

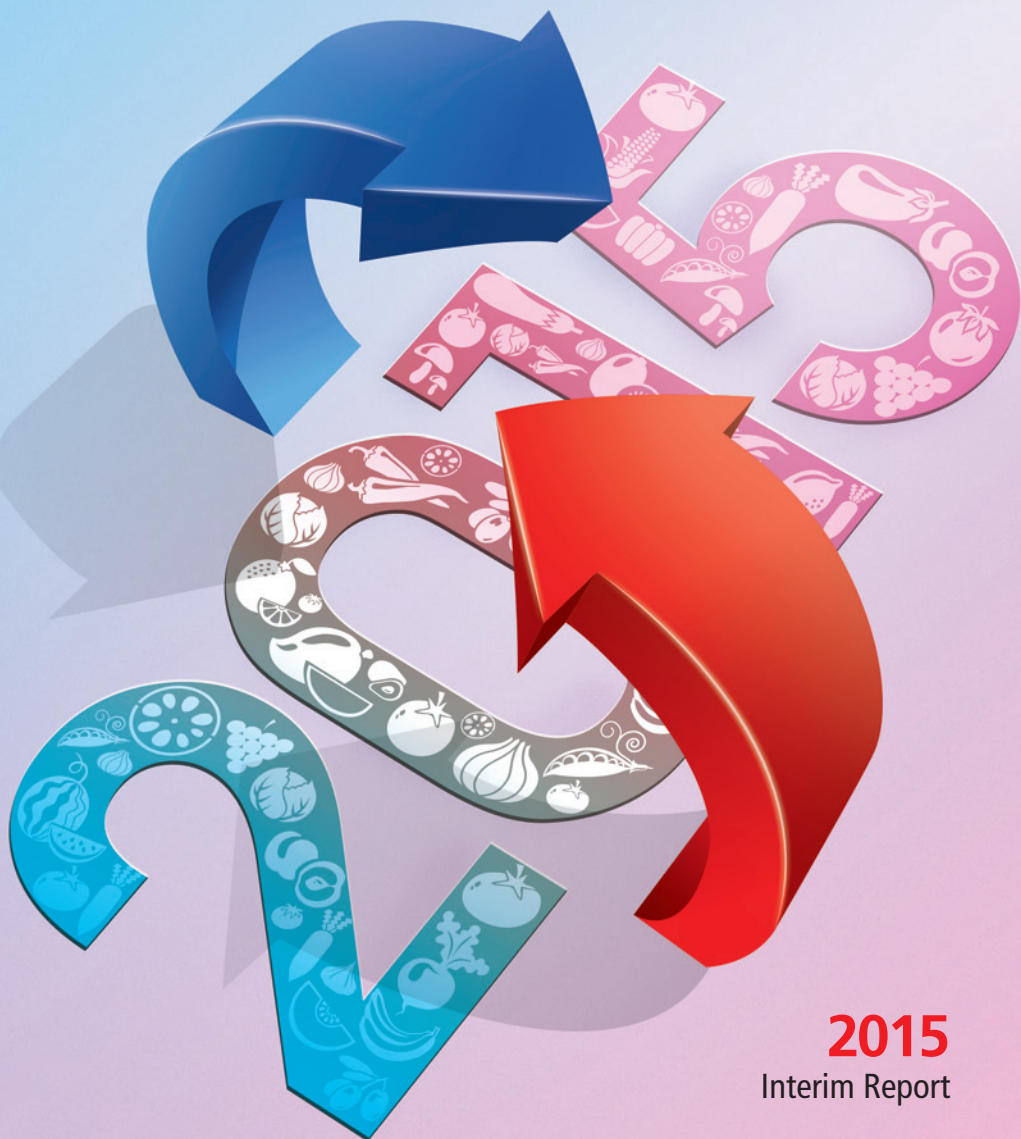
# 北京京客隆

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)

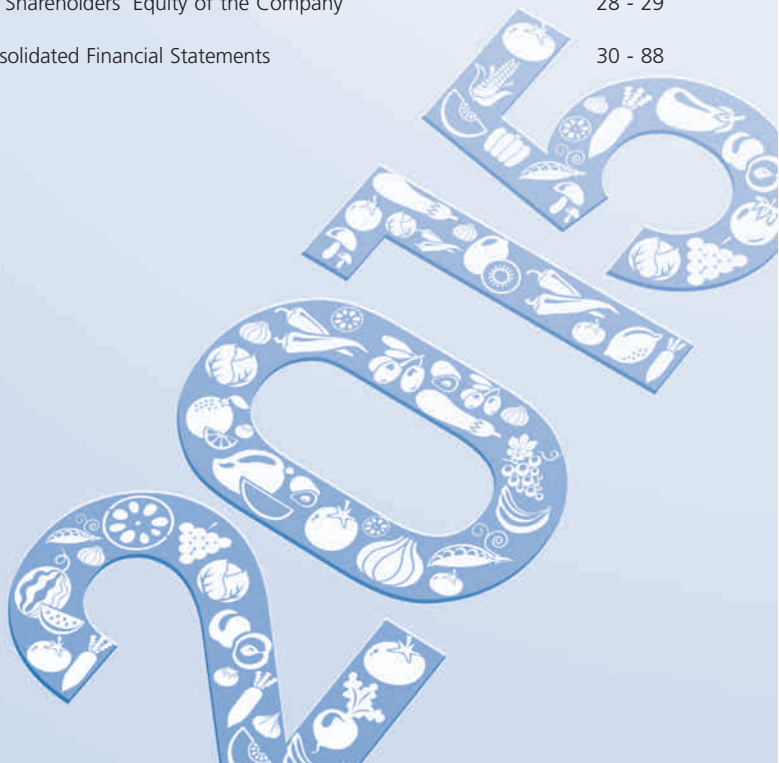


**2015**  
Interim Report



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### EXECUTIVE DIRECTORS

Mr. Li Jianwen (*Chairman*)

Ms. Li Chunyan

Mr. Liu Yuejin

#### NON-EXECUTIVE DIRECTORS

Mr. Wang Weilin

Mr. Li Wei

Mr. Li Shunxiang

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Choi Onward, *CPA*

Mr. Wang Liping

Mr. Chen Liping

### AUDIT COMMITTEE

Mr. Choi Onward, *CPA* (*Chairman*)

Mr. Wang Liping

Mr. Chen Liping

### REMUNERATION COMMITTEE

Mr. Wang Liping (*Chairman*)

Mr. Li Jianwen

Mr. Chen Liping

### NOMINATION COMMITTEE

Mr. Chen Liping (*Chairman*)

Mr. Li Jianwen

Mr. Wang Liping

### SUPERVISORS

Ms. Liu Wenyu (*Chairman*)

Ms. Wang Hong

Ms. Yao Jie

Mr. Chen Zhong

Ms. Cheng Xianghong

Mr. Yang Baoqun

### COMPANY SECRETARY

Mr. Li Bo, *CPA*

### AUTHORISED REPRESENTATIVES

Ms. Li Chunyan

Mr. Li Bo, *CPA*

### AUDITORS

Ruihua Certified Public Accountants LLP  
(瑞華會計師事務所(特殊普通合伙))



## 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

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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

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## SHAREHOLDERS' ENQUIRIES CONTACT INFORMATION OF THE COMPANY

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Tel: 0086-10-64688238  
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Chaoyang District, Beijing, PRC

## STOCK CODE

814



## FINANCIAL HIGHLIGHTS

The Group achieved the following results during the six months ended 30 June 2015:

- Revenue from principle business was RMB5,310,399,644, representing an increase of approximately 6.1% compared with last corresponding period.
- Gross profit amounted to RMB678,211,807, representing an increase of approximately 1.4% compared with last corresponding period.
- Total profit amounted to RMB70,383,057, representing a decrease of approximately 11.9% compared with last corresponding period.
- Profit attributable to shareholders of the parent company was RMB21,040,066, representing a decrease of approximately 28.3% 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

During the Reporting Period, the macro economy continued to be subject to severe downside pressure. Amid a complex environment featured by the shifting pace of economic growth as well as the economic restructuring and adjustments, the wholesale and retail sectors for fast-moving consumer goods remained under pressure. Facing the strong impact arising from e-commerce and mobile internet as well as the pressure from the rising corporate operating costs, the Group carried out adjustments and restructuring gradually by integrating the elements of the Internet technology into the existing characters and resource advantages of offline retail stores, so as to cater for the and new trends of consumer demand and changes in consumption patterns. In order to strive to curb the downtrend in profitability, the Group continued to implement refined marketing strategies, enrich product lines and consolidate bonding with its customers.

### RETAIL BUSINESS

#### *IMPROVING FOUNDATION WORK FOR SUPPLY CHAIN MANAGEMENT TO ENHANCE COMPETITIVENESS OF MERCHANDISE*

During the Reporting Period, in order to deal with the impact of e-commerce on the price of the merchandise, when researching and comparing the market prices offered by rival retail stores, the Group had introduced the collection and analysis of the prices of e-commerce goods into the mechanism. In particular, the Group conducted ongoing market research and analysis of more than a thousand price-sensitive basic and key products as well as special products, and tracked the market prices of certain raw material goods in order to apprehend the trend in the changes of the costs of raw materials. On this basis, the Group stepped up its efforts in renegotiating with suppliers on prices to maintain the market competitiveness of the prices of its goods.

The Group continued to develop tailored goods by increasing its proportion in the categories of staple food, pastries, snack food and daily groceries, and stepped up efforts to expand the category and variety of imported goods to cater for the new changes in consumer demands and to increase the added value of its goods.

The Group continued to introduce new direct delivery bases for fresh produce and respect of each of the delivery bases, the Group has established with such base the type, quantity, supply period and quality standards required. On this foundation, the bases were able to make annual plans in respect of the place of origin, the production season and the production quantity to ensure supply to the Group. The Group continued to push forward the early processing of fruits, vegetables and pork designed rough processing standards and operating procedures on the basis of existing procurement standards. With rough-processing and quantitative packaging of fresh produce at the bases, the merchandising of fresh produce had gradually moved towards the standardizing approach to alleviate the pressure on using workforce at retail stores, and at the same time reduce damage of such fresh produce.



### *ENHANCING MERCHANDISING CAPABILITY OF FRESH PRODUCE THROUGH IMPOSING STANDARDISED BUSINESS MANAGEMENT PRACTICES*

During the Reporting Period, in order to improve the operation conditions for fresh produce at retail stores, the facilities for the display of fresh produce at retail stores were replaced, and the layout of the fresh produce areas was rearranged. By means of replacing facilities and rearranging the layout, the operating area for fresh produce has expanded, serving as a basis for applying a unified display standard. Standardised management practices were applied to the variety, display, ordering, inspection, storage, shelving and clearing of fresh produce as well as to post division, shift management and performance incentives to improve the merchandising capability of fresh produce, and in turn enhance the capability of retail stores to attract customers and boost the overall sales at retail stores.

### *RAISING THE LEVEL OF REFINEMENT THROUGH DATA ANALYSIS*

During the Reporting Period, focus was placed on the integration of operational data to identify problems ranging from the relationship between per customer transaction and customer flow, the relationship between sales and customer flow as well as the ranking of sales of goods. Targeting on the abnormal sales of certain goods, focused analysis was conducted in respect of areas such as the prices, shortage of supply, rival retail stores and associated goods. Further data collections conducted at specific intervals in respect of new products such that the state of introduction of such new products could be tracked in a timely manner through analysing the sales and inventory data. By ranking and comparing inventory amounts, cost of sales and number of turnover days for special goods, based on the classification of suppliers and retail stores, the Group was able to identify the operational risks that arising from the sale of such special goods. The data analysis on various promotional schedules as well as the relevant marketing efforts and effects had utilised the advantage of the marketing approach evaluation mechanism, which played a role in shifting the marketing approach from extensive promotion to refined marketing.

### *INTRODUCING THE MOBILE PAYMENT FUNCTION*

In consideration of the new consumption habit of mobile payment via handset and the customers' demand for more convenient payment methods from offline retail stores, the Group officially launched an online Wechat payment feature at its offline retail stores since 1 May 2015, with which consumers can settle payments at retail stores by using their Wechat wallets on mobile phones, thus providing them with a convenient payment option and improving the speed of bill settlement. On this basis, a Wechat goods pre-sale event was launched on the Jingkelong Wechat public platform. In the first "1.5 kg Guiwei litchi Wechat Advance Selling Event", the advance booking of goods were successfully sold within 3.5 hours, and the product quality and shopping experience won recognition and acclaim from consumers.



## *OPTIMISING LOGISTICS AND DISTRIBUTION MANAGEMENT TO BOOST LOGISTICS EFFICIENCY*

The operation of the disassembling and auto-sorting system has changed the conventional manual disassembling operation model, raised the level of automation and the degree of mechanisation at the normal-temperature distribution centre and increased the accuracy of the out stock of goods. During the Reporting Period, the Group continued to proceed with logistics standardisation by transforming some of the storage shelves into gravity-based, freestyle shelves, and building a standardised pallet storage platform for the storage of large quantities of goods in entire columns and lots to increase the capacity of the distribution centre. The Group also continued to optimise the booking requirements for taking delivery of goods, pre-arranged terminals, staff and logistics pallets to save manpower and resources. The Group tightened up the management of in stock and out stock of goods, in particular to strengthen the management of the in stock of disassembled bulk goods as well as the control and clearance of dead stock to shorten the inventory turnover days.

## *STRENGTHENING FOOD SAFETY MANAGEMENT*

During the Reporting Period, in order to ensure the quality and safety of goods, the Group carried out stringent monitoring of the quality of goods by implementing a mechanism for carrying out both daily self-inspection and product quality sampling inspection to remove any potential safety hazards. The Group strengthened food safety management in various aspects including the introduction of goods, verification of qualifications and quality control. Further, the Group stringently complied with food safety laws and regulations, and proactively established a corporate food safety management system. Through the launch of activities during the food security communications week and the summer food quality and safety month, the Group has stepped up the promotional and inspection work on food security and inspected the goods to ensure that they are safe for consumption. By taking the production work safety management month as an opportunity, the Group continued strengthening education about safety in production, and enhanced the awareness of food safety among all staff.

## *PRUDENTLY DEVELOPING THE RETAIL NETWORK*

During the Report Period, the Group expanded the scale of its stores prudently, opened 1 retail stores. Due to reasons such as the expiration of the term of leasing and modification, during the Reporting Period, 7 directly-operated convenience stores and 9 franchise-operated convenience stores were closed. In addition, the Group renovated and upgraded 3 supermarket and 3 convenience stores.




