,000
Beijing Chaopi Trading Co., Ltd. (Chaopi Trading)	Limited company	Beijing, PRC	Wholesale	500,000,000
Beijing Chaopi Shuanglong Alcohol Sales Co.,Ltd. (Chaopi Shuanglong)*	Limited company	Beijing, PRC	Wholesale	110,160,000
Beijing Chaopi Huaqing Beverage Co.,Ltd. (Chaopi Huaqing)*	Limited company	Beijing, PRC	Wholesale	80,000,000
Beijing Chaopi Flavourings, Co.,Ltd. (Chaopi Flavouring)*	Limited company	Beijing, PRC	Wholesale	50,000,000
Beijing Chaopi Jinglong Oil Sales Co.,Ltd. (Chaopi Oil Sales)*	Limited company	Beijing, PRC	Wholesale	36,000,000
Shijiazhuang Chaopi Xinlong Trading Co.,Ltd.*	Limited company	Shijiazhuang, PRC	Wholesale	5,000,000
Qingdao Chaopi Jinlong Trading Co.,Ltd.*	Limited company	Qingdao, PRC	Wholesale	5,000,000
Beijing Chaopi Zhongde Trading Co.,Ltd. (Chaopi Zhongde)*	Limited company	Beijing, PRC	Wholesale	50,000,000
Beijing Chaopi Huilong Trading Co.,Ltd. (Chaopi Huilong)*	Limited company	Beijing, PRC	Wholesale	24,000,000
Taiyuan Chaopi Trading Co.,Ltd. (Chaopi Taiyuan)*	Limited company	Taiyuan, PRC	Wholesale	15,000,000
Tangshan Chaopi Trading Co.,Ltd.*	Limited company	Tangshan, PRC	Wholesale	5,000,000
Tianjin Chaopi Trading Co.,Ltd.*	Limited company	Tianjin, PRC	Wholesale	15,000,000
Chaopi Yuli Trading Co.,Ltd.**	Limited company	Beijing, PRC	Wholesale	24,000,000
Chaopi Fangsheng Trading Co.,Ltd.**	Limited company	Beijing, PRC	Wholesale	20,000,000



Subsidiary	Type	Place of incorporation	Nature of business	Registered Capital
Jinan Chaopi Linda Trading Co.,Ltd. (Chaopi Jinan)*	Limited company	Jinan, PRC	Wholesale	26,000,000
Beijing Chaopi Shenglong Trading Co.,Ltd. (Chaopi Shenglong)*	Limited company	Beijing, PRC	Wholesale	20,000,000
Beijing Chaopi Tianhua Trading Co.,Ltd. (Chaopi Tianhua)*	Limited company	Beijing, PRC	Wholesale	20,000,000
Datong Chaopi Beichen Trading Co.,Ltd. (Chaopi Datong)*	Limited company	Datong, PRC	Wholesale	26,000,000
Datong Chaopi Ant Trading Co.,Ltd. (Chaopi Ant)**	Limited company	Datong, PRC	Retail	5,000,000
Tangshan Chaopi Baishun Trading Co.,Ltd. (Chaopi Baishun)*	Limited company	Tangshan, PRC	Wholesale	30,000,000
Beijing Chaopi Maolisheng Trading Co.,Ltd. (Chaopi Maolisheng)*	Limited company	Beijing, PRC	Wholesale	75,000,000
Hong Kong Chaopi Asia Co.,Ltd. (Chaopi Hong Kong)**	Limited company	Hong Kong, PRC	Wholesale	HKD10,000
Beijing Qumeiba Information Technology Company Limited (Qumeiba)*	Limited company	Beijing, PRC	Wholesale	1,000,000
Beijing Chaopi Shengshi Trading Co.,Ltd. (Chaopi Shengshi)*	Limited company	Beijing, PRC	Wholesale	25,000,000
Beijing Chaopi Zhaoyang E-commerce Co.,Ltd. (Chaopi Zhaoyang)*	Limited company	Beijing, PRC	Wholesale	20,000,000
Beijing Chaopi Xinyishangzhen Food Co., Ltd. (Xinyishangzhen)*	Limited company	Beijing, PRC	Wholesale	40,000,000
Beijing Shangzhen Food Co., Ltd. (Shangzhen Food)**	Limited company	Beijing, PRC	Wholesale	5,000,000
Chaopi Maolisheng Hong Kong Co., Ltd. (Maolisheng Hong Kong) **	Limited company	Hong Kong, PRC	Wholesale	HKD10,000
Beijing Chaopi Tianshi Information Technology Co., Ltd. (Chaopi Tianshi)*	Limited company	Beijing, PRC	Wholesale	20,000,000
Chaopi International Trade (Shanghai)Co., Ltd (Chaopi International Trade) *	Limited company	Shanghai, PRC	Wholesale	5,000,000
Beijing Chaopi Jiushengmingpin Trading Co., Ltd.(Chaopi Jiusheng) *	Limited company	Beijing, PRC	Wholesale	30,000,000

