

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)



2016

Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. Wang Weilin
Mr. Li Shunxiang

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

SUPERVISORS

Ms. Liu Wenyu (*Chairman*)
Ms. Wang Hong
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
(瑞华會計師事務所(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

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Beijing, PRC

BANK OF BEIJING

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STOCK CODE

814



FINANCIAL HIGHLIGHTS

The Group achieved the following results during the six months ended 30 June 2016:

- Revenue amounted to RMB5,419,638,055, representing an increase of approximately 2.1% compared with last corresponding period.
- Gross profit amounted to RMB661,647,698, representing a decrease of approximately 2.4% compared with last corresponding period.
- Operating profit amounted to RMB68,624,385, representing a decrease of approximately 2.5% compared with last corresponding period.
- Profit attributable the shareholders of the parent company was RMB17,365,243, representing a decrease of approximately 17.5% compared with last corresponding period.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2016, national economy remained generally stable, was able to advanced, and had a good development trend amidst stability, but still came under relatively huge downward pressure. Traditional businesses still faced a complicated macro environment, with excessive competition among entities coupled with a huge impact from e-commerce. From January to June, national online retail sales of physical goods grew rapidly, increasing by 26.6% year on year, and in turn the proportion of such sales among the total retail sales of social consumer goods increased to 11.6%, representing an increase of 0.8 percentage points from last year. Factors such as changes in residents' consumption habit, the decrease in the number of mobile population and the increase in operating costs of enterprises also affected impact on traditional business enterprises. In response to the tests and challenges, the Group actively adjusted and transformed itself by shifting its focus on its goods to the needs of its consumers, actively expanding e-commerce and engaging in innovating its business model, as well as adopting a series of measures to adapt to market changes.

RETAIL BUSINESS

CONTINUOUS DEVELOPMENT OF MOBILE APPS

During the Reporting Period, in order to improve user experience, the Group continuously revised and optimized the relevant mobile APP. To provide extensive shopping options for customers, the Group, capitalizing on the advantage of its wide distribution of stores, upgraded its original platform-shopping mode into "supermarket shopping mode" by synchronizing the tens of thousands of goods available at physical supermarkets to the online platform. With the connection of the offline physical world with the online digital world, consumers were able to browse and shop at the stores which corresponded to the delivery address or self-pickup store they had chosen, thereby satisfying consumers' demands to shop at supermarkets online. Goods were categorized more specifically by adjusting the categories model from two levels to three levels, making it much easier for users to search for goods. Moreover, same-day self-pickup and same-day delivery services were made available for live and fresh produce.

STRENGTHENING STANDARDIZED OPERATION OF FRESH PRODUCE

During the Reporting Period, the Group set up a version "2.0" live and fresh produce project team, aiming to implement more detailed standards and requirements for the variety, ordering, receipt, storage, display, sale, clearing and daily operation and management of live and fresh produce available at retail stores through packaging, standardization and branding operations. Purchasing and processing standards for fresh produce were revised in addition to the strictly control over the logistics quality of fresh produce. By upgrading the commodities mix, quality and equipment, the Group improved its merchandising capability of fresh produce and consolidated its competitive strength of physical stores in the fresh produce business to attract a steady customer flow.



MAKING EXPLORATION AND INNOVATION FROM MULTIDIMENSIONAL PERSPECTIVES INCLUDING MARKETING METHOD, PAYMENT METHOD AND BUSINESS MODEL

During the Reporting Period, the Group leveraged online tools for marketing and promotion. Through the Jingkelong Wechat public platform, the Group launched multiple interactive events, sent marketing and promotion pictures and texts to continuously lead consumers to the use of the Jingkelong APP, and continuously carried out Wechat goods pre-sales events to enrich online goods operation activities. The Group provided the function of “Nearby Stores” on the Alipay platform. When using Alipay Wallet, users could find Jingkelong Supermarket or Convenience Store within two kilometres of the located position by clicking the “Nearby” function on the platform. It has realized the integrated membership function, such as the online binding of membership cards of physical store members, the online and offline uses of bonus points and participation in members’ rewards. After opening Wechat payment and Alipay payment channels, the Group continued to participate in relevant payment date activities and also successively launched mobile payment functions such as Jingdong wallet, Apple pay and Bestpay etc. to meet the consumers’ need for fast payment channels for offline shopping. Given increasing changes in the consumption environment, consumption habit and consumption behaviour, the Group actively explored in innovating the business models of convenience stores and carried out pilot work to transform the existing convenience stores into community-based fresh produce convenience stores to highlight the business objective of “home kitchen’s good helper”. The fresh produce stores mainly sell kitchen-related goods such as vegetables, fruits, meats and staple food, so as to meet the community residents’ convenience demand.

IMPROVE STORE MANAGEMENT BY STRENGTHENING DATA ANALYSIS

During the Reporting Period, the Group insisted on conducting data integration and analysis, especially in respect of sensitive indices such as contact ratio, inventory efficiency, and status of shelf sales goods, group purchase and special offer operations, in order to obtain information on single store (store average), single item (Top 10) ranking, vendor brand channels, sales classification of ABC, price range indication and shelf sales ratio of major categories such as fruits and vegetables, cooked food, eggs, frozen food, liquor, daily chemicals and knitted cotton goods. Through such analysis, problems were identified in the operation system and specific solutions were formulated to provide effective support for the management in their decision making process.

BOOST LOGISTICS EFFICIENCY BY OPTIMISING LOGISTICS AND DISTRIBUTION MANAGEMENT

During the Reporting Period, using the automatic sorting system, the normal-temperature distribution centre gradually sorted out the existing operation procedures one by one. Sorting operations for dissembled goods under cross-docking logistics were included in the automatic sorting machine, further reducing manual operation and improving distribution efficiency and service quality of shipments. The promotion of logistics standardisation continued, and certain selected warehousing distribution goods were shifted to operation of cross-docking logistics, thereby increasing the distribution volume of goods by cross-docking logistics. On the basis of enhancing daily operational management, the fresh produce logistics centre actively introduced equipment and facilities and sped up the development of small-packaged products. With respect to the properties and processing standards of goods, the fresh produce logistics centre conducted repeated tests in multiple aspects such as material selection, packaging, specification and edible method etc. and launched more than 100 types of box-packed products.

IMPLEMENTATION OF FOOD SAFETY MANAGEMENT

During the Reporting Period, in order to better implement food safety management and prevent potential food safety hazards, the Group carried out strict monitoring over the quality of goods. Imports from new channels and new goods were monitored in accordance with strict quality standards, and field inspections were conducted on newly introduced channels and high-risk channels. Any channel which did not meet the quality requirements was not introduced. The distribution centre strengthened its management over the date of manufacture and the shelf life of goods received, and rejected all goods which did not meet inspection requirements. Emphasis was also placed on checking the expiration dates of the goods in stock at the logistics centre, so as to ensure that no goods nearing expiration date or expired goods were distributed to the stores. The quality of fresh produce was strictly controlled in the procurement bases. Different packaging and transportation standards were adopted according to different seasons and different storage transportation demands of different fresh produce. The sanitary condition and temperature control of distribution trucks were supervised, safety checks for goods on sale were enhanced, and food safety management in stores were regulated.

PRUDENT DEVELOPMENT OF RETAIL NETWORK

During the Reporting Period, the Group focused on improving the operational capability of its stores and was prudent and cautious in developing the scale of its stores. One new retail store was opened during the Reporting Period. Due to reasons including the expiration of tenancies and adjustments to operational strategies, 4 supermarkets and 6 franchise-operated convenience stores were closed during the Reporting Period. In addition, the Group completed the renovation work for 1 supermarket and 4 convenience stores.

As at 30 June 2016, the Group had a total of 252 retail outlets, including 189 directly-operated outlets and 63 franchise-operated outlets, with total net operating area of 307,870 square metres. The following table sets out the number and net operating area of the Group's retail outlets as at 30 June 2016:

	Department stores	Hypermarkets	Supermarkets	Convenience stores	Total
Number of retail outlets:					
Directly-operated	2	12	68	107	189
Franchise-operated	-	-	1	62	63
Total	2	12	69	169	252
Net operating area (square metres):					
Directly-operated	39,742	86,089	148,205	20,354	294,390
Franchise-operated	-	-	880	12,600	13,480
Total	39,742	86,089	149,085	32,954	307,870

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
	2016 RMB'000	2015 RMB'000	
Directly-operated retail outlets:			
Hypermarkets	651,757	685,072	-4.9%
Supermarkets	1,499,976	1,502,983	-0.2%
Convenience stores	157,878	158,464	-0.4%
Department stores	21,645	25,212	-14.1%
(including commissions)	18,373	21,814	-15.8%
Online retail business	18,366	17,921	2.5%
Total retail principal operating income	2,349,622	2,389,652	-1.7%
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	15.5	15.0	0.5p.p

During the Reporting Period, the retail principal operating income of the Group decreased by approximately 1.7% mainly due to the following reasons: (i) an overall same-store sales decrease of approximately 1.67% during the Reporting Period; (ii) the impact of intensive market competition and fast development of e-commerce on physical stores; and (iii) the impact of closed stores.

During the Reporting Period, the gross profit margin of the directly-operated retail business (excluding department stores) increased from 15.0% in the last corresponding period to 15.5%, mainly because of: (i) adjusting and optimizing the composition of the commodities by gradually increasing the proportion of high gross profit margin products during the Reporting Period; and (ii) an improvement in the pricing management of promotion commodities.

WHOLESALE BUSINESS

CONTINUOUS EXPANSION OF E-COMMERCE SUPPLIER BUSINESS

During the Reporting Period, the Group had been proactive in promoting e-commerce supplier business. It kept diversifying the goods sold online and introduced new brands of goods, strengthening the cooperation with various e-commerce platforms, taking advantage of its existing offline resources to realize the interaction of online and offline sales and brand sharing. Building on an enhanced cooperation with existing e-commerce platforms, it made efforts to explore new platforms, and gradually established cooperative relationships with medium and small-sized platforms and expanded the channels of online sales. With such efforts, the Group saw constant growth in its e-commerce supplier business.

CONTINUOUS DIVERSIFICATION OF GOODS, EXTENSION OF SUPPLY CHAIN AND EXPANSION OF DISTRIBUTION NETWORK

During the Reporting Period, the Group continued to introduce new suppliers, brands and products. At the same time, the Group also insisted on the strategy of developing its private brands. To meet market demands, tailor-made products and private brand goods were developed for goods such as beverages, seasoning, snack foods, chemicals for daily use, etc. and various private brand product promotion activities were conducted, featuring special operations and product advantages. The Group continued to expand its offline distribution network to increase downstream retail customers, and made use of its existing competitive resources to conduct regional brand promotion in regional areas, and introduced new brands into regional companies, so as to perfect the commodity structure of various regions and increase the sales capacity and sales scale of regional subsidiaries.

ENHANCE COMPETITIVENESS BY ACCELERATING DEVELOPMENT OF LOGISTICS STANDARDIZATION

During the Reporting Period, the Group continued to insist upon establishing standardized logistics. It improved the independent logistics functions of the logistics centre such as information and comprehensive function, and constantly optimized logistics chains to reduce the costs. New third party customers were actively introduced to continuously optimize third party logistics services and expand third party business scales.

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
	2016 RMB'000	2015 RMB'000	
Wholesale principal operating income recognised by Chaopi Group*	3,318,846	3,202,149	3.6%
Less: Intersegment Sales	(258,184)	(291,790)	-11.5%
Sales to franchisees	2,182	2,846	-23.3%
Total wholesale principal operating income	3,062,844	2,913,205	5.1%
Gross profit margin** (%)	8.5	9.3	-0.8p.p

* Chaopi Group represents Beijing Chaopi Trading Company Limited (the "Chaopi Trading") and its subsidiaries.

** This represents gross profit margin of wholesale business recognised by Chaopi Group, (including intersegment sales).

During the Reporting Period, the wholesale principal operating income recognized by Chaopi Group increased by approximately 5.1%, 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 second half of 2015; and (iii) the sales contribution from the newly introduced distribution brands.

During the Reporting Period, the gross profit margin of wholesale business recognized by the Chaopi Group was 8.5%, as compared to 9.3% in the corresponding period last year, mainly because of: (i) the decline of gross profit due to the intensive competition in the market; and (ii) more sales promotions were launched in order to benefit the customers.