The total number of the Group's retail outlets was 270 as at 30 June 2015, including 195 directly-operated outlets and 75 franchise-operated outlets, with a total net operating area of 317,234 square metres. The following table sets out the number and net operating area of the Group's retail outlets as at 30 June 2015:

	Department stores	Hypermarkets	Supermarkets	Convenience stores	Total
Number of retail outlets:					
Directly-operated	2	12	73	108	195
Franchise-operated	–	–	1	74	75
<b>Total</b>	<b>2</b>	<b>12</b>	<b>74</b>	<b>182</b>	<b>270</b>
Net operating area (square metres):					
Directly-operated	39,742	86,089	156,619	20,202	302,652
Franchise-operated	–	–	880	13,702	14,582
<b>Total</b>	<b>39,742</b>	<b>86,089</b>	<b>157,499</b>	<b>33,904</b>	<b>317,234</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 (%)
	2015 RMB'000	2014 RMB'000	
<b>Directly-operated retail outlets:</b>			
Hypermarkets	<b>685,072</b>	684,008	0.2
Supermarkets	<b>1,502,983</b>	1,541,771	(2.5)
Convenience stores	<b>158,464</b>	166,768	(5.0)
Department stores (including commissions)	<b>25,212</b>	26,662	(5.4)
	<b>21,814</b>	22,719	(4.0)
Online retail business	<b>17,921</b>	–	–
<b>Total retail principal operating income</b>	<b>2,389,652</b>	2,419,209	(1.2)
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	<b>15.0</b>	15.7	(0.7)



During the Reporting Period, the retail principal operating income of the Group decreased by approximately 1.2% mainly due to the following reasons: (i) an overall same-store sales decrease of approximately 1.56% during the Reporting Period; (ii) the influence of intensive market competition and fast development of e-commerce; and (iii) the impact of the temporary closure of stores due to reconstruction and renovation work.

During the Reporting Period, gross profit margin of the directly-operated retail business (excluding department stores) decreased from 15.7% of the last corresponding period to 15.0%, mainly because of : (i) the launch of sales promotions by the Group in order to benefit the customers had in turn reduced the gross profit margin; and (ii) the gross profit margin in retail business decreased due to the bargain storm provoked by fierce market competition in the industry and the e-commerce.

## WHOLESALE BUSINESS

### *CONTINUING TO EXPAND THE E-COMMERCE SUPPLIER BUSINESS*

During the Reporting Period, to deal with the rapid development of the e-commerce market, the Group has utilised its advantages of the existing network resources with offline suppliers, to expand cooperation with e-commerce platforms, thereby enhancing the professional and service standards of the e-commerce supplier business, and brought the existing offline brands, for which it acted as a distributor and an agent, to various major online platforms for the overall development of online and offline categories in all channels. By setting up logistics branch warehouses in Shanghai, Guangzhou and Chengdu, launching apps for mobile phones and developing a Wechat-based business system, the Group raised its service standards as an e-commerce supplier on an ongoing basis.

### *OPTIMIZING BRAND STRUCTURE AND CULTIVATING NEW ADVANTAGES IN BRAND RESOURCES*

During the Reporting Period, the Group continued to bring in new suppliers and new brands for which it acted as a distributor and an agent, and improved brand upgrades and updates to enhance its brand structure. The Group focused on the sharing of existing brand resources in Beijing and Hebei region, proceeded with the synergetic development of the existing brands in the Beijing-Tianjin-Hebei region, and with the maturing and development of the imported goods market, the Group has stepped up the introduction of channels and the sales of imported goods.

### *APPLYING LOGISTICS STANDARDISATION PROJECTS TO ALIGN WITH INTERNATIONAL STANDARDS*

During the Reporting Period, the Group, as one of the business entities under the pilot scheme of the Ministry of Commerce for special logistics standardisation initiatives, proactively proceeded with adopting the use of interchangeable pallets and the policy of exempting of goods from inspection for the purpose of accelerating logistics standardisation. By unifying pallet standards among suppliers and retail customers, inspection was gradually exempted when taking delivery of goods, hence the delivery process was simplified and loss due to multiple loading and unloading of goods was reduced. The delivery efficiency has therefore improved and the logistics costs has been reduced.

## 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 (%)
	2015 RMB'000	2014 RMB'000	
Wholesale principal operating income recognised by Chaopi Group*	<b>3,202,149</b>	2,842,314	12.7
Less: Intersegment Sales	<b>(291,790)</b>	(271,353)	7.5
Sales to franchisees	<b>2,846</b>	3,399	(16.3)
<b>Consolidated wholesale principal operating income</b>	<b>2,913,205</b>	2,574,360	13.2
<b>Gross profit margin**(%)</b>	<b>9.3</b>	9.4	(0.1)

\* 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 increased by approximately 13.2%, 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 new subsidiaries in the first half of 2015; and (iii) the sales contribution from the distribution of newly introduced distribution brands.

During the Reporting Period, the gross profit margin was 9.3%, which maintained almost the same level over the 9.4% in the corresponding period.

## FINANCIAL RESULTS

	For the six months ended 30 June		Variance (%)
	2015 RMB'000	2014 RMB'000	
Principal operating income	<b>5,310,400</b>	5,004,423	6.1
Gross profit	<b>678,212</b>	669,171	1.4
Gross profit margin (%)	<b>12.8%</b>	13.4%	(0.6)
Earnings before interest and tax	<b>154,190</b>	166,070	(7.2)
Net profit	<b>48,526</b>	55,960	(13.3)
Net profit margin (%)	<b>0.9%</b>	1.1%	(0.2)
Net profit attributable to shareholders of the parent company	<b>21,040</b>	29,361	(28.3)
Net profit margin attributable to shareholders of the parent company (%)	<b>0.4%</b>	0.6%	(0.2)





### *PRINCIPAL OPERATING INCOME*

During the Reporting Period, the Group's principal operating income increased by approximately 6.1%, of which retail principal operating income decreased by approximately 1.2%, and wholesale principal operating income increased by approximately 13.2%.

### *GROSS PROFIT AND GROSS PROFIT MARGIN*

During the Reporting Period, the gross profit of the Group increased by approximately 1.4% compared with the last corresponding period. During the Reporting Period, the gross profit margin was 12.8% (last corresponding period: 13.4%).

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

During the Reporting Period, net profit attributable to shareholders of the parent company decreased by approximately 28.3% compared with the last corresponding period. The earnings before interest and tax amounted to RMB154,189,522, representing a decrease of RMB11,880,178 compared with the last corresponding period, and the net profit attributable to shareholders of the parent company decreased from RMB29,361,008 of the last corresponding period to RMB21,040,066.

## **LIQUIDITY AND FINANCIAL RESOURCES**

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

As at 30 June 2015, the Group had non-current assets of RMB2,413,776,429 (comprising mainly fixed assets, investment properties, and land use rights for a total of RMB1,434,554,087), and non-current liabilities of RMB790,195,525 (comprising mainly bonds payable of RMB745,473,076).

As at 30 June 2015, the Group had current assets of RMB4,784,030,191. Current assets mainly comprised of cash and cash equivalents of RMB519,553,725, inventories of RMB1,270,842,011, accounts receivable of RMB1,578,247,457 and prepayments and other receivables of RMB1,158,477,065. The Group had current liabilities of RMB4,350,956,537. Current liabilities mainly comprised of notes payable and accounts payable of RMB1,565,482,543, short term bank loans of RMB1,876,901,602 and other payables of RMB204,136,765.

## **INDEBTEDNESS AND PLEDGE OF ASSETS**

As at 30 June 2015, the Group had bank loans of RMB2,006,901,602, which consisted of accounts receivable factored bank loans of RMB123,651,602, secured bank loans of RMB130,000,000, unsecured bank loans of RMB1,753,250,000. All the Group's bank loans bear interest rates ranging from 4.79% to 6.90% per annum. The secured bank loans were secured by certain of the Group's buildings, land use rights, and investment properties with an aggregate net book value of RMB145,982,722 on 30 June 2015.

Certain of the Group's margin deposit of RMB125,493,386 were pledged for notes payable of RMB557,226,790 as at 30 June 2015.

The Group's gearing ratio\* was approximately 71.4% as at 30 June 2015, which was slightly higher than approximately 70% 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 2015, the Group employed 8,102 employees domestically (as at 30 June 2014: 8,426 employees). The total staffing costs (including directors' and supervisors' remunerations) of the Group for Reporting Period amounted to RMB382,096,587 (corresponding period of 2014: RMB337,307,632). 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 2015, the Group did not have any significant contingent liabilities.

## ESTABLISHMENT OF ONE SUBSIDIARY

On 29 January 2015, the Company, through its non-wholly owned subsidiary Chaopi Trading established a subsidiary, Beijing Chaopi Zhaoyang E-commerce Company Limited ("Chaopi Zhaoyang"), to engage in the e-commerce business. The registered capital of Chaopi Zhaoyang was RMB20,000,000, which has been fully paid up by Chaopi Trading. The Company held an indirect equity interest of approximately 79.85% in Chaopi Zhaoyang.

## COMPLETE THE CAPITAL INCREASE OF TWO NON-WHOLLY OWNED SUBSIDIARIES

On 17 March 2015, Chaopi Trading contributed an additional capital injection amounted to RMB10,000,000, which has been fully paid up by Chaopi Trading, into a wholly owned subsidiary, Taiyuan Chaopi Trading Company Limited ("Taiyuan Chaopi"), increasing the registered capital of Taiyuan Chaopi from RMB5,000,000 to RMB15,000,000. After the increase of registered capital, the Company became a holder of an indirect equity interest of approximately 79.85% in Taiyuan Chaopi.

On 22 April 2015, the Group, through its non-wholly owned subsidiary Beijing Chaopi Jinglong Oil Sales Company Limited ("Chaopi Jinglong") and an existing investor collectively contributed an additional capital injection amounted to RMB12,000,000, to Beijing Chaopi Yuli Trading Company Limited ("Chaopi Yuli"), which has been fully paid up by Chaopi Jinglong and such existing investor, increasing the registered capital of Chaopi Yuli from RMB12,000,000 to RMB24,000,000. After the increase of registered capital, the Company became a holder of an indirect equity interest of approximately 30.31% in Chaopi Yuli.

## OUTLOOK

The economy will continue to be subject to prominent downside pressure in the second half of 2015. The Group, as a conventional FMCG wholesaler and retailer, will continue to bear a certain degree of downside pressure. However, with the adjustment of the integrated strategic layout of the Beijing-Tianjin-Hebei region and the accelerated pace of constructing Beijing as an international city, there will also be new opportunities for traditional retail and wholesale industry. On one hand, while continuing to adhere to the principles as a retailer, the Group will integrate internet and mobile internet technology into the current offline business to eventually divert customers to physical retail stores to achieve sales growth. On the other hand, the Group will continue to adopt a consumer demand-oriented approach by making full use of its regional characteristics and advantages in its concentrated of resources to boost the integrated operation of the retail and wholesale businesses.





## EVENTS AFTER THE REPORTING PERIOD

On 3 July 2015, Chaopi Trading and an existing investor collectively contributed an additional capital injection amounted to RMB16,250,000 and RMB8,750,000 respectively into a non-wholly owned subsidiary, Beijing Chaopi Maolisheng Company Limited (“Chaopi Maolisheng”), increasing the registered capital of Chaopi Maolisheng from RMB50,000,000 to RMB75,000,000. Chaopi Trading has paid up its subscribed capital contribution, the existing investor has paid up 7,000,000 and the remaining 1,750,000 has not been paid up in place. After the increase of registered capital, the Company became a holder of an indirect equity interest of approximately 51.90% in Chaopi Maolisheng.

## 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 2015 unaudited interim consolidated results. The Audit Committee considered that the interim financial report for the six months ended 30 June 2015 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 2015, the interests and positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules, were as follows:

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

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

Save as disclosed above, as at 30 June 2015, 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 2015, so far as is known to the directors, supervisors or chief executive of the Company, the persons (other than a director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

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

### Positions in the H shares of the Company

Name	Total number of H shares held	Approximate percentage of total issued H shares (%)	Approximate percentage of total issued shares (%)
Schroders Plc (Note 1)	19,977,000(L)	10.96	4.85
Templeton Asset Management Ltd. (Note 2)	18,314,900(L)	10.05	4.44
JPMorgan Chase & Co. (Note 3)	16,560,900(L)	9.09	4.02
Schroder Investment Management (Hong Kong) Limited (Note 4)	16,560,900(P) 13,036,000(L)	9.09 7.16	4.02 3.16


(L) – Long Position

(P) – Lending Pool

Note:

1. These 19,977,000 H shares were held by Schroders Plc in its capacity as an investment manager.
2. These 18,314,900 H shares were held by Templeton Asset Management Limited in its capacity as an investment manager.
3. These 16,560,900 H shares were held by JP Morgan Chase & Co. were in its capacity as a custodian corporation/an approved lending agent of which 16,560,900 H shares were in a lending pool.
4. These 13,036,000 H shares were held by Schroder Investment Management (Hong Kong) Limited 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 2015, 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

26 August 2015

*As at the date of this report, the executive directors of the Company are Mr. Li Jianwen, Ms. Li Chunyan and Mr. Liu Yuejin; the non-executive directors are Mr. Wang Weilin, Mr. Li Wei, Mr. Li Shunxiang; and the independent non-executive directors are Mr. Wang Liping, Mr. Chen Liping and Mr. Choi Onward.*



## REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

RHYZ [2015] 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, 2015, 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, 2015, 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 Accountant: Zhou Huiyan*

*Chinese Certified Public Accountant: Zhang Youquan*

August 26, 2015

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

# CONSOLIDATED BALANCE SHEETS OF THE GROUP AND BALANCE SHEETS OF THE COMPANY

AT JUNE 30, 2015

Currency: RMB

Item	Notes	Group		Company	
		2015.6.30 (unaudited)	2014.12.31 (audited)	2015.6.30 (unaudited)	2014.12.31 (audited)
<b>Current Assets:</b>					
Cash and bank balances	(V)1	645,047,111	536,839,101	188,508,705	145,369,262
Financial assets at fair value through profit or loss					
Derivative financial assets					
Notes receivable					
Accounts receivable	(V)2/(XIII)1	1,578,247,457	1,674,135,328	264,829,662	262,791,528
Prepayments	(V)3	944,304,047	649,633,624	21,025,140	1,814,092
Interest receivable					
Dividends receivable					
Other receivables	(V)4/(XIII)2	214,173,018	132,051,916	665,325,840	583,444,731
Inventories	(V)5	1,270,842,011	1,483,886,458	252,043,430	301,217,861
Assets classified as held-for-sale					
Non-current assets due within one year					
Other current assets	(V)6	131,416,547	289,777,639	545,141,360	530,480,720
<b>Total current assets</b>		<b>4,784,030,191</b>	<b>4,766,324,066</b>	<b>1,936,874,137</b>	<b>1,825,118,194</b>
<b>Non-current assets:</b>					
Available-for-sale financial assets	(V)7	5,648,000	4,578,000		
Held-to-maturity financial assets					
Long-term receivables					
Long-term equity investments	(XIII)3			973,635,094	973,635,094
Investment properties	(V)8	144,513,568	147,805,414	61,980,730	63,591,071
Fixed assets	(V)9	1,128,655,393	1,181,654,479	870,822,902	909,578,720
Construction in progress	(V)10	103,036,448	94,384,816	92,856,152	89,304,695
Project materials					
Disposal of fixed assets		331,479		340,907	
Biological assets					
Oil and gas assets					
Intangible assets	(V)11	195,653,784	196,846,698	89,801,106	89,862,330
Development costs					
Goodwill	(V)12	86,673,788	86,673,788		
Long-term prepaid expenses	(V)13	559,394,703	584,780,164	468,055,550	484,820,106
Deferred tax assets	(V)14	29,555,047	28,051,865		
Other non-current assets	(V)15	160,314,219	150,403,808	5,067,355	105,163,435
<b>Total non-current assets</b>		<b>2,413,776,429</b>	<b>2,475,179,032</b>	<b>2,562,559,796</b>	<b>2,715,955,451</b>
<b>TOTAL ASSETS</b>		<b>7,197,806,620</b>	<b>7,241,503,098</b>	<b>4,499,433,933</b>	<b>4,541,073,645</b>