Subsidiary	Scope of business	Proportion of ownership interests (%)	Proportion of voting power (%)	Whether Consolidated or not	Notes
Beijing Jingkelong (Langfang) Co., Ltd. (Jingkelong Langfang)	Retail of general merchandise	100	100	Yes	
Beijing Jingkelong Supermarket Chain Co., Ltd. (Jingkelong Tongzhou)	Retail of general merchandise	100	100	Yes	
Beijing Xinyang Tongji Commercial Facilities Co., Ltd. (Xinyang Tongji)	Production of plastic packing materials and installation and maintenance of commercial equipment	55.66	55.66	Yes	
Beijing Jingkelong Shouchao Commercial Co., Ltd. (Shoulian Supermarket)	Retail of general merchandise	100	100	Yes	
Beijing Jingkelong Haotian Hotel Management Co., Ltd. (Haotian Hotel)	Hotel management, food and beverage, and leasing	100	100	Yes	
Beijing Jingkelong Vocational Training School (Training School)	Training of shop assistant	100	100	Yes	
Beijing Chaopi Trading Co., Ltd. (Chaopi Trading)	Wholesale of general merchandise	79.85	79.85	Yes	
Beijing Chaopi Shuanglong Alcohol Sales Co., Ltd. (Chaopi Shuanglong)*	Wholesale of beverages	47.11	59.00	Yes	
Beijing Chaopi Huaqing Beverage Co., Ltd. (Chaopi Huaqing)*	Wholesale of drinks and food	42.66	53.43	Yes	
Beijing Chaopi Flavours, Co., Ltd. (Chaopi Flavouring)*	Wholesale of edible oil and food	42.03	52.63	Yes	
Beijing Chaopi Jinglong Oil Sales Co., Ltd. (Chaopi Oil Sales)*	Wholesale of edible oil	43.30	54.23	Yes	
Shijiazhuang Chaopi Xinlong Trading Co., Ltd.*	Wholesale of alcoholic beverages	79.85	100	Yes	
Qingdao Chaopi Jinlong Trading Co., Ltd.*	Wholesale of alcoholic beverages	79.85	100	Yes	
Beijing Chaopi Zhongde Trading Co., Ltd. (Chaopi Zhongde)*	Wholesale of consumer sanitary products	79.85	100	Yes	
Beijing Chaopi Huilong Trading Co., Ltd. (Chaopi Huilong)*	Wholesale of alcoholic beverages	79.85	100	Yes	Note 1
Taiyuan Chaopi Trading Co., Ltd. (Chaopi Taiyuan)*	Wholesale of general merchandise	79.85	100	Yes	
Tangshan Chaopi Trading Co., Ltd.*	Wholesale of general merchandise	79.85	100	Yes	
Tianjin Chaopi Trading Co., Ltd.*	Wholesale of general merchandise	79.85	100	Yes	
Chaopi Yuli Trading Co., Ltd. (Chaopi Yuli)**	Wholesale of general merchandise	30.31	70	Yes	
Chaopi Fangsheng Trading Co., Ltd.**	Wholesale of general merchandise	55.90	70	Yes	
Jinan Chaopi Linda Trading Co., Ltd. (Chaopi Jinan)*	Wholesale of general merchandise	51.90	65	Yes	
Beijing Chaopi Shenglong Trading Co., Ltd. (Chaopi Shenglong)*	Wholesale of package service, packed food and storage service	47.11	59	Yes	
Beijing Chaopi Tianhua Trading Co., Ltd. (Chaopi Tianhua)*	Wholesale of package service, packed food and storage service	42.66	53.43	Yes	
Datong Chaopi Beichen Trading Co., Ltd. (Chaopi Datong)*	Wholesale of package service, packed food and storage service	55.90	70	Yes	
Datong Chaopi Ant Trading Co., Ltd. (Chaopi Ant)**	Wholesale of package service, packed food and storage service	55.90	100	Yes	