FINANCIAL RESULTS

	For the six months ended 30 June		Variance
	2016 RMB'000	2015 RMB'000	
Principal operating income	5,419,638	5,310,400	2.1%
Gross profit	661,648	678,212	-2.4%
Gross profit margin (%)	12.2%	12.8%	-0.6p.p
Earnings before interest and tax	142,139	154,190	-7.8%
Net profit	45,245	48,526	-6.8%
Net profit margin (%)	0.8%	0.9%	-0.1p.p
Net profit attributable to shareholders of the parent company	17,365	21,040	-17.5%
Net profit margin attributable to shareholders of the parent company (%)	0.3%	0.4%	-0.1p.p

PRINCIPAL OPERATING INCOME

During the Reporting Period, the Group's principal operating income increased by approximately 2.1%, of which the retail principal operating income decreased by approximately 1.7%, and the wholesale principal operating income increased by approximately 5.1%.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group decreased by approximately 2.4% compared with the last corresponding period. During the Reporting Period, the gross profit margin was 12.2% (last corresponding period: 12.8%).

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 17.5% compared with the last corresponding period. The earnings before interest and tax amounted to approximately RMB142,139,106, representing a decrease of RMB12,050,416 compared with the last corresponding period, and the net profit attributable to shareholders of the parent company decreased from RMB21,040,066 of the last corresponding period to RMB17,365,243.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2016, the Group had non-current assets of RMB2,425,614,083 (comprising mainly fixed assets, investment property, and land use right for a total of RMB1,396,292,610), and non-current liabilities of RMB801,569,268 (comprising mainly bonds payable of RMB746,848,630).

As at 30 June 2016, the Group had current assets of RMB5,407,995,198. Current assets mainly comprised of cash and cash equivalents of RMB576,865,556, inventories of RMB1,573,373,261, accounts receivable of RMB1,582,018,841 and prepayments and other receivables of RMB1,237,815,883. The Group had current liabilities of RMB4,948,982,746. Current liabilities mainly comprised of notes payable and accounts payable of RMB1,613,414,460, short-term bank loans of RMB2,286,246,599 and other current liabilities of RMB373,738,684 (including short-term bonds of RMB303,646,416).

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 30 June 2016, the Group had bank loans of RMB2,286,246,599, which consisted of accounts receivable factored bank loans of RMB178,382,991, and unsecured bank loans of RMB2,107,863,608. All of the Group's bank loans bear interest rates ranging from 1.40% to 4.60% per annum.

Certain of the Group's margin deposit of RMB186,575,770 were pledged for notes payable of RMB467,201,428 as at 30 June 2016.

The Group's gearing ratio* was approximately 73.4% as at 30 June 2016, which was slightly higher than approximately 71.4% in the previous corresponding period.

* Represented by: Total Liabilities/Total Assets



FOREIGN CURRENCY RISK

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

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

EMPLOYEES

As at 30 June 2016, the Group employed 7,862 employees domestically (as at 30 June 2015: 8,102 employees). The total staff costs (including directors' and supervisors' remunerations) of the Group for the Reporting Period amounted to RMB373,043,741 (corresponding period in 2015: RMB382,096,587). 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 2016, the Group did not have any significant contingent liabilities.

ESTABLISHMENT OF ONE SUBSIDIARY

On 29 February 2016, the Group, through its non-wholly owned subsidiary Chaopi Trading established a subsidiary, Chaopi International Trading Company (the "Chaopi International Trading"), to mainly engage in developing cross-border e-commerce services for imported goods. The registered capital of Chaopi International Trading was RMB5,000,000, which has been fully paid up by Chaopi Trading. The Company held an indirect equity interest of approximately 79.85% in Chaopi International Trading.

OUTLOOK

China's economy will continue to face relatively huge downside pressure in the second half of 2016. But as various State reform policies are further implemented and with residents' income increasing steadily, it is expected that the consumer market will generally display stability and improve in the second half of the year. Following the increasingly intense market competition, online and offline enterprises are respectively undergoing mergers and acquisitions, and reorganisations. In face of the various fierce challenges and pressures, the Group will continue to use "goods + services" as its base and "cost control" as its core, and adopt the consumer demand-oriented approach for retail business. It will provide consumers with convenient and efficient shopping experience by focusing on promoting the development of mobile Apps, upgrading of live and fresh produce operation and business model innovation (through the integration of online and offline operations). For its wholesale business, extension of management of the supply chain will be accelerated, as well as the development of the e-commerce supplier business to maintain the competitive edge of an integrated development of retail and wholesale businesses.

EVENTS AFTER THE REPORTING PERIOD

On 12 August 2016, the Group, through its non-wholly owned subsidiary, Chaopi Trading, established a subsidiary, Beijing Chaopi Jiusheng Mingpin Trading Company Limited (the "Chaopi Jiusheng"), to mainly engage in operational activities in the incrementing part of the of the brand names of 39 percent alcohol content Wuliangye (39度五糧液) and Maotai (茅台). The registered capital of Chaopi Jiusheng was RMB30,000,000, which, as at date of this announcement, has not yet been paid up by Chaopi Trading. The Company held an indirect equity interest of approximately 79.85% in Chaopi Jiusheng.

On 18 July 2016, Chaopi Trading, certain existing investors and an independent third party collectively contributed in a capital injection into a non-wholly owned subsidiary of the Company, Beijing Chaopi Tianhua Trading Company Limited (the “Chaopi Tianhua”), increasing the registered capital of Chaopi Tianhua from RMB10,000,000 to RMB20,000,000. Chaopi Trading had fully paid up the relevant contribution of RMB5,343,000, and the other investors (including the independent third party) had fully paid the relevant contribution of RMB4,657,000, respectively. Once the increase of registered capital completed, the Company will become a holder of an indirect equity interest of approximately 42.66% in Chaopi Tianhua.

On 15 August 2016, according to the signed “Interbank bonds market debt financing instruments of non-financial enterprises underwriting agreement”, the Company issued of the year 2016 the second phase of short-term bonds with a coupon rate of 2.94%, a term of maturity of 365 days, value date to be 16 August 2016 and maturity date to be 16 August 2017 in aggregate amounting to RMB300 million through Bank of Beijing Co., Ltd. As at date of this announcement, the Company has received raised capital through issuing this short-term bond.

On 18 August 2016, according to the signed “Interbank bonds market debt financing instruments of non-financial enterprises underwriting agreement”, the Company issued of the year 2016 the third phase of short-term bonds with a coupon rate of 2.98%, a term of maturity of 365 days, value date to be 19 August 2016 and maturity date to be 19 August 2017 in aggregate amounting to RMB200 million through Bank of Beijing Co., Ltd. As at date of this announcement, the Company has received raised capital through issuing this short-term bond.

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 A 4.2 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 2016 unaudited interim consolidated results. The Audit Committee considered that the interim financial report for the six months ended 30 June 2016 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 2016, the interests and positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the domestic shares of the Company

Name	Capacity	Number of domestic shares held	Approximate percentage of total issued domestic shares (%)	Approximate percentage of total issued shares (%)
Li Jianwen	Personal	1,482,579	0.64	0.36
Shang Yongtian	Personal	449,451	0.20	0.11
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 2016, 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 2016, 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 <i>(Note 1)</i>	19,977,000 (L)	10.96	4.85
Templeton Asset Management Ltd. <i>(Note 2)</i>	16,364,900 (L)	8.98	3.97
JPMorgan Chase & Co. <i>(Note 3)</i>	16,362,900 (L)	8.98	3.97
	8,000 (S)	0.00	0.00
	16,346,900 (P)	8.97	3.97
Schroder Investment Management (Hong Kong) Limited <i>(Note 4)</i>	13,036,000 (L)	7.16	3.16
Citigroup Inc. <i>(Note 5)</i>	11,658,000 (L)	6.39	2.82
	5,508,000 (P)	3.02	1.34

(L) – Long Position
(S) – Short 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 16,364,900 H shares were held by Templeton Asset Management Limited in its capacity as an investment manager.
3. 16,362,900 H shares were held by JPMorgan Chase & Co. in its capacity as a custodian corporation/an approved lending agent of which 16,362,900 H shares were in a lending pool. JPMorgan Chase & Co. was also a beneficial owner of 16,000 H shares and had a short position over 8,000 H Shares.
4. These 13,036,000 H shares were held by Schroder Investment Management (Hong Kong) Limited in its capacity as an investment manager.
5. These 11,658,000 H shares were held by Citigroup Inc. in its capacity as an investment manager.

Save as disclosed above, as far as is known to the directors, supervisors or chief executive of the Company, as at 30 June 2016, 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

24 August 2016

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

AUDITOR'S REPORT

RHYZ [2016]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, 2016, 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, 2016, and Beijing Jingkelong Company Limited's results of operations and cash flows for the six-month period then ended.

Ruihua Certified Public Accountants

Chinese Certified Public Accountants: Zhou Huiyan

Chinese Certified Public Accountants: Zhang Youquan

August 24, 2016

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

CONSOLIDATED BALANCE SHEETS

AT JUNE 30, 2016

Currency: RMB

Item	Notes	2016.6.30 (unaudited)	2015.12.31 (audited)
Current Assets:			
Cash and cash equivalents	(VI)1	813,491,326	718,323,705
Accounts receivable	(VI)2	1,582,018,841	1,824,268,380
Prepayments	(VI)3	947,683,254	1,366,408,098
Other receivables	(VI)4	290,132,629	147,135,270
Inventories	(VI)5	1,573,373,261	1,573,547,038
Other current assets	(VI)6	201,295,887	255,871,154
Total current assets		5,407,995,198	5,885,553,645
Non-current Assets:			
Available-for-sale financial assets	(VI)7	29,371,200	28,789,200
Investment properties	(VI)8	137,880,122	141,196,430
Fixed assets	(VI)9	1,102,238,357	1,144,144,901
Construction in progress	(VI)10	118,459,422	101,244,425
Disposal of fixed assets		460,997	–
Intangible assets	(VI)11	193,747,111	193,284,906
Goodwill	(VI)12	86,673,788	86,673,788
Long-term prepaid expenses	(VI)13	543,707,705	582,568,122
Deferred tax assets	(VI)14	34,325,829	31,516,326
Other non-current assets	(VI)15	178,749,552	175,798,659
Total non-current assets		2,425,614,083	2,485,216,757
TOTAL ASSETS		7,833,609,281	8,370,770,402

CONSOLIDATED BALANCE SHEETS (Continued)

AT JUNE 30, 2016

Currency: RMB

Item	Notes	2016.6.30 (unaudited)	2015.12.31 (audited)
Current Liabilities:			
Short-term borrowings	(V)16	2,286,246,599	2,746,099,901
Notes payable	(V)17	467,201,428	624,557,573
Accounts payable	(V)18	1,146,213,032	1,201,009,866
Advance from customers	(V)19	396,692,868	458,476,201
Payroll payable	(V)20	1,925,275	1,347,826
Taxes payable	(V)21	83,755,951	78,474,759
Dividends payable	(V)22	23,918,763	2,736,306
Other payables	(V)23	169,290,146	199,110,041
Non-current liabilities due within one year	(V)24	–	95,000,000
Other current liabilities	(V)25	373,738,684	51,212,042
Total current liabilities		4,948,982,746	5,458,024,515
Non-current Liabilities:			
Bonds payable	(V)26	746,848,630	746,158,430
Provision	(V)27	910,612	910,612
Deferred tax liabilities	(V)14	2,171,835	1,986,869
Other non-current liabilities	(V)28	51,638,191	54,176,264
Total non-current liabilities		801,569,268	803,232,175
TOTAL LIABILITIES		5,750,552,014	6,261,256,690
SHAREHOLDERS' EQUITY			
Share capital	(V)29	412,220,000	412,220,000
Capital reserves	(V)30	609,308,148	609,308,148
Other comprehensive income	(V)31	2,458,774	2,098,458
Surplus reserves	(V)32	139,259,934	139,259,934
Undistributed profits	(V)33	470,379,694	473,625,451
Total equity attributable to shareholders of the parent company		1,633,626,550	1,636,511,991
Minority interests		449,430,717	473,001,721
TOTAL SHAREHOLDERS' EQUITY		2,083,057,267	2,109,513,712
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,833,609,281	8,370,770,402