# CONSOLIDATED BALANCE SHEETS OF THE GROUP AND BALANCE SHEETS OF THE COMPANY (Continued)

AT JUNE 30, 2015

Currency: RMB

Item	Notes	Group		Company	
		2015.6.30 (unaudited)	2014.12.31 (audited)	2015.6.30 (unaudited)	2014.12.31 (audited)
<b>Current Liabilities:</b>					
Short-term borrowings	(M)16	1,876,901,602	2,172,490,151	900,000,000	840,000,000
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities					
Notes payable	(M)17	557,226,790	76,088,972		
Accounts payable	(M)18	1,008,255,753	1,150,842,260	722,527,066	724,206,529
Advance from customers	(M)19	380,251,084	479,918,595	341,936,284	407,568,122
Payroll payable	(M)20	2,023,173	1,935,503	1,593,778	1,246,433
Taxes payable	(M)21	93,258,730	68,394,409	8,584,148	11,899,877
Interest payable					
Dividends payable	(M)22	29,700,166	5,545,226	17,783,066	312,626
Other payables	(M)23	204,136,765	184,306,314	98,177,629	127,605,754
Liabilities classified as held-for-sale					
Non-current liabilities due within one year	(M)24	130,000,000	73,000,000	130,000,000	73,000,000
Other current liabilities	(M)25	69,202,474	49,290,684	55,963,437	34,908,470
<b>Total current liabilities</b>		<b>4,350,956,537</b>	<b>4,261,812,114</b>	<b>2,276,565,408</b>	<b>2,220,747,811</b>
<b>Non-current liabilities:</b>					
Long-term borrowings	(M)26		95,000,000		95,000,000
Bonds payable	(M)27	745,473,076	744,820,080	745,473,076	744,820,080
Including: Preferred shares					
Perpetual bonds					
Long-term payables					
Long-term payroll payable					
Special payable					
Provision	(M)28	910,612	910,612	910,612	910,612
Deferred tax liabilities	(M)14	5,044,475	4,715,063	2,313,872	2,366,461
Other non-current liabilities	(M)29	38,767,362	39,179,834	23,835,102	26,041,607
<b>Total non-current liabilities</b>		<b>790,195,525</b>	<b>884,625,589</b>	<b>772,532,662</b>	<b>869,138,760</b>
<b>TOTAL LIABILITIES</b>		<b>5,141,152,062</b>	<b>5,146,437,703</b>	<b>3,049,098,070</b>	<b>3,089,886,571</b>
<b>SHAREHOLDERS' EQUITY:</b>					
Share capital	(M)30	412,220,000	412,220,000	412,220,000	412,220,000
Other equity instruments					
Including: Preferred shares					
Perpetual bonds					
Capital reserves	(M)31	609,045,676	609,045,676	610,293,521	610,293,521
Less: Treasury shares					
Other comprehensive income	(M)32	3,973,500	3,171,000		
Special reserves					
Surplus reserves	(M)33	135,571,025	135,571,025	111,793,791	111,793,791
General risk reserves					
Undistributed profits	(M)34	473,489,914	493,671,848	316,028,551	316,879,762
Total equity attributable to shareholders of the parent company		1,634,300,115	1,653,679,549		
Minority interests		422,354,443	441,385,846		
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,056,654,558</b>	<b>2,095,065,395</b>	<b>1,450,335,863</b>	<b>1,451,187,074</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>7,197,806,620</b>	<b>7,241,503,098</b>	<b>4,499,433,933</b>	<b>4,541,073,645</b>

The notes as set out from page 30 to 88 form an integral part of the financial statements.

The financial statements as set out from pages 18 to 29 have been signed by

Legal Representative  
**Li Jianwen**

Chief Financial Officer  
**Li Chunyan**

Chief Accountant  
**Pei Lianhuan**

# CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED AT JUNE 30, 2015

Currency: RMB

Item	Notes	Six months ended at June 30, 2015 (unaudited)	Six months ended at June 30, 2014 (unaudited)
<b>I. Total operating income</b>		<b>5,814,510,671</b>	5,445,920,835
Including: Operating income	(M)35	5,814,510,671	5,445,920,835
<b>II. Total operating costs</b>		<b>5,748,237,350</b>	5,370,291,226
Including: Operating cost	(M)35	4,639,447,106	4,339,049,338
Business tax and surcharges		40,717,042	35,742,868
Selling expenses	(M)36	847,254,210	771,715,032
Administrative expenses	(M)37	141,187,016	141,548,860
Financial expenses	(M)38	79,484,445	82,144,696
Impairment losses on assets		147,531	90,432
Add: Gains or losses on changes in fair value			
Investment income	(M)39	653,363	1,958,307
Including: Investment income in associates and joint ventures			
<b>III. Operating profit</b>		<b>66,926,684</b>	77,587,916
Add: Non-operating income		4,927,983	4,174,128
Including: Gains from disposal of non-current assets			
Less: Non-operating expenses		1,471,610	1,890,640
Including: Losses from disposal of non-current assets			
		31,691	1,288,218
<b>IV. Total profit</b>		<b>70,383,057</b>	79,871,404
Less: Income tax expenses	(M)40	21,857,356	23,911,445
<b>V. Net profit</b>		<b>48,525,701</b>	55,959,959
Net profit attributable to shareholders of the parent company		21,040,066	29,361,008
Profit or loss attributable to minority interests		27,485,635	26,598,951
<b>VI. Net value of other comprehensive income after tax</b>		<b>802,500</b>	(903,000)
Net value of other comprehensive income attributable to shareholders of the parent company after tax	(M)32	802,500	(903,000)
(I) Other comprehensive income which can not be reclassified into profit or loss subsequently			
1. Remeasurement of changes in net defined benefit liabilities or assets			
2. Share in investee's other comprehensive income which can not be reclassified into profit or loss under equity method.			

## CONSOLIDATED INCOME STATEMENT (Continued)

FOR THE SIX MONTHS ENDED AT JUNE 30, 2015

Currency: RMB

Item	Notes	Six months ended at June 30, 2015 (unaudited)	Six months ended at June 30, 2014 (unaudited)
(II) Other comprehensive income which can be reclassified into profit or loss subsequently	(VI)32	802,500	(903,000)
1. Share in investee's other comprehensive income which can be reclassified into profit or loss subsequently under equity method.			
2. Gains or losses from changes in fair value of available-for-sale financial assets	(VI)32	802,500	(903,000)
3. Held-to-maturity investment reclassified to gains or losses of available-for-sale financial assets			
4. The effective portion of cash flow hedges profits and losses			
5. Translation differences of financial statements denominated in foreign currencies			
6. Other			
Net value of other comprehensive income attributable to minority interests after tax			
<b>VII. Total comprehensive income</b>		<b>49,328,201</b>	55,056,959
Total comprehensive income attributable to shareholders of the parent company		<b>21,842,566</b>	28,458,008
Total comprehensive income attributable to minority interests		<b>27,485,635</b>	26,598,951
<b>VIII. Earnings per share</b>			
(I) Basic earnings per share	(VI)41	0.05	0.07
(II) Dilutive earnings per share			

The notes on page 30 to 88 form an integral part of the financial statements.

The financial statements as set out from page 18 to 29 have been signed by:

Legal Representative  
Li Jianwen

Chief Financial Officer  
Li Chunyan

Chief Accountant  
Pei Lianhuan

# INCOME STATEMENT OF THE COMPANY

FOR THE SIX MONTHS ENDED AT JUNE 30, 2015

Currency: RMB

Item	Notes	Six months ended at June 30, 2015 (unaudited)	Six months ended at June 30, 2014 (unaudited)
<b>I. Operating income</b>	(XIII)4	<b>2,357,748,465</b>	2,415,144,107
Less: Operating cost	(XIII)4	<b>1,883,486,425</b>	1,918,411,562
Business tax and surcharges		<b>17,223,692</b>	15,475,023
Selling expenses		<b>357,313,271</b>	353,887,615
Administrative expenses		<b>81,053,698</b>	85,425,287
Financial expenses		<b>21,888,366</b>	24,106,508
Impairment losses on assets		<b>147,531</b>	90,432
Add: Gains or losses on changes in fair value			
Investment income	(XIII)5	<b>40,392,135</b>	41,623,371
Including: Investment income in associates and joint ventures			
<b>II. Operating profit</b>		<b>37,027,617</b>	59,371,051
Add: Non-operating income		<b>3,943,466</b>	4,093,220
Including: Gains from disposal of non-current assets			
Less: Non-operating expenses		<b>354,984</b>	332,373
Including: Losses from disposal of non-current assets		<b>10,597</b>	12,323
<b>III. Total profit</b>		<b>40,616,099</b>	63,131,898
Less: Income tax expenses		<b>245,310</b>	5,649,537
<b>IV. Net profit</b>		<b>40,370,789</b>	57,482,361



## INCOME STATEMENT OF THE COMPANY (Continued)

FOR THE SIX MONTHS ENDED AT JUNE 30, 2015

Currency: RMB

Item	Six months ended at June 30, 2015 (unaudited)	Six months ended at June 30, 2014 (unaudited)
<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 investee's other comprehensive income which 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 investee's other comprehensive income which can be reclassified into profit or loss subsequently under equity method		
2. Gains or losses from changes in fair value of available-for-sale financial assets		
3. Held-to-maturity investment reclassified to gains or losses of available-for-sale financial assets		
4. The effective portion of cash flow hedges profits and losses		
5. Translation differences of financial statements denominated in foreign currencies		
6. Other		
<b>VI. Total comprehensive income</b>	<b>40,370,789</b>	57,482,361
<b>VII. Earnings per share</b>		
(I) Basic earnings per share		
(II) Dilutive earnings per share		

The notes on page 30 to 88 form an integral part of the financial statements.

The financial statements as set out from page 18 to 29 have been signed by:

Legal Representative  
**Li Jianwen**

Chief Financial Officer  
**Li Chunyan**

Chief Accountant  
**Pei Lianhuan**



# CONSOLIDATED CASH FLOW STATEMENT OF THE GROUP AND CASH FLOW STATEMENT OF THE COMPANY

FOR THE SIX MONTHS ENDED AT JUNE 30, 2015

Currency: RMB

Item	Notes	Group		Company	
		Six months ended at June 30, 2015 (unaudited)	Six months ended at June 30, 2014 (unaudited)	Six months ended at June 30, 2015 (unaudited)	Six months ended at June 30, 2014 (unaudited)
<b>I. Cash flows from operating activities:</b>					
Cash received from selling goods and rendering services		6,152,861,928	6,428,881,045	2,164,099,443	2,642,493,580
Tax and surcharges refunds received					
Other cash received relating to operating activities		158,035,868	102,674,217	4,308,017	73,060,122
Subtotal of cash inflows from operating activities		6,310,897,796	6,531,555,262	2,168,407,460	2,715,553,702
Cash paid for purchasing goods and receiving services		4,790,513,803	5,063,813,450	1,871,190,504	2,234,146,381
Cash payments to and on behalf of employees		382,810,931	337,671,618	201,944,080	195,175,226
Taxes and surcharges paid		182,115,498	157,693,737	84,781,384	68,447,575
Other cash paid related to operating activities		440,165,727	470,325,422	2,784,013	155,967,992
Subtotal of cash outflows from operating activities		5,795,605,959	6,029,504,227	2,160,699,981	2,653,737,174
Net cash flow from operating activities	(VI)42	515,291,837	502,051,035	7,707,479	61,816,528
<b>II. Cash flows from investing activities:</b>					
Cash received from disposal of investment		965,300,000	1,324,469,318	725,100,000	1,295,588,804
Cash received from investment income		653,363	8,953,349	64,594,351	59,717,521
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		379,796	626,335	198,349	134,194
Net cash received from disposal of subsidiaries and other business units					
Other cash received relating to investment activities		4,153,167		250,000,000	
Subtotal of cash inflows from investing activities		970,486,326	1,334,049,002	1,039,892,700	1,355,440,519
Cash paid for acquisition fixed assets, intangible assets and other long-term assets		54,331,694	50,962,538	40,177,316	40,266,062
Cash paid for investments		849,200,000	1,301,311,326	635,000,000	1,095,588,804
Net cash paid for acquisition of subsidiaries and other business units					
Other cash paid relating to investing activities		122,275,592	63,500,000	300,000,000	115,000,000
Subtotal of cash outflows from investing activities		1,025,807,286	1,415,773,864	975,177,316	1,250,854,866
Net Cash flow from investing activities		(55,320,960)	(81,724,862)	64,715,384	104,585,653

# CONSOLIDATED CASH FLOW STATEMENT OF THE GROUP AND CASH FLOW STATEMENT OF THE COMPANY (Continued)

FOR THE SIX MONTHS ENDED AT JUNE 30, 2015

Currency: RMB

Item	Notes	Group		Company	
		Six months ended at June 30, 2015 (unaudited)	Six months ended at June 30, 2014 (unaudited)	Six months ended at June 30, 2015 (unaudited)	Six months ended at June 30, 2014 (unaudited)
<b>III. Cash flows from financing activities:</b>					
Cash received from investments		3,600,000	11,679,100		
Including: Cash received from capital contribution from minority shareholders of subsidiaries		3,600,000	11,679,100		
Cash received from borrowings		3,000,480,508	2,076,858,224	1,120,000,000	557,080,016
Cash received from issue of bonds					
Other cash received from financing activities		60,000			
Subtotal of cash inflows from financing activities		3,004,140,508	2,088,537,324	1,120,000,000	557,080,016
Cash paid for repayments of liabilities		3,337,855,558	2,293,544,375	1,098,000,000	705,080,016
Cash paid for distribution of dividends and profits or repayments of interests.		128,278,387	137,673,811	51,283,030	48,020,071
Including: Dividends and profits paid by subsidiaries to minority shareholders		20,319,800	25,581,511		
Other cash paid relating to financing activities					
Subtotal of cash outflows from financing activities		3,466,133,945	2,431,218,186	1,149,283,030	753,100,087
Net cash flow from financing activities		(461,993,437)	(342,680,862)	(29,283,030)	(196,020,071)
<b>IV. Effect on cash or cash equivalents due to change in foreign currency exchange rate</b>		(45,022)	(179,308)	(390)	(189,539)
<b>V. Net increase in cash and cash equivalents</b>	(V)/42	(2,067,582)	77,466,003	43,139,443	(29,807,429)
Add: Balance of cash and cash equivalents at the beginning of the period	(V)/42	521,621,307	589,553,313	145,369,262	255,644,218
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	(V)/42	519,553,725	667,019,316	188,508,705	225,836,789

The notes on page 30 to 88 form an integral part of the financial statements.