Subsidiary	Scope of business	Proportion of ownership interests (%)	Proportion of voting power (%)	Whether Consolidated or not	Notes
Tangshan Chaopi Baishun Trading Co.,Ltd. (Chaopi Baishun)*	Wholesale of package service, packed food and storage service	55.90	70	Yes	
Beijing Chaopi Maolisheng Trading Co.,Ltd. (Chaopi Maolisheng)*	Wholesale of general merchandise	51.90	65	Yes	
Hong Kong Chaopi Asia Co.,Ltd. (Chaopi Hong Kong)**	Merchandise trading	42.03	100	Yes	
Beijing Qumeiba Information Technology Company Limit ted (Qumeiba)*	Wholesale of cosmetics	51.90	65	Yes	
Beijing Chaopi Shengshi Trading Co.,Ltd. (Chaopi Shengshi)*	Wholesale of cosmetics	51.90	65	Yes	
Beijing Chaopi Zhaoyang E-commerce Co.,Ltd. (Chaopi Zhaoyang)*	Wholesale of general merchandise	79.85	100	Yes	
Beijing Chaopi Xinyishangzhen Food Co., Ltd. (Xinyishangzhen)*	Wholesale of food, packed food and dairy product	47.91	60	Yes	
Beijing Shangzhen Food Co., Ltd. (Shangzhen Food)**	Wholesale of nuts products (baking class), candied fruit, and fruit products (dried fruit products)	47.91	100	Yes	
Chaopi Maolisheng Hong Kong Co., Ltd. (Maolisheng Hong Kong)* *	Wholesale of nuts products (baking class), candied fruit, and fruit products (dried fruit products)	51.90	100	Yes	
Beijing Chaopi Tianshi Information Technology Co., Ltd. (Chaopi Tianshi)*	Wholesale of cosmetics, food and general merchandise	79.85	100	Yes	
Chaopi International Trade (Shanghai) Co., Ltd (Chaopi International Trade) *	Goods and technology import and export business and food circulation	79.85	100	Yes	
Beijing Chaopi Jiushengmingpin Trading Co., Ltd (Chaopi Jiusheng) *	Wholesale of general merchandise	79.85	100	Yes	

**Note:**

- \* Chaopi Trading holds more than 50% of the equity interest of those companies which are deemed to be the subsidiaries. As the Company holds 79.85% of Chaopi Trading, the holding percentage is different with the voting rights percentage.
- \*\* Chaopi Trading's subsidiary holds more than 50% of the equity interest of those companies which are deemed to be the subsidiaries. As the Company holds 79.85% of Chaopi Trading, the holding percentage is different with the voting rights percentage.

**Note1:** As at February 16, 2017, Chaopi Trading acquired 22.25% stake of Chaopi Huilong, which held by natural person shareholders (Zhang Shangzhu, Zhang Xixi and Liu dong), according to JingkelongBanZi NO. [2016] 49 "On the transfer of shares held by natural person shareholders of Chaopi Huilong. After the acquisition, Chaopi Trading owned 100% equity of Chaopi Huilong directly, and the Company owned 79.85% equity of Chaopi Huilong through Chaopi Trading indirectly.

## IX. 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
Chaoyang Auxiliary	State-owned	Beijing	Mr. Wang Weilin	Sales of food and oil products	21,306.10	40.61	40.61	Chaoyang Auxiliary	9111000010163706X9

### 2. Subsidiaries of the Company

Please see Note (VIII) 1 Equity in subsidiaries for the details of the subsidiaries of the Company.