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

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

Legal Representative
Li Jianwen

Chief Financial Officer
Li Chunyan

Chief Accountant
Pei Lianhuan

BALANCE SHEETS OF THE COMPANY

AT JUNE 30, 2016

Currency: RMB

Item	Notes	2016.6.30 (unaudited)	2015.12.31 (audited)
Current Assets:			
Cash and bank balances		238,977,194	249,032,801
Accounts receivable	(XIII)1	279,900,727	260,613,309
Prepayments		1,151,493	2,283,911
Other receivables	(XIII)2	905,216,539	895,413,328
Inventories		235,222,899	313,104,611
Other current assets		367,521,279	528,119,878
Total current assets		2,027,990,131	2,248,567,838
Non-current Assets:			
Available-for-sale financial assets		24,935,200	24,935,200
Long-term equity investments	(XIII)3	978,035,869	978,035,869
Investment properties		58,710,023	60,344,962
Fixed assets		824,985,245	855,699,010
Construction in progress		96,689,700	93,355,262
Disposal of fixed assets		406,870	–
Intangible assets		92,987,021	89,967,375
Long-term prepaid expenses		427,504,322	459,223,358
Deferred tax assets		831,858	1,062,821
Other non-current assets		4,262,080	8,389,032
Total non-current assets		2,509,348,188	2,571,012,889
TOTAL ASSETS		4,537,338,319	4,819,580,727

BALANCE SHEETS OF THE COMPANY (Continued)

AT JUNE 30, 2016

Currency: RMB

Item	Notes	2016.6.30 (unaudited)	2015.12.31 (audited)
Current Liabilities			
Short-term borrowings		750,000,000	1,209,947,704
Accounts payable		740,752,111	756,240,818
Advance from customers		340,531,693	375,340,030
Payroll payable		1,476,127	1,347,826
Taxes payable		2,588,701	5,865,764
Dividends payable		9,256,263	625,251
Other payables		103,316,013	108,824,440
Non-current liabilities due within one year		-	95,000,000
Other current liabilities		361,295,574	39,401,106
Total current liabilities		2,309,216,482	2,592,592,939
Non-current Liabilities			
Bonds payable		746,848,630	746,158,430
Provision		910,612	910,612
Other non-current liabilities		29,532,567	33,064,594
Total non-current liabilities		777,291,809	780,133,636
TOTAL LIABILITIES		3,086,508,291	3,372,726,575
SHAREHOLDERS' EQUITY			
Share capital		412,220,000	412,220,000
Capital reserves		610,293,521	610,293,521
Surplus reserves		115,482,699	115,482,699
Undistributed profits		312,833,808	308,857,932
TOTAL SHAREHOLDERS' EQUITY		1,450,830,028	1,446,854,152
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,537,338,319	4,819,580,727

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

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

Legal Representative
Li Jianwen

Chief Financial Officer
Li Chunyan

Chief Accountant
Pei Lianhuan

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED AT JUNE 30, 2016

Currency: RMB

Item	Notes	Six months ended at June 30, 2016 (unaudited)	Six months ended at June 30, 2015 (unaudited)
I. Total operating income		5,935,802,626	5,814,510,671
Including: Operating income	(V)34	5,935,802,626	5,814,510,671
II. Total operating costs		5,879,944,581	5,748,237,350
Including: Operating cost	(V)34	4,762,984,656	4,639,447,106
Business tax and surcharges		31,136,580	40,717,042
Selling expenses	(V)35	862,665,772	847,254,210
Administrative expenses	(V)36	153,230,170	141,187,016
Financial expenses	(V)37	69,945,543	79,484,445
Impairment losses on assets		(18,140)	147,531
Add: Investment income	(V)38	585,058	653,363
III. Operating profit		56,443,103	66,926,684
Add: Non-operating income		14,368,502	4,927,983
Including: Gains from disposal of non-current assets		14,414	-
Less: Non-operating expenses		2,187,220	1,471,610
Including: Losses from disposal of non-current assets		1,271,349	31,691
IV. Total profit		68,624,385	70,383,057
Less: Income tax expenses	(V)39	23,379,194	21,857,356
V. Net profit		45,245,191	48,525,701
Net profit attributable to shareholders of the parent company		17,365,243	21,040,066
Profit or loss attributable to minority interests		27,879,948	27,485,635
VI. Net value of other comprehensive income after tax		459,180	802,500
Net value of other comprehensive income attributable to shareholders of the parent company after tax	(V)31	360,316	802,500
(I) Other comprehensive income which cannot be reclassified into profit or loss subsequently		-	-
1. Remeasurement of changes in net defined benefit liabilities or assets		-	-
2. Share in investees' other comprehensive income cannot be reclassified into profit or loss under equity method		-	-

CONSOLIDATED INCOME STATEMENT (Continued)

FOR THE YEAR ENDED AT JUNE 30, 2016

Currency: RMB

Item	Notes	Six months ended at June 30, 2016 (unaudited)	Six months ended at June 30, 2015 (unaudited)
(II) Other comprehensive income which can be reclassified into profit or loss subsequently	(V)31	360,316	802,500
1. Share in investees' other comprehensive income can be reclassified into profit or loss under equity method		-	-
2. Gains or losses from changes in fair value of available-for-sale financial assets	(V)31	348,545	802,500
3. Translation differences of financial statements denominated in foreign currencies	(V)31	11,771	-
Net value of other comprehensive income attributable to minority interests after tax	(V)31	98,864	-
VII. Total comprehensive income		45,704,371	49,328,201
Total comprehensive income attributable to shareholders of the parent company		17,725,559	21,842,566
Total comprehensive income attributable to minority interests		27,978,812	27,485,635
VIII. Earnings per share			
(I) Basic earnings per share	(V)40	0.04	0.05
(II) Dilutive earnings per share			

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

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

Legal Representative
Li Jianwen

Chief Financial Officer
Li Chunyan

Chief Accountant
Pei Lianhuan

INCOME STATEMENT OF THE COMPANY

FOR THE YEAR ENDED AT JUNE 30, 2016

Currency: RMB

Item	Notes	Six months ended at June 30, 2016 (unaudited)	Six months ended at June 30, 2015 (unaudited)
I. Operating income	(XIII)4	2,303,269,739	2,357,748,465
Less: Operating cost	(XIII)4	1,831,071,494	1,883,486,425
Business tax and surcharges		13,311,024	17,223,692
Selling expenses		356,204,435	357,313,271
Administrative expenses		88,550,870	81,053,698
Financial expenses		20,148,245	21,888,366
Impairment losses on assets		(18,140)	147,531
Add: Investment income	(XIII)5	20,430,430	40,392,135
II. Operating profit		14,432,241	37,027,617
Add: Non-operating income		12,734,217	3,943,466
Including: Gains from disposal of non-current assets		10,523	-
Less: Non-operating expenses		682,473	354,984
Including: Losses from disposal of non-current assets		22,071	10,597
III. Total profit		26,483,985	40,616,099
Less: Income tax expenses		1,897,109	245,310
IV. Net profit		24,586,876	40,370,789
V. Net value of other comprehensive income after tax		-	-
(I) Other comprehensive income which cannot be reclassified into profit or loss subsequently			
1. Remeasurement of changes in net defined benefit liabilities or assets		-	-
2. Share in investees' other comprehensive income cannot be reclassified into profit or loss under equity method		-	-
(II) Other comprehensive income which can be reclassified into profit or loss subsequently			
1. Share in investees' other comprehensive income can be reclassified into profit or loss under equity method		-	-
2. Gains or losses from changes in fair value of available-for-sale financial assets		-	-
VI. Total comprehensive income		24,586,876	40,370,789

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

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

Legal Representative
Li Jianwen

Chief Financial Officer
Li Chunyan

Chief Accountant
Pei Lianhuan

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED AT JUNE 30, 2016

Currency: RMB

Item	Notes	Six months ended at June 30, 2016 (unaudited)	Six months ended at June 30, 2015 (unaudited)
I. Cash flows from operating activities			
Cash received from selling goods and rendering services		6,899,900,367	6,152,861,928
Tax and surcharges refunds received		1,131	-
Other cash received relating to operating activities		152,055,044	158,035,868
Subtotal of cash inflows from operating activities		7,051,956,542	6,310,897,796
Cash paid for purchasing goods and receiving services		5,396,686,647	4,790,513,803
Cash payments to and on behalf of employees		369,604,510	382,810,931
Taxes and surcharges paid		164,449,126	182,115,498
Other cash paid related to operating activities		564,364,134	440,165,727
Subtotal of cash outflows from operating activities		6,495,104,417	5,795,605,959
Net cash flow from operating activities	(VI)41	556,852,125	515,291,837
II. Cash flows from investing activities			
Cash received from short-term investment income/interests income.		8,060,852	4,806,530
Net cash received from disposal of fixed assets and other long-term assets		471,524	379,796
Cash received from disposal of financial products		1,083,300,000	965,300,000
Cash received from withdrawal of margin deposits		310,174,756	61,278,312
Subtotal of cash inflows from investing activities		1,402,007,132	1,031,764,638
Cash paid for acquisition fixed assets, construction in progress, intangible assets and other long-term assets		58,828,490	54,331,694
Cash paid for increase of margin deposits		402,645,260	171,553,904
Cash paid for financial products		1,033,400,000	849,200,000
Cash paid for loans made to other companies		57,500,000	12,000,000
Cash paid for investment margin		50,000,000	-
Subtotal of cash outflows from investing activities		1,602,373,750	1,087,085,598
Net cash flow from investing activities		(200,366,618)	(55,320,960)

CONSOLIDATED CASH FLOW STATEMENT (Continued)

FOR THE YEAR ENDED AT JUNE 30, 2016

Currency: RMB

Item	Notes	Six months ended at June 30, 2016 (unaudited)	Six months ended at June 30, 2015 (unaudited)
III. Cash flows from financing activities			
Cash received from investments		–	3,600,000
Including: Cash received from capital contribution from minority shareholders of subsidiaries		–	3,600,000
Cash received from borrowings		2,855,270,492	3,000,480,508
Cash received from issue of bonds		300,000,000	–
Other cash received from financing activities		–	60,000
Subtotal of cash inflows from financing activities		3,155,270,492	3,004,140,508
Cash paid for repayments of liabilities		3,412,335,280	3,337,855,558
Cash paid for distribution of dividends or repayments of interests.		95,821,050	128,278,387
Including: dividends paid by subsidiaries to minority shareholders		37,392,138	20,319,800
Cash paid for bonds underwriting fee		1,050,000	–
Subtotal of cash outflows from financing activities		3,509,206,330	3,466,133,945
Net cash flow from financing activities		(353,935,838)	(461,993,437)
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		147,448	(45,022)
V. Net increase(decrease) in cash and cash equivalents	(VI)41	2,697,117	(2,067,582)
Add: Balance of cash and cash equivalents at the beginning of the period	(VI)41	574,168,439	521,621,307
VI. Balance of cash and cash equivalents at the end of the period	(VI)41	576,865,556	519,553,725

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

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

Legal Representative
Li Jianwen

Chief Financial Officer
Li Chunyan

Chief Accountant
Pei Lianhuan

CASH FLOW STATEMENT OF THE COMPANY

FOR THE YEAR ENDED AT JUNE 30, 2016

Currency: RMB

Item	Notes	Six months ended at June 30, 2016 (unaudited)	Six months ended at June 30, 2015 (unaudited)
I. Cash flows from operating activities			
Cash received from selling good and rendering services		2,522,864,495	2,164,099,443
Tax and surcharges refunds received		1,131	-
Other cash received relating to operating activities		70,699,242	4,308,017
Subtotal of cash inflows from operating activities		2,593,564,868	2,168,407,460
Cash paid for purchasing good and receiving services		2,032,854,158	1,871,190,504
Cash payments to and on behalf of employees		200,440,055	201,944,080
Taxes and surcharges paid		57,612,531	84,781,384
Other cash paid related to operating activities		180,707,403	2,784,013
Subtotal of cash outflows from operating activities		2,471,614,147	2,160,699,981
Net cash flow from operating activities		121,950,721	7,707,479
II. Cash flows from investing activities			
Cash received from short-term investment income or interest income		26,730,958	24,668,451
Net cash received from disposal of fixed assets and other long-term assets		208,439	198,349
Cash received from disposal of financial products		655,300,000	725,100,000
Cash received from entrusted loans		100,000,000	-
Cash received from dividend paid		19,962,950	39,925,900
Cash received from repayment of loans made to other companies		155,000,000	250,000,000
Subtotal of cash inflows from investing activities		957,202,347	1,039,892,700
Cash paid for acquisition fixed assets, construction in progress, intangible assets and other long-term assets		44,252,189	40,177,316
Cash paid for financial products		605,400,000	635,000,000
Cash paid for loans made to other companies		105,000,000	300,000,000
Cash paid for investment margin		50,000,000	-
Subtotal of cash outflows from investing activities		804,652,189	975,177,316
Net cash flow from investing activities		152,550,158	64,715,384