The financial statements as set out from page 18 to 29 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 SIX MONTHS ENDED AT JUNE 30, 2015

Currency: RMB

Item	Six months ended at June 30, 2015 (unaudited)											Total shareholders' equity
	Equity attributable to shareholders of the parent company											
	Other equity instruments				Other							
Share Capital	Preferred shares	Perpetual bonds	Other	Capital reserve	Less: Treasury shares	comprehensive income	Surplus reserve	Special reserve	General risk reserve	Undistributed profits	Minority interests	
I. Balance at the end of the prior period	412,220,000				609,045,676		3,171,000	135,571,025		493,671,848	441,385,846	2,095,065,395
Add: Changes in accounting policies												
Correction of prior errors												
Business combination under common control												
Other												
II. Balance at the beginning of the period	412,220,000				609,045,676		3,171,000	135,571,025		493,671,848	441,385,846	2,095,065,395
III. Increase or decrease amount in the period												
(I) Total comprehensive income							802,500			(20,181,934)	(19,031,403)	(38,410,837)
(II) Contribution and reduction of shareholders' capital											3,600,000	3,600,000
1. Ordinary shares contribution from shareholders											3,600,000	3,600,000
2. Capital contribution from holders of other equity instruments											3,600,000	3,600,000
3. Dividends payments recognized in shareholders' equity												
4. Other												
(III) Profit contribution										(41,222,000)	(50,117,038)	(91,339,038)
1. Appropriation to surplus reserve												
2. Appropriation to general risk reserve												
3. Distribution to shareholders										(41,222,000)	(50,117,038)	(91,339,038)
4. Other												
(IV) Internal transfer within shareholders' equity												
1. Capital reserve transferred to capital (or shares)												
2. Surplus reserve transferred to capital (or shares)												
3. Surplus reserve made up for losses												
4. Other												
(V) Special reserve												
1. Appropriation in the period												
2. Usage in the period												
(VI) Other												
IV. Balance at the end of the period	412,220,000				609,045,676		3,973,500	135,571,025		473,489,914	422,354,443	2,056,654,558

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

FOR THE SIX MONTHS ENDED AT JUNE 30, 2014

Currency: RMB

Item	Six months ended at June 30, 2014 (unaudited)											Total shareholders' equity	
	Equity attributable to shareholders of the parent company												
	Other equity instruments				Other								
	Share Capital	Preferred shares	Perpetual bonds	Other	Capital reserve	Less: Treasury shares	comprehensive income	Surplus reserve	Special reserve	General risk reserve	Undistributed profits	Minority interests	
I. Balance at the end of the prior period	412,220,000				610,792,439		2,632,500	129,500,819			499,634,209	421,571,059	2,076,351,026
Add: Changes in accounting policies													
Correction of prior errors													
Business combination under common control													
Other													
II. Balance at the beginning of the period	412,220,000				610,792,439		2,632,500	129,500,819			499,634,209	421,571,059	2,076,351,026
III. Increase or decrease amount in the period					214,130		(903,000)				(11,860,992)	(10,246,641)	(22,796,503)
(I) Total comprehensive income							(903,000)				29,361,008	26,598,951	55,056,959
(II) Contribution and reduction of shareholders' capital					214,130							11,464,970	11,679,100
1. Ordinary shares contribution from shareholders													
2. Capital contribution from holders of other equity instruments					214,130							11,464,970	11,679,100
3. Dividends payments recognized in shareholders' equity													
4. Other													
(III) Profit contribution											(41,222,000)	(48,310,562)	(89,532,562)
1. Appropriation to surplus reserve													
2. Appropriation to general risk reserve													
3. Distribution to shareholders											(41,222,000)	(48,310,562)	(89,532,562)
4. Other													
(IV) Internal transfer within shareholders' equity													
1. Capital reserve transferred to capital (or shares)													
2. Surplus reserve transferred to capital (or shares)													
3. Surplus reserve made up for losses													
4. Other													
(V) Special reserve													
1. Appropriation in the period													
2. Usage in the period													
(VI) Other													
IV. Balance at the end of the period	412,220,000				611,006,569		1,729,500	129,500,819			487,773,217	411,324,418	2,053,554,523

The notes on page 30 to 88 form an integral part of the financial statements.

The financial statements as set out from page 18 to 29 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 SIX MONTHS ENDED AT JUNE 30, 2015

Currency: RMB

Item	Six months ended at June 30, 2015 (unaudited)											
	Other equity instruments				Other					Total		
	Capital Share	Preferred shares	Perpetual bonds	Other	Capital reserve	Less: Treasury shares	comprehensive income	Surplus reserve	Special reserve	General risk reserve	Undistributed profits	shareholders' equity
I. Balance at the end of the prior period	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												
Other												
II. Balance at the beginning of the period	412,220,000				610,293,521			111,793,791			316,879,762	1,451,187,074
III. Increase or decrease amount in the period											(851,211)	(851,211)
(I) Total comprehensive income											40,370,789	40,370,789
(II) Contribution and reduction of shareholders' capital												
1. Ordinary shares contribution from shareholders												
2. Capital contribution from holders of other equity instruments												
3. Dividends payments recognized in shareholders' equity												
4. Other												
(III) Profit contribution											(41,222,000)	(41,222,000)
1. Appropriation to surplus reserve												
2. Appropriation to general risk reserve												
3. Distribution to shareholders											(41,222,000)	(41,222,000)
4. Other												
(IV) Internal transfer within shareholders' equity												
1. Capital reserve transferred to capital (or shares)												
2. Surplus reserve transferred to capital (or shares)												
3. Surplus reserve made up for losses												
4. Other												
(V) Special reserve												
1. Appropriation in the period												
2. Usage in the period												
(VI) Other												
IV. Balance at the end of the period	412,220,000				610,293,521			111,793,791			316,028,551	1,450,335,863

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

FOR THE SIX MONTHS ENDED AT JUNE 30, 2014

Currency: RMB

Item	Other equity instruments				Six months ended at June 30, 2014 (unaudited)					Total		
	Share Capital	Preferred shares	Perpetual bonds	Other	Capital reserve	Less: Treasury shares	comprehensive income	Surplus reserve	Special reserve	General risk reserve	Undistributed profits	shareholders' equity
I. Balance at the end of the prior period	412,220,000				610,293,521			105,723,585			303,469,912	1,431,707,018
Add: Changes in accounting policies												
Correction of prior errors												
Other												
II. Balance at the beginning of the period	412,220,000				610,293,521			105,723,585			303,469,912	1,431,707,018
III. Increase or decrease amount in the period											16,260,361	16,260,361
(I) Total comprehensive income											57,482,361	57,482,361
(II) Contribution and reduction of shareholders' capital												
1. Ordinary shares contribution from shareholders												
2. Capital contribution from holders of other equity instruments												
3. Dividends payments recognized in shareholders' equity												
4. Other												
(III) Profit contribution											(41,222,000)	(41,222,000)
1. Appropriation to surplus reserve												
2. Appropriation to general risk reserve												
3. Distribution to shareholders											(41,222,000)	(41,222,000)
4. Other												
(IV) Internal transfer within shareholders' equity												
1. Capital reserve transferred to capital (or shares)												
2. Surplus reserve transferred to capital (or shares)												
3. Surplus reserve made up for losses												
4. Other												
(V) Special reserve												
1. Appropriation in the period												
2. Usage in the period												
(VI) Other												
IV. Balance at the end of the period	412,220,000				610,293,521			105,723,585			319,730,273	1,447,967,379

The notes on page 30 to 88 form an integral part of the financial statements.

The financial statements as set out from page 18 to 29 have been signed by:

*Legal Representative*  
**Li Jianwen**

*Chief Financial Officer*  
**Li Chunyan**

*Chief Accountant*  
**Pei Lianhuan**



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED AT JUNE 30, 2015

(ALL AMOUNTS IN RMB UNLESS OTHERWISE STATED)

## 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 RMB246,620,000. The Business License No. is 1100001231592. 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.

On 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. On 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, 2015.

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

## 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), 41 specific accounting standards, implementation guidelines and explanations of enterprise accounting standards and other relevant provisions issued on February 15, 2006 and those updated afterwards (hereafter collectively referred to as “ASBE”), and the disclosure requirements of Company Ordinance of Hong Kong and the Listing Rules of The Stock Exchange of Hong Kong Limited. In accordance with Accounting Standards for Business Enterprises, the Company has adopted the accrual basis of accounting. Except for certain financial instruments, the Company adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

These interim financial statements were prepared according to the ASBE No.32-interim financial statements.

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

The financial statements prepared by the Company have been in compliance with ASBE and truly and completely reflect the financial position of the Company as at June 30, 2015 and the operating results, cash flows and other relevant information of the Company for the 6 months ended at June 30, 2015. 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 Company consists of annual and interim period; the interim period is the reporting period shorter than a full fiscal year. The Company adopts the calendar year as its accounting year from January 1 to December 31.

### 2. Operating cycle

The Company adopts a period of 12 months as an operating cycle and a criterion for evaluating the liquidity of assets and liabilities.

### 3. Functional currency

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

### 4. 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 assessed, if after the assessment, 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 and allocated to the carrying amount of goodwill of that asset group or portfolio of asset group, and then written down to the carrying amount of all other types of assets proportionally according to the weighting of the carrying amount of all other types of assets other than goodwill within asset group or portfolio of asset group.

The recoverable amount is the higher of 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.

## **5. 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.

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

Cash and cash equivalent 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.



## 7. 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.

## 8. Financial instruments

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

### 8.1 Fair value of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where there is an active market, the Company adopts the quotation in the active market as the fair value of financial instruments. Quoted prices in an active market are the prices which are easily and regularly obtained from an exchange, broker, trade association and the pricing service etc., and those prices represent actual and occurring market transactions on an arm's length basis. If the market for financial assets is not active, the Company establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models etc.

### 8.2 Classification, recognition and measurement of financial assets

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

#### 8.2.1 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 Company have recorded that the combination of financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and be reported to the key management personnel.

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.

### 8.2.2 *Held-to-maturity investments*

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

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

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

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

### 8.2.3 *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Company include notes 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.

#### 8.2.4 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.

### 8.3 Impairment of financial assets

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

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

#### 8.3.1 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.

### 8.3.2 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 reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and 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.

### 8.4 Recognition and measurement of financial asset transfer

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

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

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

### 8.5 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.



### **8.6 Derecognition of financial liabilities**

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

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

### **8.7 Offsetting financial assets and financial liabilities**

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

## **9. Accounts receivable**

Receivables include accounts receivable and other receivable etc.

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

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

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

### **9.2 Provision for bad debts**

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

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

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





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

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

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

- (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.

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

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

## 10. **Inventory**

### 10.1 ***Classification of Inventories***

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

### 10.2 ***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.

### 10.3 ***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 Company 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.



#### **10.4 The stock count system for inventories**

The perpetual inventory system is adopted for stock count.

#### **10.5 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.

### **11. Long-term equity investments**

A long-term equity investment is the long-term equity investment of the Company that is able to control, jointly control or significantly influence on the investee. The long-term equity investment of the Company 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.

#### **11.1 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.

#### **11.2 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.

##### *1 A 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 divestment. Except for cash dividends or profits which include in actual payment or consideration as the Company 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.

##### *2 A 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 Company'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 Company'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 Company 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 Company; 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 reserve the carrying amount of the long-term equity investment is adjusted accordingly. The Company 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 Company, the Company 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 Company'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 Company's proportionate share of interest are eliminated. However, unrealized losses resulting from the Company's transactions with its investees which represent impairment losses on the transferred assets are not eliminated.

### 3 *Acquisitions of minority interest*

When the Company 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.

### 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.

## 12. **Investment property**

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

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

### 13. Fixed assets

#### 13.1 Recognition of fixed assets

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

#### 13.2 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	Residual value %	Annual depreciation %
Buildings	20-35	3-4	2.70-4.85
Machinery and equipment	5-10	3-4	9.60-19.40
Office equipment	5	3-4	19.20-19.40
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.

#### 13.3 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.

#### 13.4 Other explanations

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

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

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



#### **14. 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.

#### **15. 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 Company 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.

#### **16. 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.

#### **17. 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.

## 18. 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 property measured at cost, long-term equity investment of joint ventures and associated enterprises etc., the Company 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.

## 19. Employee benefits

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

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

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



## 20. Revenue

### 20.1 Revenue from sales of goods

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

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

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

### 20.2 Revenue from rendering of services

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

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

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

## 21. Government grants

Government grants are transfers of monetary assets and non-monetary assets from the government to the Company at no consideration except for any capital contribution from the government as an investor. Government grants include government grants related to assets and government grants related to income. If a government grant is a transfer of a monetary asset, it is measured at amounts received or receivable. If a government grant is a transfer of a non-monetary asset, it is measured at fair value. If no reliable fair value is available, the grant is measured at nominal amount and charged to profit or loss.

A government grant related to assets is recognized as deferred income and evenly allocated to the profit or loss for the period over the useful life 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; 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.

## 22. Deferred tax assets and deferred tax liabilities

### 22.1 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.

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

For deductible temporary difference which is related to the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit or taxable income (or deductible losses), a deferred tax asset is not recognized.

In addition, for deductible temporary difference arising from investments in subsidiaries, associates and joint ventures, the Company shall recognize a deferred tax asset for other deductible temporary difference to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be deducted except to the extent that it is not probable that the temporary difference will reverse in the foreseeable future or taxable profit will not be available against which the temporary difference can be utilized.

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

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

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



### **22.3 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.

### **22.4 Offsetting of income taxes**

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

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

## **23. 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.

### **23.1 The Company as lessee under operating leases**

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

### **23.2 The Company as lessor under operating leases**

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

## **24. Changes in significant accounting policies and accounting estimate**

No changes.

## 25. Significant accounting Judgments and estimates

In the application of the Company's accounting policies, the Company is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgements, estimates and assumptions are based on historical experiences of the Company's management as well as other factors that are considered to be relevant. These judgements, estimates and assumptions affect the reporting amounts of the income, expenses, assets and liabilities as well as the disclosure of contingent liabilities at the balance sheet date. However, actual results due to the uncertainty of these estimates possibly vary from the current estimates made by the Company management and therefore lead to significant adjustments of carrying amounts of assets or liabilities which will be affected in the future.

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

The significant areas where the Company is required to make judgements, estimates and assumptions regarding financial statement items are listed as follows:

### (1) *Operating lease – as the lessor*

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

### (2) *Impairment of goodwill*

The Company tests whether the goodwill is impaired at least annually. This requires the evaluation of the present value of the future cash flows on the groups of assets or group of assets with allocated goodwill. Upon the evaluation of the present value, the Company should evaluate the future cash flows of the group of assets or groups of assets using the appropriate discounted rate. When the actual cash flows are lower than the predicted cash flows, there might be material impairment.

### (3) *Provision for inventory impairment based on the net realizable value*

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

### (4) *Provision for bad debt of receivables*

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





**(5) Depreciation**

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

**(6) Deferred tax assets**

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

**(7) Credits system for customers**

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

**V. TAXATION**

**1. Major taxes and tax rates**

<b>Tax types</b>	<b>Tax basis</b>	<b>Tax Rate %</b>
Value-added tax	<i>Note 1</i>	17%/13%/11%/6%
Business tax	Taxable sales	5%/3%
Consumption tax	Taxable sales	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%/4%
Local education Surcharge	Value-added tax, business tax and consumption tax	2%
Corporate income tax	Taxable income	25%

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

**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 Company 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

### 1. Cash and cash equivalents

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
Cash on hand	26,064,331	28,868,213
Cash in bank	493,489,394	492,753,094
Other cash and cash equivalents	125,493,386	15,217,794
Total	645,047,111	536,839,101
Including: overseas deposits		

Note 1: As at June 30, 2015, the Company's notes margin deposits of the Company with use restrictions was RMB125,493,386.