### 3. Related party transaction

#### (1) Related party's lease transaction

Lessor	Lessee	Type of lease	Pricing basis of related party transaction	Notes	Six months ended at 30 June 2017 (unaudited) Amount	Six months ended at 30 June 2016 (unaudited) Amount
Chaoyang Auxiliary	The Company	Rental expenses	Price negotiated	Note 1	663,172	663,172

Note 1: On April 30, 2004, the Company and its subsidiary Chaopi Trading leased several properties in Beijing from Chaoyang Auxiliary, pursuant to annual rent incremental on every five years for a term from January 1, 2004 to December 31, 2023. From 2006 to 2009, the Group entered into lease contracts or supplemental agreements on several properties. As at June 30, 2011, the annual rents under the contracts with Chaoyang Auxiliary were RMB7,344,499 and RMB920,853 respectively for the Company and its subsidiary Chaopi Trading. On June 30, 2011, except for the properties used by 10 stores of the Company (including 5 properties still owned by Chaoyang Auxiliary and 5 properties for which lease agreements were terminated), the State-owned Assets Supervision and Administration Commission of Beijing Chaoyang District ("SASAC Chaoyang") approved the transfer of the land and properties used by the Company from Chaoyang Auxiliary to Beijing Hongchao Weiye SOE Management Company Limited ("Hongchao Weiye"). The Company continued to lease the properties owned by Chaoyang Auxiliary for its 5 stores at annual rent of RMB162,758 with incremental once every five years. On June 18, 2012, the Company entered into a property lease supplemental agreement with Chaoyang Auxiliary, pursuant to which the annual rent for the aforesaid five properties were adjusted to RMB1,111,933 effecting from July 1, 2012 with incremental by 3% every five years; and 1 additional property was leased at annual rent of RMB214,412 with incremental by 3% every five years for a term from July 1, 2012 to December 31, 2023. The rental expenses payable to Chaoyang Auxiliary for the year ended at December 31, 2016 and for the year ended at December 31, 2015 were both recognized at RMB1,326,345.

On July 1, 2011, the Company and its subsidiary Chaopi Trading entered into lease contracts respectively with Hongchao Weiye to renew the leasing of properties under the original contractual terms at annual rent of RMB7,344,499 and RMB920,853 respectively effecting from July 1, 2011.

On July 1, 2012, the Company and its subsidiary Chaopi Trading entered into supplemental agreements to the aforesaid lease contracts respectively with Hongchao Weiye, pursuant to which the annual rents for such properties were adjusted to RMB26,997,108 and RMB2,808,259 respectively effecting from the same day with incremental by 3% every five years.

On December 18, 2013, the Company entered into supplemental agreements to the aforesaid lease contracts with Hongchao Weiye. Considering the Company paid relevant construction fees on the rebuild project of certain of the properties in previous years and the renovation project conducted by the Company on behalf of Hongchao Weiye, Hongchao Weiye will compensate the Company for the cost of construction costs and related taxes paid ("agent construction fees") on property renovation project and re-build project of RMB86,742,211, including RMB41,265,838 recorded in other receivables and RMB45,476,373 recorded in long-term receivables. Meanwhile, agent construction fees receivables of RMB22,197,108 recorded in other receivables will immediately offset the rent payable to Hongchao Weiye at the end of 2013 as agreed by both parties. From the January 1, 2014 to December 31, 2023, the fees on the rebuild project of certain properties in previous years and the renovation project conducted by the Company on behalf of Hongchao Weiye will offset the rent to the Hongchao Weiye at end of every year.

On November 25, 2014, the Company entered into supplemental agreements again to terminate the two supplemental agreements assigned on December 7, 2012 and December 18, 2013 respectively. From July 1, 2014 to December 31, 2023, the annual rents of such properties were adjusted to revert to the amount in the agreements on July 1, 2011, which were RMB7,344,499 and RMB920,853 respectively with incremental by 3% every five years. Meanwhile, for the rest of agent construction fee amounted to RMB58,164,490, Hongchao Weiye won't take the responsibility of paying the funds back when the original agreement and supplemental agreements are executed efficiently. The aforesaid rest of agent construction fee is undertaken and amortized by the Company.

**(2) Compensation for key management personnel**

<b>Item</b>	<b>Six months ended at 30 June 2017 (unaudited)</b>	Six months ended at 30 June 2016 (unaudited)
Compensation for key management:	<b>4,322,092</b>	4,775,097

#### 4. Receivables and payables of related parties

The Group had no receivables or payables balance with related parties at June 30, 2017 and December 31, 2016.