CASH FLOW STATEMENT OF THE COMPANY (Continued)

FOR THE YEAR ENDED AT JUNE 30, 2016

Currency: RMB

Item	Notes	Six months ended at June 30, 2016 (unaudited)	Six months ended at June 30, 2015 (unaudited)
III. Cash flows from financing activities			
Cash received from borrowings		800,000,000	1,120,000,000
Cash received from bond financing		300,000,000	-
Subtotal of cash inflows from financing activities		1,100,000,000	1,120,000,000
Cash paid for repayments of liabilities		1,354,947,704	1,098,000,000
Cash for distribution of dividends or repayments of interests.		28,497,889	51,283,030
Cash paid for bonds underwriting fee		1,050,000	-
Subtotal of cash outflows from financing activities		1,384,495,593	1,149,283,030
Net cash flow from financing activities		(284,495,593)	(29,283,030)
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		(60,893)	(390)
V. Net increase/decrease in cash and cash equivalents		(10,055,607)	43,139,443
Add: Balance of cash and cash equivalents at the beginning of the period		249,032,801	145,369,262
VI. Balance of cash and cash equivalents at the end of the period		238,977,194	188,508,705

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

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

Legal Representative
Li Jianwen

Chief Financial Officer
Li Chunyan

Chief Accountant
Pei Lianhuan

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED AT JUNE 30, 2016

Currency: RMB

Item	Six months ended at June 30, 2016 (unaudited)					Minority interests	Total shareholders' equity
	Equity attributable to shareholders of the parent company						
	Share Capital	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits		
I. Balance at the end of the prior period	412,220,000	609,308,148	2,098,458	139,259,934	473,625,451	473,001,721	2,109,513,712
Add: Changes in accounting policies	-	-	-	-	-	-	-
Correction of prior errors	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
II. Balance at the beginning of the period	412,220,000	609,308,148	2,098,458	139,259,934	473,625,451	473,001,721	2,109,513,712
III. Increase or decrease amount in the period,	-	-	360,316	-	(3,245,757)	(23,571,004)	(26,456,445)
(I) Total comprehensive income	-	-	360,316	-	17,365,243	27,978,812	45,704,371
(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	-	-	-	-	(20,611,000)	(51,549,816)	(72,160,816)
1. Appropriation to surplus reserve	-	-	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	(20,611,000)	(51,549,816)	(72,160,816)
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	609,308,148	2,458,774	139,259,934	470,379,694	449,430,717	2,083,057,267

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

FOR THE YEAR 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						
	Share Capital	Capital reserve	Other comprehensive income	Surplus 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	-	-	802,500	-	(20,181,934)	(19,031,403)	(38,410,837)
(I) Total comprehensive income	-	-	802,500	-	21,040,066	27,485,635	49,328,201
(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. 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

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

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

Legal Representative
Li Jianwen

Chief Financial Officer
Li Chunyan

Chief Accountant
Pei Lianhuan

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

FOR THE YEAR ENDED AT JUNE 30, 2016

Currency: RMB

Item	Six months ended at June 30, 2016 (unaudited)				Total shareholders' equity
	Share Capital	Capital reserve	Surplus reserve	Undistributed profits	
I. Balance at the end of the prior period	412,220,000	610,293,521	115,482,699	308,857,932	1,446,854,152
Add: Changes in accounting policies	-	-	-	-	-
Correction of prior errors	-	-	-	-	-
Other	-	-	-	-	-
II. Balance at the beginning of the period	412,220,000	610,293,521	115,482,699	308,857,932	1,446,854,152
III. Increase or decrease amount in the period	-	-	-	3,975,876	3,975,876
(I) Total comprehensive income	-	-	-	24,586,876	24,586,876
(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	-	-	-	(20,611,000)	(20,611,000)
1. Appropriation to surplus reserve	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-
3. Distribution to shareholders	-	-	-	(20,611,000)	(20,611,000)
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	115,482,699	312,833,808	1,450,830,028

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

FOR THE YEAR ENDED AT JUNE 30, 2015

Currency: RMB

Item	Six months ended at June 30, 2015 (unaudited)				
	Share Capital	Capital reserve	Surplus reserve	Undistributed profits	Total 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

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

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

Legal Representative
Li Jianwen

Chief Financial Officer
Li Chunyan

Chief Accountant
Pei Lianhuan

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AT JUNE 30, 2016

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 110000002315927. 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, 2016.

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

The consolidated financial statements of the Group and financial statements of the Company, which are subject to consideration at the general meeting pursuant to the Articles of Association of the Company, were approved by the board of directors on August 24, 2016.

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. When 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 Group have been in compliance with ASBE and truly and completely reflect the financial position of the Group as at June 30, 2016 and the operating results, cash flows and other relevant information of the Company for the 6 months ended at June 30, 2016. 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 Group adopts the calendar year as its accounting year from January 1 to December 31.

2. Functional currency

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

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

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

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

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

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

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

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

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

4. Preparation of consolidated financial statements

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

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

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

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

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

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

5. Recognition criteria of cash and cash equivalents

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

6. Foreign currency transactions

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

7. Financial instruments

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

7.1 Fair value of financial assets and financial liabilities

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

7.2 Classification, recognition and measurement of financial assets

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

7.2.1 Financial assets at fair value through profit or loss

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

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

A financial asset meeting one of the following requirements can be designated as a financial asset measured at fair value and of which the variation is included in the current profits or losses: A. the designation can eliminate or obviously deduce the discrepancies in the recognition or measurement of related gains or losses arisen from the different basis of measurement of the financial assets; B. the official written documents on risk management or investment strategies of the 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.

7.2.2 Held-to-maturity investments

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

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

The effective interest method is 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 by using effective interest rate. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the current carrying amount of the financial asset or financial liability.

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

7.2.3 Loans and receivables


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

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

7.2.4 Available-for-sale financial assets

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

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



Available-for-sale financial assets are subsequently measured at fair value. Except that impairment losses and exchange differences between foreign monetary financial assets and amortized costs are recorded in profit or loss for the period, gains or losses arising from changes in fair values are recognized in other comprehensive income. When the financial assets are derecognized, gains or losses previously recognized in other comprehensive income are transferred out and recognized as profit or loss for the period. But an equity instrument in unquoted active market whose fair value can not be reliably measured and a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument are subsequently measured at cost.

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

7.3 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the 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 Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a group of financial assets with similar credit risk characteristics for collective assessment of impairment.

7.3.1 Impairment of Held-to-maturity investment, loans and receivables

A financial asset measured at cost or amortized cost is decreased from the carrying amount to the present value of estimated future cash flow, the decrease amount is recognized as the impairment loss and recorded in profit or loss. If, subsequent to the recognition of an impairment loss on the financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed, the carrying amount after reversal of impairment loss of the financial asset should not exceed the amortization cost at the reversal date assumed if no impairment loss is provided.

7.3.2 Impairment of available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognized directly in capital 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.

7.4 Recognition and measurement of financial asset transfer

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

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

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

7.5 Classification and measurement of financial liabilities

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

7.6 Derecognition of financial liabilities

The 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 Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

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

7.7 Offsetting financial assets and financial liabilities

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

8. Accounts receivable

Receivables include accounts receivable and other receivables etc.

8.1 Recognition of provision for bad debts

The Group assesses the carrying amount of accounts receivable at the balance sheet date. Where the following objective evidence indicates an impairment of accounts receivable, the provisions for impairment shall be made. ① Significant financial difficulties of the debtor; ② A breach of contract by the debtor such as a default in interest and principal payments; ③ It is probable that the borrower will enter bankruptcy or other financial reorganizations; ④ Other objective evidence which indicates there is an impairment of accounts receivable.

8.2 Provision for bad debts

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

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

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

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

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

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

- (b) Bad debt provision for a portfolio according to credit risk characteristics

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

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

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

9. Inventory

9.1 Classification of Inventories

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

9.2 The measurement of inventories received and issued

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

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

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

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

9.4 The stock count system for inventories

The perpetual inventory system is adopted for stock count.

9.5 Amortization methods of low-value consumables and packaging materials

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

10. Long-term equity investments

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

10.1 *Determination of investment cost*

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

10.2 *Subsequent measurement and recognition of profit or loss*

The long-term equity investment that is able to jointly control or significantly influence in the investee adopts the equity method to measure. 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 disinvestment. Except for cash dividends or profits which include actual payment or consideration as the Group obtains the investment but have not been paid, the investment income for the period is recognized according to cash dividends or profits declared to distribute by the investee.

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

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

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.

11. Investment property

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

Investment properties shall be measured initially at its actual cost. The follow-up expenses pertinent to investment properties 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 Group adopts the cost model for subsequent measurement of investment properties, and the depreciation or amortization policies are consistent with that of building and land use right.

12. Fixed assets

12.1 Recognition of fixed assets

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

12.2 Method for depreciation of different fixed assets

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

Category	Useful life (years)	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 useful life of asset is full and in the condition expected at the end of its useful life.

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

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

12.4 Other explanations

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

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

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

13. Construction in progress

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

14. Borrowing costs

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

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

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

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

15. Intangible assets

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

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

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

16. Long-term prepaid expenses

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

17. Long-term assets impairment

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

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

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

18. Employee benefits

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

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

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

19. Revenue

19.1 Revenue from sales of goods

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

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

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

19.2 Revenue from rendering of services

When the amount of revenue from rendering of services can be reliably measured, the associated economic benefits probably flow into the 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 Group 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.

19.3 Rental Income

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

20. Government grants

Government grants are transfers of monetary assets and non-monetary assets from the government to the Group 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.

21. Deferred tax assets and deferred tax liabilities

21.1 Current income taxes

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

21.2 Deferred tax assets and deferred tax liabilities

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

For taxable temporary difference which is related to the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profits or taxable income (or deductible losses), a deferred tax liability is not recognized. In addition, for taxable temporary difference arising from investments in subsidiaries, associates and joint ventures, the Group shall recognize a deferred tax liability for all taxable temporary difference except to the extent that the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Except for situations above the Group confirms all other deferred income tax liabilities arising from taxable temporary differences. For deductible temporary difference which is related to the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit or taxable income (or deductible losses), a deferred tax asset is not recognized. In addition, for deductible temporary difference arising from investments in subsidiaries, associates and joint ventures, the Group shall recognize a deferred tax asset for other deductible temporary difference to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be deducted except to the extent that it is not probable that the temporary difference will reverse in the foreseeable future or taxable profit will not be available against which the temporary difference can be utilized. Except for situations above deferred tax assets which are made by other deductible temporary differences are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be deducted.

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

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

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

21.3 Income tax

Income tax comprises current and deferred tax.

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

21.4 Offsetting of income taxes

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

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

22. Lease

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

22.1 The Group as lessee under operating leases

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

22.2 The Group as lessor under operating leases

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

23. Changes in significant accounting policies and accounting estimate

No changes.

24. Significant accounting Judgments and estimates

In the application of the Group's accounting policies, the Group is required to make judgments, 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 judgments, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. These judgments, 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 Group management and therefore lead to significant adjustments of carrying amounts of assets or liabilities which will be affected in the future.

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

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

24.1 *Operating lease - as the lessor*

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

24.2 *Impairment of goodwill*

The Group tests whether the goodwill is impaired at least annually. This requires the evaluation of the present value of the future cash flows on the groups of assets or group of assets with allocated goodwill. Upon the evaluation of the present value, the Group shall 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.

24.3 *Provision for inventory impairment based on the net realizable value*

The Group recognizes provision for inventory impairment according to the net realizable value of the inventory. Provision for inventory impairment is required to be recognized when there is sign showing that the net realizable value is lower than cost. The 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.

24.4 *Provision for bad debt of receivables*

The Group 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.

24.5 *Depreciation*

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

24.6 Deferred tax assets

At the balance sheet date, the Group will assess whether the recognition of the deferred tax assets will be made. A deferred tax asset should be 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 Group shall make appropriate estimates and judgments 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.