### 2. Accounts receivable

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

Category	2015.6.30 (unaudited)				Net book value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Rate (%)	
Receivables that are individually significant and for which bad debt provision is assessed individually					
Receivables for which bad debt provision is assessed by groups according to credit risk characteristics	1,578,247,457	100			1,578,247,457
Receivables that are not individually significant but for which the bad debt provision is assessed individually.	1,890,579		1,890,579	100	
Total	1,580,138,036	100	1,890,579		1,578,247,457

Category	2014.12.31 (audited)				Net book value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Rate (%)	
Receivables that are individually significant and for which bad debt provision is assessed individually					
Receivables for which bad debt provision is assessed by groups according to credit risk characteristics	1,674,135,328	100			1,674,135,328
Receivables that are not individually significant but for which the bad debt provision is assessed individually.	1,890,579		1,890,579	100	
Total	1,676,025,907	100	1,890,579		1,674,135,328

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

Aging	Carrying amount	2015.6.30 (unaudited)		Net book value
		Proportion %	Bad debt provision	
Within 1 year	1,396,068,156	88		1,396,068,156
1-2 years	93,342,815	6		93,342,815
2-3 years	8,836,486	1		8,836,486
3-4 years	1,890,579		1,890,579	
4-5 years				
Over 5 years	80,000,000	5		80,000,000
Total	1,580,138,036	100	1,890,579	1,578,247,457

(3) **Receivables that are not individually significant but for which the bad debt provision is assessed individually at June 30, 2015**

Content of accounts receivable	Amount	2015.6.30 (unaudited)		
		Bad debt provision	Rate %	Reason
Liu Liangguo	1,890,579	1,890,579	100	Controversial debts which are unlikely to recover

3. **Prepayments**

Presentation of prepayments according to aging analysis

Aging	2015.6.30 (unaudited)		2014.12.31 (audited)	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	937,408,314	99	649,633,624	100
1-2 years	6,895,733	1		
Total	944,304,047	100	649,633,624	100

#### 4. Other receivables

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

Category	2015.6.30 (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	6,549,750	3	4,224,750	65	2,325,000
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	210,968,490	96			210,968,490
Other receivables that are not individually significant but for which the bad debt provision is assessed individually.	2,051,300	1	1,171,772	57	879,528
Total	219,569,540	100	5,396,522		214,173,018

Category	2014.12.31 (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	6,549,750	5	4,224,750	65	2,325,000
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	128,847,388	94			128,847,388
Other receivables that are not individually significant but for which the bad debt provision is assessed individually.	2,051,300	1	1,171,772	57	879,528
Total	137,448,438	100	5,396,522		132,051,916

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

Aging	2015.6.30 (unaudited)			Net book value
	Carrying amount	Proportion %	Bad debt provision	
Within 1 year	210,968,490	96		210,968,490
1-2 years				
2-3 years				
3-4 years	2,051,300	1	1,171,772	879,528
4-5 years				
Over 5 years	6,549,750	3	4,224,750	2,325,000
Total	219,569,540	100	5,396,522	214,173,018

(3) **Other receivables that are individually significant and for which bad debt provision has been assessed individually as at June 30, 2015**

Company name	Carrying amount	2015.6.30 (unaudited)		
		Bad debt provision	Rate %	Reason
Beijing Guanyuan Wholesale Market Company Limited	6,549,750	4,224,750	65	Full bad debt provision for the part unrecovered, according to the agreement

(4) **Other receivables that are not individually significant but for which the bad debt provision is assessed individually at June 30, 2015.**

Company name	Carrying amount	2015.6.30 (unaudited)		
		Bad debt provision	Rate %	Reason
Beijing Bailitongda E-commerce Company Limited	2,051,300	1,171,772	57	Full bad debt provision for the part unable to recover, pursuant to the judgment awarded by the court

5. **Inventories**

(1) **Presentation of Inventories by Category**

Item	2015.6.30 (unaudited)		
	Carrying amount	Impairment	Net book value
Raw material	8,494,475		8,494,475
Merchandise inventory	1,263,760,895	1,413,359	1,262,347,536
Total	1,272,255,370	1,413,359	1,270,842,011

Item	2014.12.31 (audited)		
	Carrying amount	Impairment	Net book value
Raw material	8,391,954		8,391,954
Merchandise inventory	1,476,760,332	1,265,828	1,475,494,504
Total	1,485,152,286	1,265,828	1,483,886,458

(2) **Impairment allowance of inventories**

Item	2014.12.31 (audited)	Increase in the current period		Decrease in the current period		2015.6.30 (unaudited)
		Accrual	Other	Reversal or written-off	Other	
Merchandise inventory	1,265,828	147,531				1,413,359
Total	1,265,828	147,531				1,413,359

## 6. Other current assets

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
Short-term investments (Note 1)	<b>4,000,000</b>	135,000,000
Deductible input value-added tax	<b>94,334,407</b>	113,351,192
Prepaid lease expenses	<b>31,159,868</b>	36,468,012
Prepaid heating expense		2,739,100
Other prepaid expenses (Note 2)	<b>1,922,272</b>	2,219,335
Total	<b>131,416,547</b>	289,777,639

Note 1: At December 31, 2014, the Company held national debt reverse repurchase of RMB90,000,000 managed by Guangda Securities Co., Ltd with annual yield 5.72% and 15.17%, respectively. The principal and interest of such short-term investments were fully recovered on January 5, 2015.

At December 31, 2014, Chaopi Trading, a subsidiary of the Company, and Chaopi Huaqing, a subsidiary of Chaopi Trading, held financial products of RMB30,000,000 and RMB15,000,000 managed by Bank of Beijing Co., Ltd. and Industrial and Commercial Bank of China Co., Ltd. correspondingly with annual yield 2.1% and 2.1% to 3.3%. The principal and interest of such short-term investments were fully recovered respectively on January 5, 2015 and February 3, 2015.

In the current period, Chaopi Shengshi, a subsidiary of Chaopi Trading, held financial products of RMB40,200,000.00 managed by China Guangfa Bank with annual yield 3.1% to 3.8%. Up to June 30, 2015, the principal and interest of such short-term investments aggregated to RMB36,200,000.00 were recovered with the rest adding up to RMB4,000,000.00 which were fully recovered later at August 5, 2015.

Note 2: Prepaid 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	2015.6.30 (unaudited)			2014.12.31 (audited)		
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
Available-for sale debt instrument						
Available-for-sale equity instrument	<b>6,836,000</b>	<b>1,188,000</b>	<b>5,648,000</b>	5,766,000	1,188,000	4,578,000
Including: measured by fair value (Note 1)	<b>5,648,000</b>		<b>5,648,000</b>	4,578,000		4,578,000
Measured by cost (Note 2)	<b>1,188,000</b>	<b>1,188,000</b>		1,188,000	1,188,000	
Other						
Total	<b>6,836,000</b>	<b>1,188,000</b>	<b>5,648,000</b>	5,766,000	1,188,000	4,578,000



Note 1: Chaopi Trading, a subsidiary of the Company subscribed for 100,000 legal person shares (RMB1 per share) of Shanxi Xinghuaacun Fen Wine Factory Co., Ltd. (Shanxi Xinghuaacun) for RMB350,000 in November 1993. In the same year, Shanxi Xinghuaacun was listed in Shanghai Stock Exchange. On May 18, 2012, Shanxi Xinghuaacun 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. At June 30, 2015, Chaopi Trading possessed 0.023% of its equity in total (December 31, 2014: 0.023%). In the current period, the increase in fair value, namely its market value, of the Group's available-for-sale financial assets was RMB1,070,000 (in the previous corresponding period: decreased by RMB1,204,000) and has been recognized into other comprehensive income (Note (VI) 32).

Note 2: Chaopi Trading, a subsidiary of the Company, subscribed for legal person shares (RMB1 per share) of Luoyang Chundu for RMB1,188,000 in June 1993. At June 30, 2015 and December 31, 2014, 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.

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

Category	Available-for-sale equity instrument	Available-for-sale debt instrument	Total
Cost of equity instrument/ amortized cost of debt instrument			
Fair value	5,648,000		5,648,000
Accumulative amount of other comprehensive income by fair value	3,973,500		3,973,500
Accrued amount of asset impairment			

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

Investee	2014.12.31 (audited)	Carrying amount		2015.6.30 (unaudited)
		Increase in the current period	Decrease in the current period	
Luoyang Chundu Group Limited ("Luoyang Chundu") (Note 2)	1,188,000			1,188,000
Total	1,188,000			1,188,000

Investee	2014.12.31 (audited)	Provision for impairment of assets			Share proportion (%)	Cash dividend in the period
		Increase in the current period	Decrease in the current period	2015.6.30 (unaudited)		
Luoyang Chundu Group Limited ("Luoyang Chundu") (Note 2)	1,188,000			1,188,000	0.12	
Total	1,188,000			1,188,000	—	

## 8. Investment properties

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

Item	Buildings	Land use rights	Total
<b>I. Original carrying amount</b>			
1. 2014.12.31 (audited)	128,943,553	61,834,184	190,777,737
2. Increase in the period	29,369		29,369
(1) Revised carrying amount by the Company	29,369		29,369
3. Decrease in the period	138		138
(1) Transferred to the fixed assets	138		138
4. 2015.6.30 (unaudited)	128,972,784	61,834,184	190,806,968
<b>II. Accumulated depreciation and amortization</b>			
1. 2014.12.31 (audited)	35,644,831	7,327,492	42,972,323
2. Increase in the period	2,506,911	814,166	3,321,077
(1) Accrual or amortization	2,506,911	814,166	3,321,077
3. Decrease in the period			
(1) Disposal			
4. 2015.6.30 (unaudited)	38,151,742	8,141,658	46,293,400
<b>III. Provision for impairment</b>			
1. 2014.12.31 (audited)			
2. Increase in the period			
(1) Accrual			
3. Decrease in the period			
(1) Disposal			
4. 2015.6.30 (unaudited)			
<b>IV. Net book value</b>			
1. Net book value as at June 30, 2015 (unaudited)	90,821,042	53,692,526	144,513,568
2. Net book value as at December 31, 2014 (audited)	93,298,722	54,506,692	147,805,414

At June 30, 2015, the investment properties with the approximate net book value of RMB19,601,560 (December 31, 2014: RMB20,304,654) were pledged to secure certain of the Group's long-term bank loans.



## 9. Fixed assets

### Details of fixed assets

Item	Buildings	Machinery and equipment	Electronic devices and others	Transportation vehicles	Total
<b>I. Original carrying amount</b>					
1. 2014.12.31 (audited)	1,000,150,182	875,052,990	137,514,356	52,327,063	2,065,044,591
2. Increase in the period	430,138	4,996,550	3,337,266	1,437,545	10,201,499
(1) Purchase	430,000	3,945,430	3,157,422	1,344,652	8,877,504
(2) Transferred from the constructions in process		1,051,120	179,844	92,893	1,323,857
(3) Transferred from investment property	138				138
3. Decrease in the period	459,520	5,731,439	1,780,826	2,038,936	10,010,721
(1) Disposal or retirement	459,520	5,731,439	1,780,826	2,038,936	10,010,721
4. 2015.6.30 (unaudited)	1,000,120,800	874,318,101	139,070,796	51,725,672	2,065,235,369
<b>II. Accumulative depreciation</b>					
1. 2014.12.31 (audited)	251,447,653	494,034,601	109,062,118	28,845,740	883,390,112
2. Increase in the period	17,649,419	29,002,583	6,347,837	10,458,322	63,458,161
(1) Accrual	17,649,419	29,002,583	6,347,837	10,458,322	63,458,161
3. Decrease in the period		5,345,970	3,183,639	1,738,688	10,268,297
(1) Disposal or retirement		5,345,970	3,183,639	1,738,688	10,268,297
4. 2015.6.30 (unaudited)	269,097,072	517,691,214	112,226,316	37,565,374	936,579,976
<b>III. Provision for impairment losses</b>					
1. 2014.12.31 (audited)					
2. Increase in the period					
(1) accrual					
3. Decrease in the period					
(1) Disposal or retirement					
4. 2015.6.30 (unaudited)					
<b>IV. Net book value</b>					
1. Net book value as at June 30, 2015 (unaudited)	731,023,728	356,626,887	26,844,480	14,160,298	1,128,655,393
2. Net book value as at December 31, 2014 (audited)	748,702,529	381,018,389	28,452,238	23,481,323	1,181,654,479

At June 30, 2015, the fixed assets with net book value of RMB113,507,156 (December 31, 2014: RMB117,596,777) were restricted as they were been pledged to secure certain of the long-term Group's bank loans.

## 10. Construction in progress

### (1) Details of construction in progress

Item	2015.6.30 (unaudited)		2014.12.31 (audited)			
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
Shuangqiao Project	50,232,653		50,232,653	50,163,443		50,163,443
Pingfang Project	36,694,407		36,694,407	36,694,407		36,694,407
HR Management Software Project	203,760		203,760	203,760		203,760
Logistics system upgrading software (eFuture) project				1,179,488		1,179,488
Warehouse No.5 upgrading hardware (Weibo) Project	513,197		513,197	513,197		513,197
Chaopi business System Informationization (CAS software) Project	1,389,000		1,389,000	1,389,000		1,389,000
Wechat Software Platform Development Project	104,000		104,000			
Warehouse No.1 WMS Application software System Project	615,385		615,385			
Renovation Project of Fresh Food Distribution Center				1,759,806		1,759,806
Warehouse No.5 of Logistics Security System	1,105,800		1,105,800	1,105,800		1,105,800
Supermarket Reconstruction Project	552,698		552,698	311,702		311,702
Fatou Store Project	5,535,754		5,535,754	177,760		177,760
Xihongmen Store Project	5,753,724		5,753,724	377,174		377,174
Jiuxiangqiao Project Distribution Center				509,279		509,279
Renovation Project	336,070		336,070			
<b>Total</b>	<b>103,036,448</b>		<b>103,036,448</b>	<b>94,384,816</b>		<b>94,384,816</b>

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

Item	Budget amount	2014.12.31 (audited)	Increase in the period	Transferred to fixed assets in the period	Decrease in the period	2015.6.30 (unaudited)
Shuangqiao Project	108,888,036	50,163,443	69,210			50,232,653
Pingfang Project	73,655,986	36,694,407				36,694,407
Distribution Center Renovation Project	9,466,748		336,070			336,070
Renovation Project of Fresh Food Distribution Center	4,436,582	1,759,806	24,044	1,783,850		
Fatou Store Project	6,492,969	177,760	5,357,994			5,535,754
Xihongmen Store Project	41,134,552	377,174	5,376,549			5,753,723
Jiuxianqiao Project	1,614,984	509,279	1,105,705	1,614,984		
Others	11,913,486	4,702,947	1,801,941	1,962,875	58,172	4,483,841
<b>Total</b>		94,384,816	14,071,513	5,361,709	58,172	103,036,448

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
Distribution Center Reconstruction Project	4	4	2,627	2,627	5.67	Own funds and bank loans
Renovation Project of Fresh Food Distribution Center	40	40	24,044	24,044	5.67	Own funds and bank loans
Fatou Store Project	85	85	45,122	45,122	5.53	Own funds and bank loans
Xihongmen Store Project	14	14				Own funds and bank loans
Jiuxianqiao Project	100	100	15,991	15,991	5.67	Own funds and bank loans
Others	1 to 100	1 to 100	1,717	1,717	5.67	Own funds and bank loans
<b>Total</b>			3,515,489	89,501		

**11. Intangible assets**  
**(1) Details of intangible assets**

Item	Land use rights	software	Operation rights of distribution network	Total
I. Original carrying amount				
1. 2014.12.31 (audited)	193,182,196	23,587,177	33,954,633	250,724,006
2. Increase in the period		3,389,462		3,389,462
(1) Purchase		2,209,975		2,209,975
(2) Transfer from the constructions in process		1,179,487		1,179,487
3. Decrease in the period				
(1) Disposal				
4. 2015.6.30 (unaudited)	193,182,196	26,976,639	33,954,633	254,113,468
II. Accumulated amortization				
1. 2014.12.31 (audited)	29,191,573	12,867,935	11,817,800	53,877,308
2. Increase in the period	2,605,497	1,239,730	1,425,500	5,270,727
(1) Accrual	2,605,497	1,239,730	1,425,500	5,270,727
3. Decrease in the period		688,351		688,351
(1) Disposal		688,351		688,351
4. 2015.6.30 (unaudited)	31,797,070	13,419,314	13,243,300	58,459,684
III. Provision for impairment losses				
1. 2014.12.31 (audited)				
2. Increase in the period				
(1) Accrual				
3. Decrease in the period				
(1) Disposal				
4. Carrying amount				
IV. Net book value				
1. Net book value as at June 30, 2015 (unaudited)	161,385,126	13,557,325	20,711,333	195,653,784
2. Net book value as at December 31, 2014 (audited)	163,990,623	10,719,242	22,136,833	196,846,698

Note: At June 30, 2015, the land use rights with net book value of RMB12,874,006 (December 31, 2014: RMB13,094,704) were pledged to secure certain of the Group's long-term bank loans.