#### 5. Related party commitments

The Company had signed a lease contract with Chaoyang Auxiliary for operation and storage.

The anticipated future rent by the Group:

Item	2017.6.30 (unaudited)	2016.12.31 (audited)
1st year subsequent to the balance sheet date	1,356,187	1,326,345
2nd year subsequent to the balance sheet date	1,366,135	1,366,135
3rd year subsequent to the balance sheet date	1,366,135	1,366,135
Subsequent periods	4,842,949	5,545,912
Total	8,931,406	9,604,527

### X. COMMITMENTS

#### 1. Significant commitments

##### (1) Capital commitments

Item	2017.6.30 (unaudited)	2016.12.31 (audited)
Acquisition of fixed assets	—	—
Authorized but not contracted	284,689,264	279,896,941
Contracted but not provided	208,966,377	231,312,902
Total	493,655,641	511,209,843

##### (2) Operating lease commitments

As at June 30, 2017 and December 31, 2016, the Group had the following commitments in respect of non-cancellable operating leases:

##### (1) As the lessor

Item	2017.6.30 (unaudited)	2016.12.31 (audited)
Minimum lease receivables under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	232,933,893	235,498,282
2nd year subsequent to the balance sheet date	229,078,670	234,920,108
3rd year subsequent to the balance sheet date	216,276,995	231,281,678
Subsequent periods	1,223,014,801	1,338,902,664
Total	1,901,304,359	2,040,602,732

(2) *As the renter*

<b>Item</b>	<b>2017.6.30 (unaudited)</b>	2016.12.31 (audited)
Minimum lease receivables under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	<b>129,531,661</b>	94,015,682
2nd year subsequent to the balance sheet date	<b>85,672,068</b>	77,213,900
3rd year subsequent to the balance sheet date	<b>68,049,218</b>	55,578,935
Subsequent periods	<b>143,229,844</b>	146,757,120
Total	<b>426,482,791</b>	373,565,637

## **XI. SIGNIFICANT SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE**

### **1. The establishment of subsidiary**

On July 14, 2017, Chaopi Trading, a subsidiary of the Company, invested and established Beijing Chaopi Huansheng International Trading Co., Ltd (Huansheng International Trading) and the registered capital of Huansheng International Trading was RMB15,000,000, which has not been paid by Chaopi Trading. The Company owned 40.72% equity of Huansheng International Trading through Chaopi Trading indirectly. The company's unified social credit code is 91110105MA00G8A42P.

### **2. Acquisition of other companies' equity interests**

On August 8, 2017, The Group entered into the equity transfer agreement with the Vendor, Shoulian Group, for the acquisition of the 85% interest of Beijing Lianchao Company Limited (Lianchao) at a total consideration of RMB244,020,502. Details of this acquisition have been disclosed in the Company's announcements dated 8 August 2017.

### **3. Other significant non-adjustment events after the balance sheet date**

Except as disclosed in Note VI. 24, as at the date of approval of the financial statements, the Group has no other events after the balance sheet date that are subject to disclosure.

## **XII. OTHER SIGNIFICANT EVENTS**

### **1. Segment reporting**

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

- The retailing segment mainly engages in the distribution of food, untagged food, daily necessities, drinks and cigarettes, hardware and household appliances;
- The wholesaling segment mainly engages in the wholesale supply of daily consumer products, including food, untagged food, beverages, drinks, cigarettes and daily necessities;
- The "others" segment comprises, principally, selling plastic packing products, hotel services and school training services.

Management monitors the results of the Group's operating segments separately aiming at making decisions about resources allocation and performance assessment.

The segment report information is disclosed according to the accounting policies and measurement standard adopted by each segment when reporting to the board of directors and these principles of measurement should be consistently with the accounting policy and measurement standard of this financial statement.

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

The transfer pricing of inter-segment is based on the market price as well as the actual transaction price.