24.7 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

Tax types	Tax basis	Tax Rate (%)
Value-added tax	Note 1	17%/13%/11%/6%
Business tax	Taxable sales subject to business tax	5%/3%
Consumption tax	Taxable sales subject to consumption tax	5%
City construction and maintenance tax	Value-added tax, business tax and consumption tax	5%/7%
Education surcharge	Value-added tax, business tax and consumption tax	3%/4%
Local education surcharge	Value-added tax, business tax and consumption tax	2%
Corporate income tax	Taxable income	25%/16.5% (Note 2)

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

Note 2: Chaopi Maolisheng (Hongkong) Company Limited was registered in Hongkong and its corporate income tax rate was 16.5% based on Hongkong tax code.

2. Tax incentives and approvals

According to the Circular of the paragraph 86, item1, point 7 the scope of the preferential policy of primary processing of agricultural products relating to the business tax issued by the Ministry of Finance, State Administration of Taxation on November 20 2008, the Group obtained the right of exemption of relevant income tax of the primarily processed agricultural products in the fresh logistics center.

VI. NOTESTO CONSOLIDATED FINANCIAL STATEMENTS

Notes below, (includes mainly notes to financial statement of the company) excepts those indicate specially, current period indicates January 1, 2016 to June 30, 2016 and corresponding period indicates January 1, 2015 to June 30, 2015.

1. Cash and bank balances

Item	2016.6.30 (unaudited)	2015.12.31 (audited)
Cash on hand	19,377,281	23,271,277
Cash in bank	557,488,275	550,897,162
Other cash and cash equivalents (Note 1)	236,625,770	144,155,266
Total	813,491,326	718,323,705
Including: Overseas deposits (Note 2)	6,566,954	4,786,079

Note 1: As at June 30, 2016, the Group's margin deposits with use restrictions was RMB186,575,770 (December 31,2015: RMB138,005,266, and details were referred to Note (VI) 17notes payable. The credit margin deposits amounted to RMB50,050,000.

Note 2: The overseas deposits were the deposits of Chaopi Maolisheng (Hongkong) Company Limited in The Hongkong and Shanghai Bank Corporation Limited.

2. Accounts receivable

(1) Presentation of accounts receivable by category

Category	2016.6.30 (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	1,582,018,841	100	-	-	1,582,018,841
Receivables that are not individually significant but for which the bad debt provision is assessed individually	1,753,916	-	1,753,916	100	-
Total	1,583,772,757	100	1,753,916		1,582,018,841

Category	2015.12.31 (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	1,824,268,380	100	-	-	1,824,268,380
Receivables that are not individually significant but for which the bad debt provision is assessed individually	1,753,916	-	1,753,916	100	-
Total	1,826,022,296	100	1,753,916		1,824,268,380

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

Aging	Carrying amount	2016.6.30 (unaudited)		Net book value
		Proportion (%)	Bad debt provision	
Within 1 year	1,383,250,381	87	–	1,383,250,381
1-2 years	118,745,145	8	–	118,745,145
2-3 years	–	–	–	–
3-4 years	1,777,231	–	1,753,916	23,315
4-5 years	–	–	–	–
Over 5 years	80,000,000	5	–	80,000,000
Total	1,583,772,757	100	1,753,916	1,582,018,841

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

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

On June 30, 2016 and December 12, 2015, the Group had an amount of RMB80,000,000 due from Shoulian Group which belonged to accounts receivable that are individually significant, and it was already overdue more than 3 months. In the opinion of the directors, no impairment is necessary on June 30, 2016, and December 31, 2015 in view of the following consideration: the accounts receivable bear interest at the rate stated below and all the interest has been received in full. Moreover, certain buildings and land use rights with a total value of not less than the overdue accounts receivable have been pledged in favor of the Company, so there is no need for impairment to be made.

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

On June 30, 2016, the total accounts receivable due from Wumart, Carrefour, Lotus, Yonghui Superstores Co. Ltd., Jingdong, Jumei International Holdings Limited, Vipshop, and Lefeng (Shanghai) Information Technology Company Limited amounted to RMB461,975,786 (December 31, 2015: RMB354,891,600) were limited by being factored to secure certain bank loans of the Group.

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

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

Content of accounts receivable	Factoring accounts receivable on full recourse basis	
	2016.6.30 (unaudited)	2015.12.31 (audited)
Carrying amount of transferred assets	461,975,786	354,891,600
Carrying amount of related liabilities	178,382,991	107,814,886
Net book value	283,592,795	247,076,714

3. Prepayments

Presentation of prepayments according to aging analysis

Aging	2016.6.30 (unaudited)		2015.12.31 (audited)	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	947,683,254	100	1,366,408,098	100
1-2 years	—	—	—	—
Total	947,683,254	100	1,366,408,098	100

On June 30, 2016 and December 31, 2015, there was no prepayment from shareholders who held voting shares of more than 5% (including 5%).

4. Other receivables

(1) Presentation of other receivables by category

Category	2016.6.30 (unaudited)				Net book value
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Rate (%)	
Other receivables that are individually significant and for which bad debt provision is assessed individually	6,099,750	2	4,224,750	68	1,987,500
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	287,378,101	97	—	—	287,378,101
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	295,529,151	100	5,396,522		290,132,629

Category	2015.12.31 (audited)				Net book value
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Rate (%)	
Other receivables that are individually significant and for which bad debt provision is assessed individually	6,212,250	4	4,224,750	68	1,987,500
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	144,268,242	95	—	—	144,268,242
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	152,531,792	100	5,396,522		147,135,270

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

Aging	2016.6.30 (unaudited)			
	Carrying amount	Proportion (%)	Bad debt provision	Net book value
Within 1 year	268,900,601	91	—	268,900,601
1-2 years	18,474,673	6	—	18,474,673
2-3 years	2,827	—	—	2,827
3-4 years	2,051,300	1	1,171,772	879,528
4-5 years	—	—	—	—
Over 5 years	6,099,750	2	4,224,750	1,875,000
Total	295,529,151	100	5,396,522	290,132,629

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

Content of other receivables	Carrying amount	Bad debt provision	Rate (%)	Reason
Beijing Guanyuan Wholesale Market Company Limited	6,099,750	4,224,750	69	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**

Content of other receivables	Carrying amount	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	2016.6.30 (unaudited)		Net book value
	Carrying amount	Impairment	
Raw material	9,016,847	–	9,016,847
Merchandise inventory	1,566,004,556	1,648,142	1,564,356,414
Total	1,575,021,403	1,648,142	1,573,373,261

Item	2015.12.31 (audited)		Net book value
	Carrying amount	Impairment	
Raw material	9,895,253	–	9,895,253
Merchandise inventory	1,565,318,067	1,666,282	1,563,651,785
Total	1,575,213,320	1,666,282	1,573,547,038

(2) Impairment allowance of inventories

Item	2015.12.31 (audited)	Increase in the current period		Decrease in the current period		2016.6.30 (unaudited)
		accrual	Other	Reversal or written-off	Other	
Merchandise inventory	1,666,282	–	–	18,140	–	1,648,142
Total	1,666,282	–	–	18,140	–	1,648,142

6. Other current assets

Item	2016.6.30 (unaudited)	2015.12.31 (audited)
Short-term investments (Note 1)	20,100,000	70,000,000
Deductible input value-added tax	143,322,639	137,569,970
Prepaid lease expenses	34,937,079	44,012,296
Prepaid heating expense	43,246	2,559,072
Other prepaid expenses (Note 2)	2,892,923	1,729,816
Total	201,295,887	255,871,154

Note 1: On December 31, 2015, the Company held principal-guaranteed floating-income financial products of RMB70,000,000 managed by Bank of Beijing Co., Ltd. with annual yield 0% to 2.1%. The principal and interest of these short-term investments were fully recovered on January 4 2016.

On June 27, 2016, the Company held treasury reverse repurchase wealth management financial products of RMB20,100,000 managed by Everbright Securities Co., Ltd. with annual yield 3.11% to 3.12%. The principal and interest of these short-term investments were fully recovered on July 4 2016.

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

7. Available-for-sale financial assets

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

Item	2016.6.30 (unaudited)			2015.12.31 (audited)		
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
Available-for-sale equity instrument						
Including:						
measured by fair value	4,436,000	–	4,436,000	3,854,000	–	3,854,000
Measured by cost	26,123,200	1,188,000	24,935,200	26,123,200	1,188,000	24,935,200
Total	30,559,200	1,188,000	29,371,200	29,977,200	1,188,000	28,789,200

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

Category	Available-for-sale equity instrument	
	2016.6.30 (unaudited)	2015.12.31 (audited)
Cost of equity instrument/amortized cost of debt instrument (Note 1)	350,000	350,000
Fair value	4,436,000	3,854,000
Accumulative amount of other comprehensive income by fair value	4,086,000	3,504,000
Accrued amount of asset impairment	–	–

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

Investee	2015.12.31 (audited)	Carrying amount		2016.6.30 (unaudited)
		Increase in the current period	Decrease in the current period	
Beijing Lianchao Company Limited (Lianchao Limited) (Note 2)	24,935,200	–	–	24,935,200
Luoyang Chundu Group Limited (Luoyang Chundu) (Note 3)	1,188,000	–	–	1,188,000
Total	26,123,200	–	–	26,123,200

Investee	2015.12.31 (audited)	provision for impairment of assets		2016.6.30 (unaudited)	Share proportion (%)	Cash dividend in the period
		Increase in the current period	Decrease in the current period			
Luoyang Chundu Group Limited (Luoyang Chundu) (Note 3)	–	–	–	–	15	–
Luoyang Chundu Group Limited (Luoyang Chundu) (Note 3)	1,188,000	–	–	1,188,000	0.12	–
Total	1,188,000	–	–	1,188,000		–

Note 1: Chaopi Trading, a subsidiary of the Company subscribed for 100,000 legal person shares (RMB1 per share) of Shanxi Xinghuacun Fen Wine Factory Co., Ltd. (Shanxi Xinghuacun) for RMB350,000 in November 1993. In the same year, Shanxi Xinghuacun was listed in Shanghai Stock Exchange. On May 18, 2012, Shanxi Xinghuacun issued a stock dividend of 10 for 10 stocks based on the total shares at December 31, 2011 to all shareholders through the notice of 2011 annual general meeting. As at June 30, 2016, Chaopi Trading had held 200,000 legal person shares of Shanxi Xinghuacun. On June 30, 2016, Chaopi Trading had possessed 0.023% of its equity in total (December 31, 2015: 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 RMB582,000.00 (in the previous corresponding period: increased by RMB1,070,000) and has been recognized into other comprehensive income (Note (VI) 31).

Note 2: The registered capital of Lianchao Commercial was RMB10,000,000. In July 2015, the monetary contribution of the Company was RMB24,935,200 which was composed of RMB1,500,000 of registered capital and RMB23,435,200 of capital reserves; the subscribed capital of the Shoulian Group was RMB141,299,400 with building (No: X-Beijing House Property Right Certificate Xing Zi065778; location: Apartment 1 and Apartment 6, No.6, Xihongmen Street, Daxing District) and land use right (No: BXGY[2011]00052; location: No.6, Xihongmen Street, Daxing District) which composed of RMB8,500,000 of registered capital and capital reserves RMB132,799,400.

Note 3: Chaopi Trading, a subsidiary of the Company, subscribed for 600,000 legal person shares (RMB1 per share) of Luoyang Chundu for RMB1,188,000 in June 1993. At June 30, 2016 and December 31, 2015, Chaopi Trading possessed 0.12% of its equity. As the deterioration of operating condition of Luoyang Chundu, the Group took full provision for the long term equity investment whose recoverable amount is less than the carrying amount and such decrease expected not to be recovered in the foreseeable future.