## 12. Goodwill

### (1) Original carrying amount of goodwill

Name of the investee or item resulting in goodwill	2014.12.31 (audited)	Increase in the period		Decrease in the period		2015.6.30 (unaudited)
		Business combination	Others	Disposal	Others	
Acquisition of Shouchao Group	86,673,788					86,673,788
Total	86,673,788					86,673,788

At June 30, 2015 and December 31, 2014, the balance was the goodwill arising from the acquisition of Shoulian Supermarket and its subsidiaries ("Shoulian 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% (the corresponding period in 2014: 12%). The growth rate used to extrapolate the cash flows of the subsidiary beyond the five-year period was 3% (the corresponding period in 2014: 3%).

As at June 30, 2015, and December 31, 2014, 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	2014.12.31 (audited)	Increase in the period	Amortization in the period	Other deductions	2015.6.30 (unaudited)
Transferred from construction in progress to leasehold improvements	506,035,045	21,234,258	40,734,558	307,503	486,227,242
Rent	78,745,119		2,483,702	3,093,956	73,167,461
Total	584,780,164	21,234,258	43,218,260	3,401,459	559,394,703

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

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

Item	2015.6.30 (unaudited)		2014.12.31 (audited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax asset
Deductible losses	113,845,189	28,461,297	107,832,461	26,958,115
Taxable government grants	20,292,295	5,073,074	21,390,166	5,347,542
Total	134,137,484	33,534,371	129,222,627	32,305,657

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

Item	2015.6.30 (unaudited)		2014.12.31 (audited)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value adjustment of assets arising from non-monetary asset exchange	16,271,925	4,067,981	16,805,144	4,201,286
Changes in the fair value of available-for-sale financial assets	5,298,000	1,324,500	4,228,000	1,057,000
Capitalized interest adjustment of borrowing costs	8,900,859	2,225,215	9,675,869	2,418,967
Difference between the fair value and the carrying amount of subsidiary merger and acquisition	5,624,409	1,406,103	5,166,406	1,291,602
Total	36,095,193	9,023,799	35,875,419	8,968,855

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

Item	Offset amount of deferred tax assets and deferred tax liabilities in the end of period	Amount after offset of deferred tax assets and deferred tax liabilities in the end of period 2015.6.30 (unaudited)	Offset amount of deferred tax assets and deferred tax liabilities in the beginning of period	Amount after offset of deferred tax assets and deferred tax liabilities 2014.12.31 (audited)
Deferred tax liabilities	3,979,324	5,044,475	4,253,792	4,715,063

## 15. Other non-current assets

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
Long-term receivables due from Beijing Shoulian Group (Note 1)	145,500,000	133,500,000
Security deposit	14,814,219	16,903,808
Total	160,314,219	150,403,808

Note 1: As at June 30, 2015, such long-term receivables consist of borrowings lent by Shoulian Supermarket to Shoulian Group with an increase of RMB12,000,000 in the current period due on December 31, 2016 as agreed upon. The long-term receivables bear interest at 6.00% per annum. 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.

## 16. Short-term borrowings

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

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
Accounts receivable secured loan (Note 1)	123,651,602	190,177,877
Guaranteed loan (Note 2)	1,203,250,000	1,532,312,274
Unsecured loan (Note 3)	550,000,000	250,000,000
Mortgage loan (Note 4)		200,000,000
Total	1,876,901,602	2,172,490,151

As at June 30, 2015, and December 31, 2014, the short-term borrowings above bore annual interest rates ranging from 4.79% to 6.90% and 5.60% to 7.20% respectively without any due but unsettled ones.

Note 1: As at June 30, 2015, such short-term loan was obtained by several accounts receivable factoring of the Company totaling to RMB665,722,587 (December 31, 2014: RMB458,975,301).

Note 2: As at June 30, 2015, among such short-term bank loans, RMB350,000,000 was borrowed by the Company upon a surety provided by Chaopi Trading; RMB390,000,000 was borrowed by the Company's subsidiary Chaopi Trading upon a surety provided by the Company; and RMB463,250,000 was borrowed by a subsidiary of Chaopi Trading upon a surety provided by Chaopi Trading for RMB335,050,000 and by the Company for RMB98,200,000 and RMB30,000,000 granted by The Hongkong and Shanghai Banking Corporation Limited and China Minsheng Banking Corporation Limited respectively.

As at December 31, 2014, among such short-term bank loans, RMB390,000,000 was borrowed by the Company upon a surety provided by Chaopi Trading; RMB747,618,207 was borrowed by the Company's subsidiary Chaopi Trading upon a surety provided by the Company; and RMB394,694,067 was borrowed by a subsidiary of Chaopi Trading upon a surety provided by Chaopi Trading.

Note 3: As at June 30, 2015, the credit loans included RMB250,000,000, RMB50,000,000, RMB200,000,000 and RMB50,000,000 respectively granted by Beijing Rural Commercial Bank, Mizuho Bank (China), Ltd., Industrial and Commercial Bank of China Co., Ltd. and Bank of Communications on an unsecured basis.

As at December 31, 2014, the credit loans included RMB100,000,000, RMB50,000,000 and RMB100,000,000 respectively granted by Beijing Rural Commercial Bank, Mizuho Bank (China), Ltd., Industrial and Commercial Bank of China on an unsecured basis.

Note 4: As at December 31, 2014, the buildings, land use rights and investment properties with net book value of RMB57,380,803, RMB6,290,530 and RMB4,206,406 respectively were pledged to secure certain of the Group's mortgage guarantee.

## 17. Notes payable

Category	2015.6.30 (unaudited)	2014.12.31 (audited)
Bank acceptances	557,226,790	76,088,972
Total	557,226,790	76,088,972

As at June 30, 2015, security deposit for the issuance of bank acceptances above amounted to RMB125,493,386 (December 31, 2014: RMB15,217,794).

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	2015.6.30 (unaudited)	2014.12.31 (audited)
Within 1 year	992,368,774	1,141,456,710
1-2 years	9,282,322	4,640,894
2-3 years	2,241,982	4,744,656
Over 3 years	4,362,675	
Total	1,008,255,753	1,150,842,260

The majority of accounts payable aging over 1 year consist of the final payments for suppliers.

## 19. Advance from customers

### Details of advance from customers

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
Procurements received in advance	380,251,084	479,918,595
Total	380,251,084	479,918,595

As at June 30, 2015, and December 31, 2014, the advance from customers consisted of procurements received in advance, among which there were no significant advances from customers aged more than one year.



## 20. Payroll payable

### (1) Details of payroll payable

Item	2014.12.31 (audited)	Increase in the period	Decrease in the period	2015.6.30 (unaudited)
Short-term remuneration	1,935,503	345,956,453	345,868,783	<b>2,023,173</b>
Post-employment benefits-defined contribution plans		36,037,440	36,037,440	
Dismissal compensation		87,319	87,319	
Total	1,935,503	382,081,212	381,993,542	

### (2) Short-term remuneration

Item	2014.12.31 (audited)	Increase in the period	Decrease in the period	2015.6.30 (unaudited)
1. Wages or salaries, bonus, allowance, subsidies		292,189,358	292,189,358	<b>2,023,173</b>
2. Staff welfare		12,265,673	12,265,673	
3. Social security Including: Medical insurance		20,738,410	20,738,410	
Work injury insurance		18,612,662	18,612,662	
Maternity insurance		662,844	662,844	
4. Housing funds		1,462,904	1,462,904	
5. Labor union expenses and employees' education expenses		14,941,006	14,941,006	
Total	1,935,503	5,822,006	5,734,336	
	1,935,503	345,956,453	345,868,783	

### (3) Details of defined contribution plan

Item	2014.12.31 (audited)	Increase in the period	Decrease in the period	2015.6.30 (unaudited)
Basic retirement insurance		34,294,150	34,294,150	
Unemployment insurance		1,743,290	1,743,290	
Annuity				
Total		36,037,440	36,037,440	

Note: The Company participated in social security contributions and the unemployment insurance plan established by government institutions as required. According to such plan, the Company contributes 20%,1% monthly to such plans based on the employee's basic salary each month. Besides above monthly contributions, the Company will not take responsibility for further liabilities. Corresponding payment occurred shall be accrued in current period profit or loss or related assets cost.

In the current period, the Company should contribute RMB34,294,150 and RMB1,743,290 to social security contributions and the unemployment insurance plan accordingly. As at June 30, 2015 and December 31, 2014, there are no unsettled social security contributions and the unemployment insurance in the accounting period.

## 21. Taxes payable

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
Value-added tax	71,367,034	42,657,707
Business tax	5,834,316	6,379,977
Corporate income tax	4,084,450	11,580,613
City construction and maintenance tax	3,190,898	3,247,053
Education Surcharge	1,377,074	1,562,946
Others	7,404,958	2,966,113
Total	93,258,730	68,394,409

## 22. Dividends payable

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
Ordinary Share dividend (H Shares)	17,783,066	312,625
Other minority shareholders' dividend	11,917,100	5,232,601
Total	29,700,166	5,545,226

## 23. Other payables

### Presentation of other payables by category

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
Construction fees payable	54,061,805	102,739,471
Deposit	39,513,827	37,795,621
Rent received in advance	13,963,915	10,835,552
Others	96,597,218	32,935,670
Total	204,136,765	184,306,314

## 24. Non-current liabilities due within one year

### (1) Long-term borrowings due within 1 year

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
Secured loans	130,000,000	73,000,000
Total	130,000,000	73,000,000

### (2) Details of long-term borrowings

Item	Start date	Maturity date	Currency	Interest rate (%)	2015.6.30 (unaudited)	2014.12.31 (audited)
Shanghai Pudong Development Bank, Beijing Branch	2013.1.24	2015.6.20	RMB	5.70		2,500,000
Shanghai Pudong Development Bank, Beijing Branch	2013.4.12	2015.6.20	RMB	5.70		2,500,000
Shanghai Pudong Development Bank, Beijing Branch	2013.1.24	2016.1.23	RMB	5.70	57,500,000	
Shanghai Pudong Development Bank, Beijing Branch	2013.4.12	2016.1.31	RMB	5.70	37,500,000	
Bank of Communications	2012.12.14	2015.9.20	RMB	5.70	15,000,000	30,000,000
Bank of Communications	2012.12.26	2015.9.20	RMB	5.70	20,000,000	38,000,000
Total					130,000,000	73,000,000

## 25. Other current liabilities

<b>Item</b>	<b>2015.6.30 (unaudited)</b>	2014.12.31 (audited)
Accrued expenses	<b>64,427,339</b>	41,481,971
Deferred income due within one year	<b>4,775,135</b>	7,808,713
<b>Total</b>	<b>69,202,474</b>	49,290,684

### (1) *Accrued expenses*

<b>Item</b>	<b>2015.6.30 (unaudited)</b>	2014.12.31 (audited)
Accrued interest expenses	<b>39,940,382</b>	20,425,777
Accrued rent expenses	<b>18,719,150</b>	12,649,696
Accrued audit expenses	<b>140,000</b>	2,026,792
Others	<b>5,627,807</b>	6,379,706
<b>Total</b>	<b>64,427,339</b>	41,481,971

### (2) *Deferred income due with one year*

<b>Item</b>	<i>Note</i>	<b>2015.6.30 (unaudited)</b>	2014.12.31 (audited)
Asset-related government grants due within one year	<i>Note 1</i>	<b>3,813,009</b>	4,313,010
Considerations allocated to the award credits	<i>Note 2</i>	<b>962,126</b>	3,495,703
<b>Total</b>		<b>4,775,135</b>	7,808,713

*Note 1:* Asset-related government grants due within one year consisted of deferred income due within one year generated from special funds received in 2005, 2013 and 2014 by the Company and would be recognized as revenue before June 30, 2016.

*Note 2:* 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.

## 26. Long-term borrowings

### (1) Presentation of long-term borrowings by category

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
Secured loans		95,000,000
Total		95,000,000

As at June 30, 2015, long-term borrowings (including long-term borrowings due within one year) were secured by certain of the Group's buildings, investment properties and land use rights with carrying amount of RMB113,507,156, RMB19,601,560 and RMB12,874,006 correspondingly.

### (2) Details of long-term borrowings

Item	Start date	Maturity date	Currency	Interest rate (%)	2015.6.30 (unaudited)	2014.12.31 (audited)
Shanghai Pudong Development Bank, Beijing Branch	2013.1.24	2016.1.23	RMB	5.84		57,500,000
Shanghai Pudong Development Bank, Beijing Branch	2013.4.12	2016.1.31	RMB	5.84		37,500,000
Total						95,000,000

## 27. Bonds payable

### (1) Bonds payable

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
Corporate bonds	745,473,076	744,820,080
Total	745,473,076	744,820,080

### (2) Changes in the bonds payable

Bonds	Par value	Issue date	Term of the bond	Issue amount	2014.12.31 (audited)	Issue in the period
Corporate bonds	750,000,000	2013.8.13	5 years	750,000,000	744,820,080	
Total	750,000,000			750,000,000	744,820,080	

Bonds	Accrued interest for the period	Bond discount/premium amortization	Paid during the period	2016.6.30 (unaudited)
Corporate bonds	20,550,000	652,996		745,473,076
Total	20,550,000	652,996		745,473,076

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 the cost of bonds payable.

## 28. Provisions

Item	2015.6.30 (audited)	2014.12.31 (unaudited)	Reasons for provision
Pending litigation	910,612	910,612	Note 1
Total	910,612	910,612	

*Note 1:* on May 4, 2012, Beijing Baili Tongda Co., Ltd. lodged proceedings to People’s Court of Beijing Chaoyang District on the collapse of property leased from the Company. Pursuant to the first-instance judgment awarded by the court on December 31, 2013, the Company shall indemnify Beijing Baili Tongda Co., Ltd. against its loss of RMB910,612, which has been included in contingent liabilities. Latter the Company has filed an appeal to Third Intermediate People’s Court of Beijing. As on May 16, 2014, a second-instance judgment that a retrial is needed has been made by Beijing Third Intermediate People’s Court. The Company believed the litigation doesn’t have any material adverse impact on normal operations of the Company at date of report.