#### Six months ended at June 30, 2017 (unaudited)

Item	Retailing	Wholesaling	Others	Inter-segment offset	Total
Operating income					
External revenue	2,498,645,877	3,681,661,580	30,396,899	-	6,210,704,356
Inter-segment revenue	19,091,864	247,272,638	11,594,582	(277,959,084)	-
Total	2,517,737,741	3,928,934,218	41,991,481	(277,959,084)	6,210,704,356
Total profit	28,294,202	55,256,547	1,123,249	-	84,673,998
Income tax expenses	6,775,313	23,262,189	314,034	-	30,351,536
Net profit	21,522,452	31,990,795	809,215	-	54,322,462
Supplementary information:					
Depreciation and amortization expenses	93,520,123	12,992,229	24,954	-	106,537,306
Impairment losses on assets	-	-	-	-	-
Capital expenditures	38,976,079	10,872,307	-	-	49,848,386

#### Six months ended at June 30, 2016 (unaudited)

Item	Detailing	Wholesaling	Others	Inter-segment offset	Total
Operating income					
External revenue	2,547,659,108	3,378,362,994	9,780,524	-	5,935,802,626
Inter-segment revenue	17,190,894	258,184,385	6,919,036	(282,294,315)	-
Total	2,564,850,002	3,636,547,379	16,699,560	(282,294,315)	5,935,802,626
Total profit	14,207,401	55,006,414	(589,430)	-	68,624,385
Income tax expenses	5,713,226	17,563,736	102,232	-	23,379,194
Net profit (loss)	8,494,175	37,442,678	(691,662)	-	45,245,191
Supplementary information:					
Depreciation and amortization expenses	95,631,825	11,747,723	25,748	-	106,405,296
Impairment losses on assets	(18,140)	-	-	-	(18,140)
Capital expenditures	46,330,884	5,192,082	38,528	-	51,561,494



**2017.6.30 (unaudited)**

Item	Retailing	Wholesale	Others	Inter-segment offset	Total
Total assets	4,127,367,147	4,772,142,390	49,747,137	(983,198,267)	7,966,058,407
Total liabilities	3,080,720,037	3,740,755,554	27,344,383	(983,198,267)	5,865,621,707

**2016.12.31 (audited)**

Item	Detailing	Wholesale	Others	Inter-segment offset	Total
Total assets	4,061,335,697	5,245,576,088	51,257,299	(975,720,999)	8,382,448,085
Total liabilities	3,061,195,073	4,173,820,376	5,684,933	(976,530,413)	6,264,169,969

**2. Other significant issues which influence the decision making of investors*****Net current assets***

Item	2017.6.30 (unaudited)	2016.12.31 (audited)
Current assets	5,546,247,909	6,011,224,528
Less: Current liabilities	5,062,623,197	5,463,543,200
Net current assets	483,624,712	547,681,328

***Total assets less current liabilities***

Item	2017.6.30 (unaudited)	2016.12.31 (audited)
Total assets	7,966,058,407	8,382,448,085
Less: Current liabilities	5,062,623,197	5,463,543,200
Total assets less current liabilities	2,903,435,210	2,918,904,885

### XIII. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

#### 1. Accounts receivable

##### (1) Presentation of accounts receivable by category

Category	2017.6.30 (unaudited)				Net book value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Rate (%)	
Receivables that are individually significant and for which bad debt provision has been assessed individually	-	-	-	-	-
Receivables for which bad debt provisions has been assessed by portfolios	247,985,465	99	-	-	247,985,465
Receivables that are not individually significant but for which bad debt provision has been assessed individually	1,753,916	1	1,753,916	100	-
Total	249,739,381	100	1,753,916		247,985,465

Category	2016.12.31 (audited)				Net book value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Rate (%)	
Receivables that are individually significant and for which bad debt provision has been assessed individually	-	-	-	-	-
Receivables for which bad debt provisions has been assessed by portfolios	264,277,638	99	-	-	264,277,638
Receivables that are not individually significant but for which bad debt provision has been assessed individually	1,753,916	1	1,753,916	100	-
Total	266,031,554	100	1,753,916		264,277,638

##### (2) Accounts receivable according to aging analysis on the basis of the date when revenue is recognized:

Aging	2017.6.30 (unaudited)			Net book value
	Carrying amount	Proportion (%)	Bad debt provision	
Within 1 year	167,985,465	67	-	167,985,465
1-2 years	-	-	-	-
2-3 years	-	-	-	-
3-4 years	-	-	-	-
4-5 years	1,753,916	1	1,753,916	-
Over 5 years	80,000,000	32	-	80,000,000
Total	249,739,381	100	1,753,916	247,985,465