8. Investment properties

(1) Investment properties under the cost method

Item	Buildings	Land use rights	Total
I. Original carrying amount			
1. 2015.12.31 (audited)	128,972,784	61,834,184	190,806,968
2. Increase in the period	-	-	-
(1) Revised carrying amount by the Company	-	-	-
3. Decrease in the period	-	-	-
(1) Transferred to the fixed assets	-	-	-
4. 2016.6.30 (unaudited)	128,972,784	61,834,184	190,806,968
II. Accumulated depreciation and amortization			
1. 2015.12.31 (audited)	40,654,714	8,955,824	49,610,538
2. Increase in the period	2,502,142	814,166	3,316,308
(1) Accrual or amortization	2,502,142	814,166	3,316,308
3. Decrease in the period	-	-	-
(1) Disposal	-	-	-
4. 2016.6.30 (unaudited)	43,156,856	9,769,990	52,926,846
III. Provision for impairment			
1. 2015.12.31 (audited)	-	-	-
2. Increase in the period	-	-	-
(1) Accrual	-	-	-
3. Decrease in the period	-	-	-
(1) Disposal	-	-	-
4. 2016.6.30 (unaudited)	-	-	-
IV. Net book value			
1. Net book value as at June 30, 2016 (unaudited)	85,815,928	52,064,194	137,880,122
2. Net book value as at December 31, 2015 (audited)	88,318,070	52,878,360	141,196,430

On June 30, 2016, the investment properties with the approximate net book value of RMB0 (December 31, 2015: RMB1,037,511) were pledged to secure certain of the Group's long-term bank loans.

9. Fixed assets

(1) Details of fixed assets

Item	Buildings	Machinery and equipment	electronic devices and others	Transportation vehicles	Total
I. Original carrying amount					
1. 2015.12.31 (audited)	1,020,771,577	902,000,851	150,713,403	60,099,478	2,133,585,309
2. Increase in the period	–	11,987,950	7,017,894	4,143,439	23,149,283
(1) Purchase	–	11,987,950	7,017,894	3,955,439	22,961,283
(2) Transferred from the constructions in process	–	–	–	188,000	188,000
(3) Transferred from investment property	–	–	–	–	–
3. Decrease in the period	–	3,019,807	3,986,729	2,320,797	9,327,333
(1) Disposal or retirement	–	3,019,807	3,986,729	2,320,797	9,327,333
4. 2016.6.30 (unaudited)	1,020,771,577	910,968,994	153,744,568	61,922,120	2,147,407,259
II. Accumulative depreciation					
1. 2015.12.31 (audited)	286,754,989	551,247,484	116,213,040	35,224,895	989,440,408
2. Increase in the period	18,051,293	20,057,593	6,504,244	15,062,647	59,675,777
(1) Accrual	18,051,293	20,057,593	6,504,244	15,062,647	59,675,777
3. Decrease in the period	–	1,700,526	1,123,784	1,122,974	3,947,283
(1) Disposal or retirement	–	1,700,526	1,123,784	1,122,974	3,947,283
4. 2016.6.30 (unaudited)	304,806,282	569,604,551	121,593,500	49,164,569	1,045,168,902
III. Provision for impairment losses					
1. 2015.12.31 (audited)	–	–	–	–	–
2. Increase in the period	–	–	–	–	–
(1) accrual	–	–	–	–	–
3. Decrease in the period	–	–	–	–	–
(1) Disposal or retirement	–	–	–	–	–
4. 2016.6.30 (unaudited)	–	–	–	–	–
IV. Net book value					
1. Net book value as at June 30, 2016 (unaudited)	715,965,295	341,364,443	32,151,068	12,757,551	1,102,238,357
2. Net book value as at December 31, 2015 (audited)	734,016,588	350,753,367	34,500,363	24,874,583	1,144,144,901

On June 30, 2016, the fixed assets with net book value of RMB0 (December 31, 2015: RMB48,781,303) were restricted as they were been pledged to secure certain of the long-term Group's bank loans. (Note (VI) 24).

10. Construction in progress

(1) Details of construction in progress

Item	2016.6.30 (unaudited)			2015.12.31 (audited)		
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
Shuangqiao Project	50,232,653	–	50,232,653	50,232,653	–	50,232,653
Pingfang Project	36,694,407	–	36,694,407	36,694,407	–	36,694,407
Pingfang Refrigerator Project	8,974,286	–	8,974,286	6,000,000	–	6,000,000
System Software Item Project	6,731,217	–	6,731,217	6,449,806	–	6,449,806
Fresh Food Delivery Project	319,658	–	319,658	–	–	–
Warehouse No.5 of Logistics Security System	1,105,800	–	1,105,800	1,105,800	–	1,105,800
Renovation Project of Convenience Store	176,213	–	176,213	265,738	–	265,738
Jiuxianqiao Project	53,430	–	53,430	53,430	–	53,430
Guangzhuang Store Project	384,250	–	384,250	374,772	–	374,772
Xihongmen Store Project	1,579,486	–	1,579,486	67,819	–	67,819
Renovation Project of Haotian Hotel	12,208,022	–	12,208,022	–	–	–
Total	118,459,422	–	118,459,422	101,244,425	–	101,244,425

(2) Changes of important construction in progress in the period

Project name	Budget	2015.12.31 (audited)	Increase in the period	Transferred to the fixed assets, intangible assets, and long-term		2016.6.30 (unaudited)
				prepaid expenses	Decrease in the period	
Shuangqiao Project	108,988,036	50,232,653	–	–	–	50,232,653
Pingfang Project	73,655,986	36,694,407	–	–	–	36,694,407
Pingfang Refrigerator Project	35,047,286	6,000,000	2,974,286	–	–	8,974,286
Xihongmen Store Project	41,134,552	67,819	1,656,598	–	144,931	1,579,486
Renovation Project of Haotian Hotel	22,606,400	–	12,432,921	–	224,900	12,208,021
Other construction in progress	114,134,291	8,249,546	1,062,743	283,438	258,282	8,770,569
Total		101,244,425	18,126,548	283,438	628,113	118,459,422

Project name	Amount injected as a proportion of budget amount (%)	Construction progress	Amount of accumulated capitalized interest	Including: Capitalized interest in the period	Interest capitalization rate for the period (%)	Source of funds
Shuangqiao Project	46	46	3,000,000	-	-	Own funds and bank loans
Pingfang Project	50	50	425,988	-	-	Own funds and bank loans
Pingfang Refrigerator Project	26	26	-	-	-	Own funds and bank loans
Xihongmen Store Project	4	4	-	-	-	Own funds and bank loans
Renovation Project of Haotian Hotel	54	54	-	-	-	Own funds and bank loans
Others	15 to 100	15 to 100	162,037	95,153	5.84	Own funds and bank loans
Total			3,588,025	95,153		

11. Intangible assets

(1) Details of intangible assets

Item	Land use rights	software	Operation rights of distribution network	Total
I. Original carrying amount				
1. 2015.12.31 (audited)	193,141,817	29,235,886	34,254,633	256,632,336
2. Increase in the period	-	5,674,323	312,900	5,987,223
(1) Purchase	-	5,674,323	312,900	5,987,223
(2) Transferred from the constructions in process	-	-	-	-
3. Decrease in the period	-	-	-	-
(1) Disposal	-	-	-	-
4. 2016.6.30 (unaudited)	193,141,817	34,910,209	34,567,533	262,619,559
II. Accumulated amortization				
1. 2015.12.31 (audited)	34,362,189	14,300,941	14,684,300	63,347,430
2. Increase in the period	2,605,497	1,464,263	1,455,258	5,525,018
(1) Accrual	2,605,497	1,464,263	1,455,258	5,525,018
3. Decrease in the period	-	-	-	-
(1) Disposal	-	-	-	-
4. 2016.6.30 (unaudited)	36,967,686	15,765,204	16,139,558	68,872,448
III. Provision for impairment losses				
1. 2015.12.31 (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, 2016 (unaudited)	156,174,131	19,145,005	18,427,975	193,747,111
2. Net book value as at December 31, 2015 (audited)	158,779,628	14,934,945	19,570,333	193,284,906

12. Goodwill

(1) Original carrying amount of goodwill

Name of the investee or item resulting in goodwill	2015.12.31 (audited)	Increase in the period		Decrease in the period		2016.6.30 (unaudited)
		Business combination	Others	Disposal	Others	
Acquisition of Shouchao Group	86,673,788	-	-	-	-	86,673,788
Total	86,673,788	-	-	-	-	86,673,788

On June 30, 2016 and December 31, 2015, 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 2015: 11%). The growth rate used to extrapolate the cash flows of the subsidiary beyond the five-year period was 3% (the corresponding period in 2015: 3%).

As at June 30, 2016, and December 31, 2015, 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	2015.12.31 (audited)	Increase in the period	Amortization in the period	Other deductions	2016.6.30 (unaudited)
Transferred from construction in progress to leasehold improvements	514,447,319	4,581,877	37,888,193	524,480	480,616,523
Rent	68,120,803	-	490,119	4,640,039	62,990,645
Others	-	167,562	67,025	-	100,537
Total	582,568,122	4,749,439	38,445,337	5,164,519	543,707,705

14. Deferred tax assets/deferred tax liabilities

(1) *Deferred tax assets without offset*

Item	2016.6.30 (unaudited)		2015.12.31 (audited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax asset
Deductible losses	124,467,400	31,116,850	110,595,207	27,648,802
Taxable government grants	35,392,241	8,848,060	39,334,651	9,833,663
Total	159,859,641	39,964,910	149,929,858	37,482,465

(2) *Deferred tax liabilities without offset*

Item	2016.6.30 (unaudited)		2015.12.31 (audited)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value adjustment of assets arising from non-monetary asset exchange	15,205,487	3,801,372	15,738,706	3,934,677
Changes in the fair value of available-for-sale financial assets	4,086,000	1,021,500	3,504,000	876,000
Capitalized interest adjustment of borrowing costs	7,350,837	1,837,709	8,125,848	2,031,462
Difference between the fair value and the carrying amount of subsidiary merger and acquisition	4,601,339	1,150,335	4,443,477	1,110,869
Total	31,243,663	7,810,916	31,812,031	7,953,008

(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 2016.6.30 (unaudited)	Amount after offset of deferred tax assets and deferred tax liabilities in the beginning of period 2015.12.31 (audited)	
			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
Deferred tax assets	5,639,081	34,325,829	5,966,139	31,516,326
Deferred tax liabilities	5,639,081	2,171,835	5,966,139	1,986,869

15. Other non-current assets

Item	2016.6.30 (unaudited)	2015.12.31 (audited)
Long-term receivables due from Beijing Shoulian Group (Note 1)	156,500,000	149,000,000
Security deposit	22,202,378	23,019,886
Prepaid construction	47,174	3,778,773
Total	178,749,552	175,798,659

Note 1: As at June 30, 2016, such long-term receivables consist of borrowings lent by Shoulian Supermarket to Shoulian Group with an increase of RMB7,500,000 in the current period due on December 31, 2017 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	2016.6.30 (unaudited)	2015.12.31 (audited)
Accounts receivable secured loan (Note 1)	178,382,991	107,814,886
Guaranteed loan (Note 2)	1,507,863,608	1,988,285,015
Unsecured loan (Note 3)	600,000,000	650,000,000
Mortgage loan (Note 4)	—	—
Total	2,286,246,599	2,746,099,901

As at June 30, 2016, and December 31, 2015, the short-term borrowings above bore annual interest rates ranging from 1.40% to 4.60% and 4.05% to 4.60% respectively without any due but unsettled ones.

Note 1: As at June 30, 2016, such short-term loans were obtained from factoring arrangement of several accounts receivable by the Group with total amount RMB461,975,786. (December 31, 2015: RMB354, 891,600).

Note 2: As at June 30, 2016, RMB150,000,000 of short-term borrowings was borrowed by the Company upon a surety provided by Chaopi Trading; RMB561,000,000 was borrowed by Chaopi Trading, a subsidiary of the Company, upon a surety provided by the Company; RMB59,500,000 was borrowed by a subsidiary of Chaopi Trading upon a surety provided by Chaopi Trading and RMB737,363,608 was borrowed by a subsidiary of Chaopi Trading upon a surety provided by Chaopi Trading.

As at December 31, 2015, RMB559,947,704 of short-term borrowings was borrowed by the Company upon a surety provided by Chaopi Trading; RMB940,000,000 was borrowed by Chaopi Trading, a subsidiary of the Company, upon a surety provided by the Company; RMB354,337,311 was borrowed by a subsidiary of Chaopi Trading upon a surety provided by Chaopi Trading and RMB134,000,000 was borrowed by a subsidiary of Chaopi Trading upon a surety provided by the Company.

Note 3: As at June 30, 2016, the credit loans were provided by Beijing Rural Commercial Bank, Mizuho Bank (China), Ltd., Industrial and Commercial Bank of China with amount of RMB250,000,000, RMB50,000,000 and RMB300,000,000 respectively on an unsecured basis.