## 29. Other non-current liabilities

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
Long-term rent payable	16,907,260	15,663,227
Deferred income-government granted related to assets	21,860,102	23,516,607
Total	38,767,362	39,179,834

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. 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.

### 30. Share capital

Item	2014.12.31 (audited)	New issue of shares	Changes in the period			Subtotal	2015.6.30 (unaudited)
			Bonus Issue	Capitalization of surplus reserve	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	7,294,599						7,294,599
Domestic individual shareholders	55,355,593						55,355,593
3. Foreign listed shares denominated in RMB	182,160,000						182,160,000
Total shares	412,220,000						412,220,000

### 31. Capital reserve

Item	2014.12.31 (audited)	Increase in the period	Decrease in the period	2015.6.30 (unaudited)
Capital premium	609,598,028			609,598,028
Equity transaction with minority shareholders of subsidiaries	(1,247,845)			(1,247,845)
Other capital reserve	695,493			695,493
Total	609,045,676			609,045,676

### 32. Other comprehensive income

Item	2014.12.31 (audited)	Amount before tax	Change in the period			2015.6.30 (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	
Other comprehensive income that will not be reclassified to profit or loss Including: gains or losses on changes in fair value of available-for-sale financial assets	3,171,000	1,070,000		267,500	802,500	3,973,500
Total	3,171,000	1,070,000		267,500	802,500	3,973,500

### 33. Surplus reserve

Item	2014.12.31 (audited)	Increase in the period	Decrease in the period	2015.6.30 (unaudited)
Statutory surplus reserve	135,571,025			135,571,025
Total	135,571,025			135,571,025

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.

After the appropriation of statutory surplus reserve, the Company can appropriate discretionary surplus reserve. Discretionary surplus reserve can be used to make up for the loss or increase the paid in capital after approval.

### 34. Undistributed Profits

Item	Six months ended at June 30, 2015 (unaudited)		Six months ended at June 30, 2014 (unaudited)
	Income	Cost	
Before adjustment: undistributed profits at the end of prior period		<b>493,671,848</b>	499,634,209
Adjustment: Total undistributed profits at the beginning of the period			
After Adjustment: undistributed profits at the beginning of the period		<b>493,671,848</b>	499,634,209
Add: Net profit attributable to the shareholders of the parent company for the period		<b>21,040,066</b>	29,361,008
Less: Appropriation to statutory surplus reserve			
Appropriation to discretionary surplus reserve			
Appropriation to general risk reserve			
Ordinary shares' dividends payable		<b>41,222,000</b>	41,222,000
Undistributed profits at the end of the period		<b>473,489,914</b>	487,773,217

#### Dividend

In the current period, a final dividend of RMB0.1 per share ended at December 31, 2014 (the previous corresponding period: RMB0.1 per share in respect of the year ended at December 31, 2013) was declared and paid to the shareholders of the Company. The aggregated amount of the final dividend declared and paid was RMB41,222,000 (the previous corresponding period: RMB41,222,000).

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

### 35. Operating income and operating cost

#### (1) Operating income and cost

Item	Six months ended at June 30, 2015 (unaudited)		Six months ended at June 30, 2014 (unaudited)	
	Income	Cost	Income	Cost
Principal operating	<b>5,310,399,644</b>	<b>4,632,187,837</b>	5,004,423,169	4,335,252,545
Other operating	<b>504,111,027</b>	<b>7,259,269</b>	441,497,666	3,796,793
Total	<b>5,814,510,671</b>	<b>4,639,447,106</b>	5,445,920,835	4,339,049,338

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

Item	Six months ended at June 30, 2015 (unaudited)		Six months ended at June 30, 2014 (unaudited)	
	Principal operating income	Principal operating cost	Principal operating income	Principal operating cost
Retail	<b>2,389,651,616</b>	<b>2,012,244,422</b>	2,419,208,698	2,020,458,775
Wholesale	<b>2,913,204,848</b>	<b>2,614,036,558</b>	2,574,359,604	2,306,206,519
Others	<b>7,543,180</b>	<b>5,906,857</b>	10,854,867	8,587,251
Total	<b>5,310,399,644</b>	<b>4,632,187,837</b>	5,004,423,169	4,335,252,545

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



### 36. Selling expenses

Item	Six months ended at June 30, 2015 (unaudited)	Six months ended at June 30, 2014 (unaudited)
Wages and salaries	260,338,509	220,464,415
Depreciation and amortization expenses	95,090,800	95,669,406
Lease expenses	116,166,848	117,799,958
Others	375,658,053	337,781,253
Total	847,254,210	771,715,032

### 37. Administrative expenses

Item	Six months ended at June 30, 2015 (unaudited)	Six months ended at June 30, 2014 (unaudited)
Wages and salaries	117,494,405	112,775,166
Depreciation and amortization expenses	3,487,487	4,564,551
Others	20,205,124	24,209,143
Total	141,187,016	141,548,860

### 38. Financial expenses

Item	Six months ended at June 30, 2015 (unaudited)	Six months ended at June 30, 2014 (unaudited)
Interest expenses	83,895,966	86,903,212
Less: Capitalized interest expenses	89,501	704,916
Interest income	(9,222,689)	(6,995,042)
Bank charges	4,575,530	2,762,134
Exchange losses (gains)	325,139	179,308
Others		
Total	79,484,445	82,144,696

### 39. Investment income

Item	Six months ended at June 30, 2015 (unaudited)	Six months ended at June 30, 2014 (unaudited)
Investment income from of short-term financial products	653,363	1,958,307
Total	653,363	1,958,307

#### 40. Income tax expenses

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

Item	Six months ended at June 30, 2015 (unaudited)	Six months ended at June 30, 2014 (unaudited)
Current income tax expense	23,298,627	30,997,713
Deferred income tax	(1,441,271)	(7,086,268)
Total	21,857,356	23,911,445

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

Item	Six months ended at June 30, 2015 (unaudited)
Total profit	70,383,057
Income tax expenses calculated at applicable statutory tax rate	17,595,764
Effect of adjusting the previous years' income tax	(448,299)
Effect of non-taxable income	
Effect of non-deductible costs, expenses and losses	545,305
Effect of using deductible losses of previously unrecognized deferred tax assets	(12,376)
Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets in the period	4,176,962
Income tax	21,857,356

#### 41. Earnings per share

Item	Six months ended at June 30, 2015 (unaudited)	Six months ended at June 30, 2014 (unaudited)
Profit for the period attributable to shareholders of the parent company	21,040,066	29,361,008
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, 2015 (unaudited)	Six months ended at June 30, 2014 (unaudited)
Calculated based on the net profit attributable to ordinary shareholders of the parent company: Basic earnings per share	0.05	0.07

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

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

Supplementary information	Six months ended at June 30, 2015 (unaudited)	Six months ended at June 30, 2014 (unaudited)
<b>1. Reconciliation of net profits and cash flow from operating activities:</b>		
Net profits	48,525,701	55,959,959
Add: Provision for impairment losses of assets	147,531	90,432
Depreciation of fixed assets, investment property, oil and gas assets and productive biological assets.	66,779,238	65,372,813
Amortization of intangible assets	5,270,727	5,487,510
Amortization of long-term prepaid expenses	43,218,261	33,657,270
Losses on disposal of fixed assets, intangible assets and other long-term assets	157,974	1,288,218
Losses on retirement of fixed assets	3,775	
Losses (Gains) on changes in fair value		
Financial expenses	74,583,776	79,382,562
Gains arising from investments	(653,363)	(1,958,307)
Decrease(Increase) in deferred tax assets	(1,503,182)	(6,566,148)
Increase(Decrease) in deferred tax liabilities	329,412	(520,120)
Decrease in inventories	213,044,447	70,194,926
Increase(Decrease) in operating receivables	(253,642,566)	247,859,625
Increase(Decrease) in operating payables	319,030,106	(48,197,705)
Other		
Net cash flows from operating activities	515,291,837	502,051,035
<b>2. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	519,553,725	667,019,316
Less: Opening balance of cash	521,621,307	589,553,313
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net decrease(increase) in cash and cash equivalents	(2,067,582)	77,466,003

##### (2) Cash and cash equivalents

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
<b>Cash</b>	<b>519,553,725</b>	667,019,316
Including: Cash on hand	26,064,331	28,396,163
Bank deposits on demand	493,489,394	638,623,153
Other monetary funds on demand		
Deposits in Central Bank that can be used for payment		
Deposits in other financial institutions		
Placement from other financial institutions		
<b>Cash equivalents</b>		
Including: Investments in bonds due within 3 months		
<b>Closing balance of cash and cash equivalents</b>	<b>519,553,725</b>	667,019,316
Including: Cash and cash equivalents of parent and subsidiaries for restricted use only		

## VII. CHANGES IN THE CONSOLIDATION SCOPE

In the current period ended at June 30, 2015, Beijing Chaopi Zhaoyang E-commerce Company Limited, a new subsidiary established by the Company's subsidiary Beijing Chaopi Trading Company Limited, joint in the consolidation scope, and details were referred to Note (VIII) 1.

## 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	3,200,000
Beijing Jingkelong Shouchao Commercial Co., Ltd. (Shoulian Supermarket)	Limited company	Beijing, PRC	Retail	398,453,439
Beijing Shoulian Jiulong Supermarket Co., Ltd (Shoulian Jiulong)	Limited company	Beijing, PRC	Retail	10,000,000
Beijing Chaopi Trading Co., Ltd. (Chaopi Trading)	Limited company	Beijing, PRC	Wholesale	500,000,000
Beijing Chaopi Shuanglong Alcohol Sales Company Limited (Chaopi Shuanglong)*	Limited company	Beijing, PRC	Wholesale	110,160,000
Beijing Chaopi Huaqing Beverage Company Limited (Chaopi Huaqing)*	Limited company	Beijing, PRC	Wholesale	80,000,000
Beijing Chaopi Flavourings, Company Limited (Chaopi Flavouring)*	Limited company	Beijing, PRC	Wholesale	50,000,000
Beijing Chaopi Jinglong Oil Sales Company Limited (Chaopi Oil Sales)*	Limited company	Beijing, PRC	Wholesale	36,000,000
Shijiazhuang Chaopi Xinlong Trading Company Limited*	Limited company	Shijiazhuang, PRC	Wholesale	5,000,000
Qingdao Chaopi Jinlong Trading Company Limited	Limited company	Qingdao, PRC	Wholesale	5,000,000
Beijing Chaopi Zhongde Trading Company Limited (Chaopi Zhongde)*	Limited company	Beijing, PRC	Wholesale	50,000,000
Beijing Chaopi Huilong Trading Company Limited (Chaopi Huilong)*	Limited company	Beijing, PRC	Wholesale	24,000,000



Subsidiary	Type	Place of incorporation	Nature of business	Registered Capital
Taiyuan Chaopi Trading Company Limited (Chaopi Taiyuan)*	Limited company	Taiyuan, PRC	Wholesale	15,000,000
Tangshan Chaopi Trading Company Limited*	Limited company	Tangshan, PRC	Wholesale	5,000,000
Tianjin Chaopi Trading Company Limited*	Limited company	Tianjin, PRC	Wholesale	15,000,000
Chaopi Yuli Trading Company Limited*	Limited company	Beijing, PRC	Wholesale	24,000,000
Chaopi Fangsheng Trading Company Limited*	Limited company	Beijing, PRC	Wholesale	12,000,000
Jinan Chaopi Linda Trading Company Limited (Chaopi Jinan)*	Limited company	Jinan, PRC	Wholesale	26,000,000
Beijing Chaopi Shenglong Trading Company Limited (Chaopi Shenglong)*	Limited company	Beijing, PRC	Wholesale	20,000,000
Beijing Chaopi Tianhua Trading Company Limited (Chaopi Tianhua)*	Limited company	Beijing, PRC	Wholesale	10,000,000
Datong Chaopi Beichen Trading Company Limited (Chaopi Datong)*	Limited company	Datong, PRC	Wholesale	26,000,000
Datong Chaopi Ant Trading Company Limited (Chaopi Ant)**	Limited company	Datong, PRC	Retail	5,000,000
Tangshan Chaopi Baishun Trading Company Limited (Chaopi Baishun)*	Limited company	Tangshan, PRC	Wholesale	30,000,000
Beijing Chaopi Maolisheng Trading Company Limited (Chaopi Maolisheng)*	Limited company	Beijing, PRC	Wholesale	50,000,000
Hongkong Chaopi Asia Company Limited (Chaopi Hongkong)**	Limited company	Hongkong, PRC	Wholesale	HKD10,000
Beijing Qumeiba Information Technology Company Limited (Qumeiba)*	Limited company	Beijing, PRC	Wholesale	1,000,000
Beijing Chaopi Shengshi Trading Company Limited (Chaopi Shengshi)*	Limited company	Beijing, PRC	Wholesale	25,000,000
Beijing Chaopi Zhaoyang E-commerce Company Limited (Chaopi Zhaoyang)*	Limited company	Beijing, PRC	Wholesale	20,000,000



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 Tongli Commercial Facilities Co., Ltd. (Xinyang Tongli)	Production of plastic packing materials and installation and maintenance of commercial equipment	52.03	52.03	Yes	
Beijing Jingkelong Shouchao Commercial Co., Ltd. (Shoulian Supermarket)	Retail of general merchandise	100	100	Yes	
Beijing Shoulian Jiulong Supermarket Co., Ltd (Shoulian Jiulong)	Retail of general merchandise	100	100	Yes	
Beijing Chaopi Trading Co., Ltd. (Chaopi Trading)	Wholesale of general merchandise	79.85	79.85	Yes	
Beijing Chaopi Shuanglong Alcohol Sales Company Limited (Chaopi Shuanglong)*	Wholesale of beverages	47.11	59.00	Yes	
Beijing Chaopi Huaqing Beverage Company Limited (Chaopi Huaqing)*	Wholesale of drinks and food	42.66	53.43	Yes	
Beijing Chaopi Flavours, Company Limited (Chaopi Flavouring)*	Wholesale of edible oil and food	42.03	52.63	Yes	
Beijing Chaopi Jinglong Oil Sales Company Limited (Chaopi Oil Sales)*	Wholesale of edible oil	43.30	54.23	Yes	
Shijiazhuang Chaopi Xinlong Trading Company Limited*	Wholesale of alcoholic beverages	79.85	100	Yes	
Qingdao Chaopi Jinlong Trading Company Limited	Wholesale of alcoholic beverages	79.85	100	Yes	
Beijing Chaopi Zhongde Trading Company Limited (Chaopi Zhongde)*	Wholesale of consumer sanitary products	79.85	100	Yes	
Beijing Chaopi Huilong Trading Company Limited (Chaopi Huilong)*	Wholesale of alcoholic beverages	62.08	77.75	Yes	
Taiyuan Chaopi Trading Company Limited (Chaopi Taiyuan)*	Wholesale of general merchandise	79.85	100	Yes	
Tangshan Chaopi Trading Company Limited*	Wholesale of general merchandise	79.85	100	Yes	
Tianjin Chaopi Trading Company Limited*	Wholesale of general merchandise	79.85	100	Yes	
Chaopi Yuli Trading Company Limited*	Wholesale of general merchandise	30.31	70	Yes	
Chaopi Fangsheng Trading Company Limited*	Wholesale of general merchandise	63.88	80	Yes	
Jinan Chaopi Linda Trading Company Limited (Chaopi Jinan)*	Wholesale of general merchandise	51.90	65	Yes	