(3) **Accounts receivable of related parties:**

Content of accounts receivable	2017.6.30 (unaudited)			
	Amount	Bad debt provision	Rate%	Reason
Liu Lianguo	1,753,916	1,753,916	100	Controversial debts which are unlikely to recover

2. **Other receivables**

(1) **Presentation of other receivables by category:**

Category	2017.6.30 (unaudited)				Net book value
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Rate (%)	
Other receivables that are individually significant and for which bad debt provision is assessed individually	5,537,250	1	4,224,750	76	1,312,500
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	570,814,620	99	-	-	570,814,620
Other receivables that are not individually significant but for which the bad debt provision is assessed individually.	-	-	-	-	-
Total	576,351,870	100	4,224,750	-	572,127,120

Category	2016.12.31 (audited)				Net book value
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Rate (%)	
Other receivables that are individually significant and for which bad debt provision is assessed individually	5,762,250	1	4,224,750	73	1,537,500
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	714,611,157	99	-	-	714,611,157
Other receivables that are not individually significant but for which the bad debt provision is assessed individually.	-	-	-	-	-
Total	720,373,407	100	4,224,750	-	716,148,657

(2) *Aging analysis of other receivables is as follows*

Aging	Carrying amount	2017.6.30 (unaudited)		Net book value
		Proportion %	Bad debt provision	
Within 1 year	521,594,512	91	–	521,594,512
1-2 years	49,220,108	8	–	49,220,108
2-3 years	–	–	–	–
3-4 years	–	–	–	–
4-5 years	–	–	–	–
Over 5 years	5,537,250	1	4,224,750	1,312,500
Total	576,351,870	100	4,224,750	572,127,120

(3) *Other receivables that are not individually significant but for which the bad debt provision is assessed individually as at June 30, 2017:*

Content of other receivables	Carrying amount	2017.6.30 (unaudited)		
		Bad debt provision	Rate (%)	Reason
Beijing Guanyuan Wholesale Market Company Limited	5,537,250	4,224,750	76	Full bad debt provision for the part unrecovered, according to the agreement

3. Long-term equity investment

(1) *Classification of long-term equity investments*

Item	2017.6.30 (unaudited)			2016.12.31 (audited)		
	Carrying amount	Provision for impairment	Net book value	Carrying amount	Provision for impairment	Net book value
Investment in subsidiaries	978,035,869	–	978,035,869	978,035,869	–	978,035,869
Total	978,035,869	–	978,035,869	978,035,869	–	978,035,869

(2) *Investment in subsidiaries*

Investee	2016.12.31 (audited)	Increase in the period	Decrease in the period	2017.6.30 (unaudited)	Provision for impairment for the period	Provision for impairment at period end
Jingkelong Langfang	83,980,000	–	–	83,980,000	–	–
Chaopi Trading	436,505,594	–	–	436,505,594	–	–
Xinyang Tongli	5,565,775	–	–	5,565,775	–	–
Shouchao Group	422,484,500	–	–	422,484,500	–	–
Jingkelong Tongzhou	29,000,000	–	–	29,000,000	–	–
PeixunXuexiao	500,000	–	–	500,000	–	–
Total	978,035,869	–	–	978,035,869	–	–

#### 4. Operating income and operating cost

Item	Six months ended at June 30, 2017 (unaudited)		Six months ended at June 30, 2016 (unaudited)	
	Income	Cost	Income	Cost
Principal operating	<b>2,086,040,550</b>	<b>1,779,648,849</b>	2,141,675,828	1,829,436,555
Other operating	<b>167,902,107</b>	<b>5,082,909</b>	161,593,911	1,634,939
Total	<b>2,253,942,657</b>	<b>1,784,731,758</b>	2,303,269,739	1,831,071,494

#### 5. Investment income

Item	Six months ended at June 30, 2017 (unaudited)	Six months ended at June 30, 2016 (unaudited)
Investment income from distributed dividend of subsidiaries.	<b>20,241,239</b>	19,962,950
Investment gain from buying short-term financial products	<b>332,953</b>	467,480
Total	<b>20,574,192</b>	20,430,430