As at December 31, 2015, the credit loans were provided by Beijing Rural Commercial Bank, Mizuho Bank (China), Ltd., Industrial, Commercial Bank of China and Postal Savings Bank of China with amount of RMB250,000,000, RMB50,000,000, RMB300,000,000 and RMB50,000,000 respectively on an unsecured basis.

17. Notes payable

Category	2016.6.30 (unaudited)	2015.12.31 (audited)
Bank acceptances	467,201,428	624,557,573
Total	467,201,428	624,557,573

As at June 30, 2016, amount of security deposit for the issuance of bank acceptances above was RMB186,575,770 (December 31, 2015: RMB138,005,267).

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	2016.6.30 (unaudited)	2015.12.31 (audited)
Within 1 year	1,130,696,308	1,179,925,690
1-2 years	4,689,003	12,747,369
2-3 years	4,283,786	4,287,482
Over 3 years	6,543,935	4,049,325
Total	1,146,213,032	1,201,009,866

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	2016.6.30 (unaudited)	2015.12.31 (audited)
Procurements received in advance	396,692,868	458,476,201
Total	396,692,868	458,476,201

As at June 30, 2016 and December 31, 2015, all of advance from customers was procurements received in advance there were no significant advances from customers aged more than one year.

20. Payroll payable

(1) Details of payroll payable

Item	2015.12.31 (audited)	Increase in the period	Decrease in the period	2016.6.30 (unaudited)
1) Short-term remuneration	1,347,826	334,781,441	334,203,992	1,925,275
2) Post-employment benefits-defined contribution plans	–	38,262,300	38,262,300	–
3) Dismissal compensation	–	–	–	–
Total	1,347,826	373,043,741	372,466,292	1,925,275

(2) Short-term remuneration

Item	2015.12.31 (audited)	Increase in the period	Decrease in the period	2016.6.30 (unaudited)
1) Wages or salaries, bonus, allowance, subsidies	–	277,955,048	277,955,048	–
2) Staff welfare	–	12,572,535	12,572,535	–
3) Social security	–	22,935,702	22,935,702	–
Including: Medical insurance	–	20,621,035	20,621,035	–
Work injury insurance	–	722,580	722,580	–
Maternity insurance	–	1,592,087	1,592,087	–
4) Housing funds	–	15,197,380	15,197,380	–
5) Labor union expenses and employees' education expenses	1,347,826	6,120,776	5,543,327	1,925,275
Total	1,347,826	334,781,441	334,203,992	1,925,275

(3) Details of defined contribution plan

Item	2015.12.31 (audited)	Increase in the period	Decrease in the period	2016.6.30 (unaudited)
1) Basic retirement insurance	–	36,455,019	36,455,019	–
2) Unemployment insurance	–	1,807,281	1,807,281	–
3) Annuity	–	–	–	–
Total	–	38,262,300	38,262,300	–

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

Currently, the Group will contribute RMB36,455,019 and RMB1,807,281 to retirement insurance and unemployment insurance accordingly. As at June 30, 2016 and December 31, 2015, there are no unpaid retirement insurance and unemployment insurance fees which shall be paid before the due date of accounting period.

21. Taxes payable

Item	2016.6.30 (unaudited)	2015.12.31 (audited)
Value-added tax	67,050,382	56,134,044
Business tax	82,322	5,991,100
Corporate income tax	7,131,448	10,727,545
City construction and maintenance tax	3,113,833	2,786,185
Education surcharge	1,338,255	1,198,847
Others	5,039,711	1,637,038
Total	83,755,951	78,474,759

22. Dividends payable

Item	2016.6.30 (unaudited)	2015.12.31 (audited)
Ordinary shares dividend (Domestic shares)	9,256,263	625,251
Other minority shareholders' dividend	14,662,500	2,111,055
Total	23,918,763	2,736,306

23. Other payables

Presentation of other payables by category

Item	2016.6.30 (unaudited)	2015.12.31 (audited)
Construction fees payable	63,113,695	89,915,406
Deposit	41,815,529	42,412,421
Rent received in advance	11,079,769	10,758,517
Others	53,281,153	56,023,697
Total	169,290,146	199,110,041

24. Non-current liabilities due within one year

(1) Long-term borrowings due within 1 year

Item	2016.6.30 (unaudited)	2015.12.31 (audited)
Secured loans	–	95,000,000
Total	–	95,000,000

(2) Details of long-term borrowings due within 1 year

Item	Start date	Maturity date	Currency	Interest rate (%)	2016.6.30 (unaudited)	2015.12.31 (audited)
Shanghai Pudong Development Bank, Beijing Branch	2013.1.24	2016.1.23	RMB	4.51	–	57,500,000
Shanghai Pudong Development Bank, Beijing Branch	2013.4.12	2016.1.31	RMB	4.51	–	37,500,000
Total					–	95,000,000

25. Other current liabilities

Item	2016.6.30 (unaudited)	2015.12.31 (audited)
Short-term bonds (Note 1)	303,646,416	—
Accrued expenses	61,959,723	39,863,912
Deferred income due within one year	8,132,545	11,348,130
Total	373,738,684	51,212,042

(1) Accrued expenses

Item	2016.6.30 (unaudited)	2015.12.31 (audited)
Accrued interest expenses	39,162,382	19,823,397
Accrued rent expenses	16,841,749	11,128,840
Accrued audit expenses	140,000	1,440,000
Others	5,815,592	7,471,675
Total	61,959,723	39,863,912

(2) Deferred income due with one year

Item	Note	2016.6.30 (unaudited)	2015.12.31 (audited)
Asset-related government grants due within one year	Note 2	7,335,401	7,294,087
Considerations allocated to the award credits	Note 3	797,144	4,054,043
Total		8,132,545	11,348,130

Note 1: On February 2, 2016, based on the agreement "Interbank bonds market debt financing instruments of non-financial enterprises underwriting agreement" the Company signed with Bank of Beijing Co., Ltd., the Company issued the 2016 first phase short-term bonds of RMB300 million with a coupon rate of 3.43%, a maturity of 366 days, value date at February 3, 2016 and interest date at February 3, 2017 with commission RMB1,050,000.

Note 2: Asset-related government grants due within one year was a part of deferred income due within one year generated from specific funds received in 2005, 2013, 2014 and 2015 and they would be recognized as revenue before June 30, 2016.

Note 3: The Group offers membership cards to customers, for the award credits reaching certain points can be converted into cash. As deferred income, considerations allocated to the award credits will be recognized as revenue when the award credits are converted or cleared.

26. Bonds payable

(1) Bonds payable

Item	2016.6.30 (unaudited)	2015.12.31 (audited)
Corporate bonds	746,848,630	746,158,430
Total	746,848,630	746,158,430

(2) Changes in the bonds payable

Bonds	Par value	Issue date	Term of the bond	Issue amount	2015.12.31 (audited)	Issue in the period
Corporate bonds	750,000,000	2013.8.13	5 years	750,000,000	746,158,430	-
Total	750,000,000			750,000,000	746,158,430	-

Bonds	Accrued interest for the period	Bond discount/premium amortization	Paid during the period	2016.6.30 (unaudited)
Corporate bonds	41,100,000	690,200	-	746,848,630
Total	41,100,000	690,200	-	746,848,630

Pursuant to the "Approval on Issuance of Corporate Bonds of Beijing Jingkelong Company Limited" (ZhengjianXuKe [2013] No. 791) issued by the CSRC, in August 15, 2013, the Company had issued corporate bonds aggregated to RMB750,000,000 with maturity of 5 years, embedded with the option for issuer to increase the coupon rate and puttable option for 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% annually. The issuance expenses of RMB6,923,208 had been included in the cost of bonds payable.

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

On July 3, 2016, the Company announced they would not adjust current bond coupon rate and they would repurchase bonds. On July 7, 2016, the Company announced bonds repurchase declaration situation that according to China Securities Depository and Clearing Company Limited (CSDCC) Shanghai branch statistic, there was 0 effective repurchase declaration and the amount of repurchase was RMB0 during this bond repurchase declaration term. (from July 4, 2016 to July 6, 2016).

27. Provisions

Item	2016.6.30 (unaudited)	2015.12.31 (audited)	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.

28. Other non-current liabilities

Items	2016.6.30 (unaudited)	2015.12.31 (audited)
Long-term rent payable	19,717,801	18,313,517
Deferred income-government granted related to assets	31,920,390	35,862,747
Total	51,638,191	54,176,264

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 as a special funding for development of service industry 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.
- (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. 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. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (10 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (7) In 2015, the Company received government grants totaling RMB8,310,000 from Beijing Municipal Commission of Commerce as a special funding for logistics standardization projects. The deferred income was recognized when the Group receive financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (10 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (8) In 2015, the Company received government grants totaling RMB5,865,700 from Beijing Municipal Commission of Commerce as a special funding for Commercial facilities upgrade projects. The deferred income was recognized when the Group receives financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (9) In 2015, the Company received government energy conservation and development fund totaling RMB2,080,000 from Beijing Chaoyang district Finance Bureau as a special funding for renovation of energy-saving lamps. The deferred income was recognized when the Group receives financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (10 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (10) In 2015, Chaopi Trading, a subsidiary of the Company, received government grants totaling RMB8,730,000 from Beijing Municipal Commission of Commerce as a special funding for logistics standardization project. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by the initial entry value of assets, and deferred income would be evenly amortized in the estimated useful life (10 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.

29. Share capital

Item	2015.12.31 (audited)	Changes in the period					2016.6.30 (unaudited)
		New issue of shares	Bonus Issue	Capitali- zation of surplus reserve	Others	Subtotal	
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	-	-	-	(2,084,171)	(2,084,171)	5,210,428
Domestic individual shareholders	55,355,593	-	-	-	2,084,171	2,084,171	57,439,764
3. Foreign listed shares denominated in RMB	182,160,000	-	-	-	-	-	182,160,000
Total shares	412,220,000	-	-	-	-	-	412,220,000

30. Capital reserves

Item	2015.12.31 (audited)	Increase in the period	Decrease in the period	2016.6.30 (unaudited)
Capital premium	609,598,028	-	-	609,598,028
Equity transaction with minority shareholders of subsidiaries	(985,373)	-	-	(985,373)
Other capital reserve	695,493	-	-	695,493
Total	609,308,148	-	-	609,308,148

31. Other comprehensive income

Item	2015.12.31 (audited)	Amount before tax	Change in the period				2016.6.30 (unaudited)
			Less: Amount that is previously included in other comprehensive income is transferred to profit or loss for the period	Less: income tax expense	Attributable to the parent company after tax	Attributable to minority shareholder after tax	
Other comprehensive income that will be reclassified to profit or loss							
Including: gains or losses on changes in fair value of available-for-sale financial assets	2,098,458	582,000	-	145,500	348,545	87,955	2,447,003
Difference of foreign currency financial statements convert	-	22,680	-	-	11,771	10,909	11,771
Total	2,098,458	604,680	-	145,500	360,316	98,864	2,458,774

32. Surplus reserves

Item	2015.12.31 (audited)	Increase in the period	Decrease in the period	2016.6.30 (unaudited)
Statutory surplus reserve	139,259,934	-	-	139,259,934
Total	139,259,934	-	-	139,259,934

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

Statutory surplus reserve can be used to make up for the loss or increase the Company production and management or transfer assets.