Subsidiary	Scope of business	Proportion of ownership interests (%)	Proportion of voting power (%)	Whether Consolidated or not	Notes
Beijing Chaopi Shenglong Trading Company Limited (Chaopi Shenglong)*	Wholesale of package service, packed food and storage service	47.11	59	Yes	
Beijing Chaopi Tianhua Trading Company Limited (Chaopi Tianhua)*	Wholesale of package service, packed food and storage service	42.66	53.43	Yes	
Datong Chaopi Beichen Trading Company Limited (Chaopi Datong)*	Wholesale of package service, packed food and storage service	55.90	70	Yes	
Datong Chaopi Ant Trading Company Limited (Chaopi Ant)**	Wholesale of package service, packed food and storage service	55.90	100	Yes	
Tangshan Chaopi Baishun Trading Company Limited (Chaopi Baishun)*	Wholesale of package service, packed food and storage service	55.90	70	Yes	
Beijing Chaopi Maolisheng Trading Company Limited (Chaopi Maolisheng)*	Wholesale of general merchandise	51.90	65	Yes	
Hongkong Chaopi Asia Company Limited (Chaopi Hongkong)**	Merchandise trading	42.03	100	Yes	
Beijing Qumeiba Information Technology Company Limited (Qumeiba)*	Wholesale of cosmetics	51.90	65	Yes	
Beijing Chaopi Shengshi Trading Company Limited (Chaopi Shengshi)*	Wholesale of cosmetics	51.90	65	Yes	
Beijing Chaopi Zhaoyang E-commerce Company Limited (Chaopi Zhaoyang)*	Wholesale of general merchandise	79.85	100	Yes	New established during the current period

**Note:**

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

## 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	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	Organization code
Chaoyang Auxiliary	State-owned	Beijing	Mr. Wang Weilin	Sales of food and oil products	289,821,000	40.61	40.61	Chaoyang Auxiliary	10163706-x

### 2. Subsidiaries of the Company

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

### 3. Other related parties of the Company

Name of other related party	Relationship between other related parties and the Company	Organization code
Beijing Tengyuan Xingye Motor Service Limited Company ("Tengyuan Xingye")	Company controlled by the same parent	10169570-2

### 4. Related party transactions

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

Lessor	Lessee	Type of lease	Pricing basis of related party transaction	Notes	Six months ended at 30 June 2015 (unaudited)	Six months ended at 30 June 2014 (unaudited)
Chaoyang Auxiliary	The Company	Rental expense	Price negotiated	Note 1	663,172	663,172
Chaoyang Auxiliary	Xinyang Tongli	Relocation compensation	Price negotiated	Note 2		
Tengyuan Xingye	The Company	Rental expense and property management expense	Price negotiated	Note 3		
						1,601,967

*Note 1:* On April 30, 2004, the Company and its subsidiary Chaopi Trading leased several properties in Beijing from Chaoyang Auxiliary Pursuant with 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 on 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 Tradin. At 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 Hongchao Weiye 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 current period ended at June 30, 2015 and the corresponding period in 2014 were both recognized at RMB663,172.





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 18, 2013 and July 1, 2012, 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.

*Note 2:* On April 30, 2004, Xinyang Tongli, a subsidiary of the Company, leased a property located at No.1, Tuofangying, Jiuxianqiao of Chaoyang District, Beijing from Chaoyang Auxiliary with annual rent of RMB16, 257, for a term from January 1, 2004 and December 31, 2023 respectively. On December 14, 2012, a compensation agreement was entered between Chaoyang Auxiliary and Xinyang Tongli, pursuant to which compensation in the amount of RMB6,349,040 should be paid to Xinyang Tongli as determined after taking into account its loss in equipment and fixtures and loss of business interruption, etc. arising from the termination of lease agreement. The aforesaid lease contract between Xinyang Tongli and Chaoyang Auxiliary was terminated effecting from December 31, 2012. Xinyang Tongli received the aforesaid compensation on January 18, 2013. According to the reallocation progress at the end of relevant periods, the compensation recognized as an income by RMB4,321,892 in 2013 which was RMB0 in the current period and the previous corresponding period.

Note 3: On July 2, 2007, the Company leased a property located at Court 52, Jiuxianqiao Road, Chaoyang District, Beijing from Tengyuan Xingye with annual rent of RMB2,100,000 increasing once every five years for a term from April 1, 2007 to September 30, 2022. On July 1, 2011, the Company terminated the property lease agreement and undertook to pay the occupancy fee till June 30, 2012. On June 18, 2012, the Company reentered into a lease contract on the aforesaid property with Tengyuan Xingye, with annual rent and property management fee of RMB2,232,249 and RMB971,685 respectively increasing once every four years for a term from July 1, 2012 to March 31, 2022. On July 1, 2014, the Company terminated the property lease agreement in respect of aforesaid property. In the previous corresponding period, the aggregate amount of rent, occupancy fee and property management fee was recognized at RMB1,601,967.

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

Item	Six months ended at 30 June 2015 (unaudited)	Six months ended at 30 June 2014 (unaudited)
Compensation for key management personnel	<b>5,382,246</b>	5,936,937

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

The Group had no receivables or payables balance with related parties at June 30, 2015 and December 31, 2014.

**6. Related party commitments**

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

The anticipated future rent by the Group:

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
1st year subsequent to the balance sheet date	<b>1,326,345</b>	1,326,345
2nd year subsequent to the balance sheet date	<b>1,326,345</b>	1,326,345
3rd year subsequent to the balance sheet date	<b>1,326,345</b>	1,326,345
Subsequent periods	<b>7,595,114</b>	8,258,287
Total	<b>11,574,149</b>	12,237,322

## X. COMMITMENTS

### 1. Significant commitments

#### (1) Capital commitments

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
Acquisition of fixed assets		
Authorized but not contracted	<b>264,799,035</b>	205,861,716
Contracted but not provided	<b>181,485,444</b>	188,410,979
Total	<b>446,284,479</b>	394,272,695

#### (2) Operating lease commitments

By the end of the balance sheets date, the Company had the following commitments in respect of non-cancellable operating leases:

##### (a) As the lessee

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	<b>242,319,617</b>	215,572,740
2nd year subsequent to the balance sheet date	<b>246,502,652</b>	222,229,915
3rd year subsequent to the balance sheet date	<b>244,318,039</b>	222,220,609
Subsequent periods	<b>1,700,359,843</b>	1,617,276,789
Total	<b>2,433,500,151</b>	2,277,300,053

##### (b) As the lessor

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	<b>109,004,606</b>	62,410,234
2nd year subsequent to the balance sheet date	<b>81,757,074</b>	56,891,595
3rd year subsequent to the balance sheet date	<b>52,575,428</b>	42,120,601
Subsequent periods	<b>155,509,835</b>	139,398,287
Total	<b>398,846,943</b>	300,820,717

## XI. SIGNIFICANT SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

By the end of the approval date of these interim financial statements, no other significant non-adjusting event should be disclosed by the Company.

## 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:

- (a) The retailing segment mainly engages in the distribution of food, untagged food, daily necessities, drinks and cigarettes, hardware and household appliances;
- (b) The wholesaling segment mainly engages in the wholesale supply of daily consumer products, including food, untagged food, beverages, drinks, cigarettes and daily necessities;
- (c) The “others” segment comprises, principally, the production of plastic packing materials.

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

All the 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 prices as well as the actual transaction prices.

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

#### For the 6 months ended at June 30, 2015 (unaudited)

Item	Detailing	Wholesale	Others	Inter-segment offset	Total
Operating income					
External revenue	2,586,402,191	3,215,638,618	12,469,862		5,814,510,671
Inter-segment revenue	14,226,023	291,789,773	5,757,483	(311,773,279)	–
Total	2,600,628,214	3,507,428,391	18,227,345	(311,773,279)	5,814,510,671
Total profit	9,001,161	60,934,370	447,526		70,383,057
Income tax expenses	2,434,870	19,295,948	126,538		21,857,356
Net profit (losses)	6,566,291	41,638,422	320,988		48,525,701
Supplementary information:					
Depreciation and amortization expenses	105,197,955	10,045,236	25,034		115,268,225
Impairment losses on assets	147,531				147,531
Capital expenditures	40,289,169	3,245,766			43,534,935

For the 6 months ended at June 30, 2014 (unaudited)

Item	Detailing	Wholesale	Others	Inter-segment offset	Total
Operating income					
External revenue	2,604,180,074	2,829,045,016	12,695,745		5,445,920,835
Inter-segment revenue	22,942,776	271,353,461	6,789,388	(301,085,625)	-
Total	2,627,122,850	3,100,398,477	19,485,133	(301,085,625)	5,445,920,835
Total profit	26,736,410	52,251,771	883,223		79,871,404
Income tax expenses	7,270,844	16,413,123	227,478		23,911,445
Net profit (losses)	19,465,566	35,838,648	655,745		55,959,959
Supplementary information:					
Depreciation and amortization expenses	92,648,375	11,848,617	20,601		104,517,593
Impairment losses on assets	90,432				90,432
Capital expenditures	32,385,575	4,419,823	10,468		36,815,866

### 2015.6.30 (unaudited)

Item	Detailing	Wholesale	Others	Inter-segment offset	Total
Total assets	<b>4,163,252,360</b>	<b>4,078,482,034</b>	<b>23,873,280</b>	<b>(1,067,801,054)</b>	<b>7,197,806,620</b>
Total liabilities	<b>3,144,689,796</b>	<b>3,049,843,909</b>	<b>14,419,411</b>	<b>(1,067,801,054)</b>	<b>5,141,152,062</b>

2014.12.31 (audited)

Item	Detailing	Wholesale	Others	Inter-segment offset	Total
Total assets	4,200,497,878	4,064,648,056	21,834,309	(1,045,477,145)	7,241,503,098
Total liabilities	3,186,050,281	2,993,163,140	12,701,427	(1,045,477,145)	5,146,437,703

## 2. Other significant issues which influence the decision making of investors

### Net current assets

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
Current assets	<b>4,784,030,191</b>	4,766,324,066
Less: Current liabilities	<b>4,350,956,537</b>	4,261,812,114
Net current assets	<b>433,073,654</b>	504,511,952

### Total assets less current liabilities

Item	2015.6.30 (unaudited)	2014.12.31 (audited)
Total assets	<b>7,197,806,620</b>	7,241,503,098
Less: Current liabilities	<b>4,350,956,537</b>	4,261,812,114
Total assets less current liabilities	<b>2,846,850,083</b>	2,979,690,984

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

#### 1. Accounts receivable

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

Category	2015.6.30 (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	264,829,662	99			264,829,662
Receivables that are not individually significant but for which bad debt provision has been assessed individually	1,890,579	1	1,890,579	100	
Total	266,720,241	100	1,890,579		264,829,662

Category	2014.12.31 (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	262,791,528	99			262,791,528
Receivables that are not individually significant but for which bad debt provision has been assessed individually	1,890,579	1	1,890,579	100	
Total	264,682,107	100	1,890,579		262,791,528

##### (2) Aging analysis of accounts receivable on the basis of the date when revenue is recognized.

Aging	2015.6.30 (unaudited)			Net book value
	Carrying amount	Proportion %	Bad debt provision	
Within 1 year	184,829,662	69		184,829,662
1-2 years				
2-3 years				
3-4 years	1,890,579	1	1,890,579	
4-5 years				
Over 5 years	80,000,000	30		80,000,000
Total	266,720,241	100	1,890,579	264,829,662

(3) **Accounts receivable that are not individually significant but for which the bad debt provision is assessed individually at June 30, 2015**

Content of accounts receivable	2015.6.30 (unaudited)			
	Amount	Bad debt provision	Rate %	Reason
Liu Liangguo	1,890,579	1,890,579	100	Controversial debts which are unlikely to recover

2 **Other receivables**

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

Category	2015.6.30 (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	6,549,750	1	4,224,750	65	2,325,000
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	662,121,312	98			662,121,312
Other receivables that are not individually significant but for which the bad debt provision is assessed individually.	2,051,300	1	1,171,772	57	879,528
<b>Total</b>	<b>670,722,362</b>	<b>100</b>	<b>5,396,522</b>		<b>665,325,840</b>

Category	2014.12.31 (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	6,549,750	1	4,224,750	65	2,325,000
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	580,240,203	98			580,240,203
Other receivables that are not individually significant but for which the bad debt provision is assessed individually.	2,051,300	1	1,171,772	57	879,528
<b>Total</b>	<b>588,841,253</b>	<b>100</b>	<b>5,396,522</b>		<b>583,444,731</b>

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

Aging	Carrying amount	2015.6.30 (unaudited)		Net book value
		Proportion %	Bad debt provision	
Within 1 year	662,121,312	99		662,121,312
1-2 years				
2-3 years				
3-4 years	2,051,300		1,171,772	879,528
4-5 years				
Over 5 years	6,549,750	1	4,224,750	2,325,000
Total	670,722,362	100	5,396,522	665,325,840

(3) *Other receivables that are individually significant and for which bad debt provision has been assessed individually as at June 30, 2015.*

Content of other receivables	Carrying amount	2015.6.30 (unaudited)		
		Bad debt provision	Rate (%)	Reason
Beijing Guanyuan Wholesale Market Company Limited	6,549,750	4,224,750	65	Full bad debt provision for the part unrecovered, according to the agreement

(4) *Other receivables that are not individually significant and for which bad debt provision has been assessed individually as at June 30, 2015.*

Content of other receivables	Carrying amount	2015.6.30 (unaudited)		
		Bad debt provision	Rate (%)	Reason
Beijing Bailitongda E-commerce Company Limited	2,051,300	1,171,772	57	Full bad debt provision for the part unable to recover, pursuant to the judgment awarded by the court



### 3. Long-term equity investment

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

Item	2015.6.30 (unaudited)			2014.12.31 (audited)		
	Carrying amount	Provision for impairment	Net book value	Carrying amount	Provision for impairment	Net book value
Investment in subsidiaries	973,635,094		973,635,094	973,635,094		973,635,094
Total	973,635,094		973,635,094	973,635,094		973,635,094

#### (2) Investment in subsidiaries

Investee	2014.12.31 (audited)	Increase in the period	Decrease in the period	2015.6.30 (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	1,665,000			1,665,000		
Shouchao Group	422,484,500			422,484,500		
Jingkelong Tongzhou	29,000,000			29,000,000		
Total	973,635,094			973,635,094		

### 4. Operating income and operating cost

Item	Six months ended at June 30, 2015 (unaudited)		Six months ended at June 30, 2014 (unaudited)	
	Income	Cost	Income	Cost
Principal operating	2,197,728,459	1,881,844,439	2,247,262,652	1,917,505,299
Other operating	160,020,006	1,641,986	167,881,455	906,263
Total	2,357,748,465	1,883,486,425	2,415,144,107	1,918,411,562

### 5. Investment income

Item	Six months ended at June 30, 2015 (unaudited)	Six months ended at June 30, 2014 (unaudited)
Investment income from distributed dividend of subsidiaries.	39,925,900	39,925,900
Investment gain from buying short-term financial products	466,235	1,697,471
Total	40,392,135	41,623,371