33. Undistributed profits

Item	Six months ended at June 30, 2016 (unaudited)	Six months ended at June 30, 2015 (unaudited)
Before adjustment: undistributed profits at the end of prior period	473,625,451	493,671,848
Adjustment: Total undistributed profits at the beginning of the period(Increase:+,decrease)	-	-
After Adjustment: undistributed profits at the beginning of the period	473,625,451	493,671,848
Add: Net profit attributable to the shareholders of the parent company for the period	17,365,243	21,040,066
Less: Appropriation to statutory surplus reserve	-	-
Appropriation to discretionary surplus reserve	-	-
Appropriation to general risk reserve	-	-
Ordinary shares' dividends payable	20,611,000	41,222,000
Undistributed profits at the end of the period	470,379,694	473,489,914

Dividends

As at December 31, 2015, shareholder dividends was RMB0.05 per share (December 31, 2014: RMB0.1 per share). Total dividends were RMB20,611,000 (December 31, 2014: RMB41,222,000)

Board of directors do not suggest distribute interim dividends in the period (corresponding period:0)

34. Operating income and operating cost

(1) Operating income and cost

Item	Six months ended at June 30, 2016 (unaudited)		Six months ended at June 30, 2015 (unaudited)	
	Income	Cost	Income	Cost
Principal operating	5,419,638,055	4,757,990,357	5,310,399,644	4,632,187,837
Other operating	516,164,571	4,994,299	504,111,027	7,259,269
Total	5,935,802,626	4,762,984,656	5,814,510,671	4,639,447,106

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

Item	Six months ended at June 30, 2016 (unaudited)		Six months ended at June 30, 2015 (unaudited)	
	Principal operating income	Principal operating cost	Principal operating income	Principal operating cost
Retail	2,349,622,234	1,971,413,940	2,389,651,616	2,012,244,422
Wholesale	3,062,843,340	2,780,649,435	2,913,204,848	2,614,036,558
Others	7,172,481	5,926,982	7,543,180	5,906,857
Total	5,419,638,055	4,757,990,357	5,310,399,644	4,632,187,837

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

35. Selling expenses

Item	Six months ended at June 30, 2016 (unaudited)	Six months ended at June 30, 2015 (unaudited)
Wages and salaries	250,174,096	260,338,509
Depreciation and amortization expenses	96,587,738	95,090,800
Lease expenses	118,996,180	116,166,848
Others	396,907,758	375,658,053
Total	862,665,772	847,254,210

36. Administrative expenses

Item	Six months ended at June 30, 2016 (unaudited)	Six months ended at June 30, 2015 (unaudited)
Wages and salaries	119,327,094	117,494,405
Depreciation and amortization expenses	4,407,787	3,487,487
Others	29,495,289	20,205,124
Total	153,230,170	141,187,016

37. Financial expenses

Item	Six months ended at June 30, 2016 (unaudited)	Six months ended at June 30, 2015 (unaudited)
Interest expenses	73,524,310	83,895,966
Less: Capitalized interest expenses	9,589	89,501
Interest income	(9,646,780)	(9,222,689)
Bank charges	6,056,345	4,575,530
Exchange losses (gains)	21,257	325,139
Others	—	—
Total	69,945,543	79,484,445

38. Investment income

Item	Six months ended at June 30, 2016 (unaudited)	Six months ended at June 30, 2015 (unaudited)
Investment income from of short-term financial products	585,058	653,363
Total	585,058	653,363

39. Income tax expense**(1) Details of income tax expenses**

Item	Six months ended at June 30, 2016 (unaudited)	Six months ended at June 30, 2015 (unaudited)
Current income tax	26,149,232	23,298,627
Deferred income tax	(2,770,038)	(1,441,271)
Total	23,379,194	21,857,356

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

Item	Six months ended at June 30, 2016 (unaudited)
Accounting profit	68,624,385
Income tax expenses calculated at 25% tax rate	17,156,096
Effect of subsidiary companies to adapt different tax rates	(197,833)
Effect of adjusting the previous years' income tax	90,647
Effect of non-taxable income	(173,041)
Effect of non-deductible costs, expenses and losses	1,974,213
Effect of using deductible losses of previously unrecognized deferred tax assets	—
Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets in the period	4,529,112
Income tax	23,379,194

40. Earnings per share

Item	Six months ended at June 30, 2016 (unaudited)	Six months ended at June 30, 2015 (unaudited)
Profit for the period attributable to shareholders of the parent company	17,365,243	21,040,066
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, 2016 (unaudited)	Six months ended at June 30, 2015 (unaudited)
Calculated based on the net profit attributable to ordinary shareholders of the parent company: Basic earnings per share	0.04	0.05

41. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Supplementary information	Six months ended at June 30, 2016 (unaudited)	Six months ended at June 30, 2015 (unaudited)
1. Reconciliation of net profits and cash flow from operating activities:		
Net profits	45,245,191	48,525,701
Add: Provision for impairment losses of assets	(18,140)	147,531
Depreciation of fixed assets, investment property, oil and gas assets and productive biological assets.	62,992,085	66,779,238
Amortization of intangible assets	5,525,018	5,270,727
Amortization of long-term prepaid expenses	37,888,193	43,218,261
Losses(Gains) on disposal of fixed assets, intangible assets and other long-term assets	1,256,935	157,974
Losses(Gains) on retirement of fixed assets	996	3,775
Losses(Gains) on changes in fair value	-	-
Financial expenses	63,867,941	74,583,776
Investment loss(gains)	(585,058)	(653,363)
Government subsidies amortization related to assets	3,040,713	-
Decrease(Increase) in deferred tax assets	(2,809,503)	(1,503,182)
Increase(Decrease) in deferred tax liabilities	184,966	329,412
Decrease(Increase) in inventories	173,777	213,044,447
Decrease(Increase) in operating receivables	572,552,290	(253,642,566)
Increase(Decrease) in operating payables	(232,463,279)	319,030,106
Others	-	-
Net cash flows from operating activities	556,852,125	515,291,837
2. Net changes in cash and cash equivalents:		
Closing balance of cash	576,865,556	519,553,725
Less: Opening balance of cash	574,168,439	521,621,307
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net decrease(increase) in cash and cash equivalents	2,697,117	(2,067,582)

(2) Cash and cash equivalents

Item	2016.6.30 (unaudited)	2015.6.30 (unaudited)
Cash	576,865,556	519,553,725
Including: Cash on hand	19,377,281	26,064,331
Bank deposits on demand	557,488,275	493,489,394
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	—	—
Cash equivalents	—	—
Including: Investments in bonds due within 3 months	—	—
Closing balance of cash and cash equivalents	576,865,556	519,553,725
Including: Cash and cash equivalents of parent and subsidiaries of restricted use only	—	—

VII. CHANGES IN THE CONSOLIDATION SCOPE

Beijing Chaopi International Trading (Shang Hai) 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 XinyangTongli Commercial Facilities Co.,Ltd. (Xinyang Tongli)	Limited company	Beijing, PRC	Manufacture	10,000,000
Beijing Jingkelong Shouchao Commercial Co., Ltd. (Shoulian Supermarket)	Limited company	Beijing, PRC	Retail	398,453,439
Beijing Shoulian Jiulong Supermarket Co., Ltd (Shoulian Jiulong)	Limited company	Beijing, PRC	Retail	10,000,000
Beijing Jingkelong Haotian Hotel Management Co., Ltd. ("Haotian Hotel")	Limited company	Beijing, PRC	Hospitality	5,000,000
Beijing Jingkelong Vocational Training School ("Training School")	Institutional organization	Beijing, PRC	Training	500,000
Beijing Chaopi Trading Co., Ltd. (Chaopi Trading)	Limited company	Beijing, PRC	Wholesale	500,000,000
Beijing Chaopi Shuanglong Alcohol Sales 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 Flavoursings, Company Limited (Chaopi Flavoursing)*	Limited company	Beijing, PRC	Wholesale	50,000,000

Subsidiary	Type	Place of incorporation	Nature of business	Registered Capital
Beijing Chaopijinglong Oil Sales Company Limited (Chaopi Oil Sales)*	Limited company	Beijing, PRC	Wholesale	36,000,000
Shijiazhuang ChaopiXinlong Trading Company Limited*	Limited company	Shijiazhuang, PRC	Wholesale	5,000,000
Qingdao Chaopijinlong Trading Company Limited	Limited company	Qingdao, PRC	Wholesale	5,000,000
Beijing ChaopiZhongde Trading Company Limited (ChaopiZhongde)*	Limited company	Beijing, PRC	Wholesale	50,000,000
Beijing ChaopiHuilong Trading Company Limited (ChaopiHuilong)*	Limited company	Beijing, PRC	Wholesale	24,000,000
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
ChaopiYuli Trading Company Limited*	Limited company	Beijing, PRC	Wholesale	24,000,000
ChaopiFangsheng Trading Company Limited*	Limited company	Beijing, PRC	Wholesale	20,000,000
Jinan Chaopi Linda Trading Company Limited (Chaopi Jinan)*	Limited company	Jinan, PRC	Wholesale	26,000,000
Beijing ChaopiShenglong Trading Company Limited (ChaopiShenglong)*	Limited company	Beijing, PRC	Wholesale	20,000,000
Beijing ChaopiTianhua Trading Company Limited (ChaopiTianhua)*	Limited company	Beijing, PRC	Wholesale	10,000,000
Datong ChaopiBeichen Trading Company Limited (Chaopi Datong)*	Limited company	Datong, PRC	Wholesale	26,000,000
Datong Chaopi Ant Trading Company Limited (ChaopiAnt)**	Limited company	Datong, PRC	Retail	5,000,000
Tangshan ChaopiBaishun Trading Company Limited (ChaopiBaishun)*	Limited company	Tangshan, PRC	Wholesale	30,000,000
Beijing ChaopiMaolisheng Trading Company Limited (ChaopiMaolisheng)*	Limited company	Beijing, PRC	Wholesale	75,000,000
HongkongChaopi Asia Company Limited (ChaopiHongkong)**	Limited company	Hongkong, PRC	Wholesale	HKD10,000
Beijing Qumeiba Information Technology Company Limited (Qumeiba)*	Limited company	Beijing, PRC	Wholesale	1,000,000
Beijing ChaopiShengshi Trading Company Limited (ChaopiShengshi)*	Limited company	Beijing, PRC	Wholesale	25,000,000
Beijing ChaopiZhaoyang E-commerce Company Limited (ChaopiZhaoyang)*	Limited company	Beijing, PRC	Wholesale	20,000,000
Beijing ChaopiXinyishangzhen Food Co., Ltd. ("Xinyishangzhen")*	Limited company	Beijing, PRC	Wholesale	40,000,000
Beijing Shangzhen Food Co., Ltd. ("Shangzhen Food")**	Limited company	Beijing, PRC	Wholesale	5,000,000
Chaopi Maolisheng (Hongkong) Co., Ltd. ("MaolishengHongkong") **	Limited company	Hongkong, PRC	Wholesale	HKD10,000
Beijing ChaopiTianshi Information Technology Co., Ltd. ("ChaopiTianshi")**	Limited company	Beijing, PRC	Wholesale	20,000,000
Chaopi International Trade (Shanghai) Co., Ltd ("Chaopi International Trade") *	Limited company	Shanghai, PRC	Wholesale	5,000,000

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	55.66	55.66	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 Jingkelong Haotian Hotel Management Co., Ltd. ("Haotian Hotel")	Hotel management, food and beverage, and leasing	100	100	Yes	
Beijing Jingkelong Vocational Training School ("Training School")	Training of shop assistant	100	100	Yes	
Beijing Chaopi Trading Co., Ltd. (Chaopi Trading)	Wholesale of general merchandise	79.85	79.85	Yes	
Beijing Chaopi Shuanglong Alcohol Sales 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	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	55.90	70	Yes	
Jinan Chaopi Linda Trading Company Limited (Chaopi Jinan)*	Wholesale of general merchandise	51.90	65	Yes	
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	

Subsidiary	Scope of business	Proportion of ownership interests (%)	Proportion of voting power (%)	Whether Consolidated or not	Notes
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 ChaopiBaishun 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 (ChaopiShengshi)*	Wholesale of cosmetics	51.90	65	Yes	
Beijing Chaopi Zhaoyang E-commerce Company Limited (Chaopi Zhaoyang)*	Wholesale of general merchandise	79.85	100	Yes	
Beijing Chaopi Xinyishangzhen Food Co., Ltd. ("Xinyishangzhen")*	Wholesale of food, packed food and dairy product	47.91	60	Yes	
Beijing Shangzhen Food Co., Ltd. ("Shangzhen Food")**	Wholesale of nuts products (baking class), candied fruit, and fruit products (dried fruit products)	47.91	100	Yes	
ChaopiMaolisheng (Hongkong) Co., Ltd. ("MaolishengHongkong")**	Wholesale of nuts products (baking class), candied fruit, and fruit products (dried fruit products)	51.90	100	Yes	
Beijing ChaopiTianshi Information Technology Co., Ltd. ("ChaopiTianshi")**	Wholesale of cosmetics, food and general merchandise	79.85	100	Yes	
Chaopi International Trade (Shanghai) Co., Ltd ("Chaopi International Trade")*	Goods and technology import and export business and food circulation	79.85	100	Yes	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 (10 thousand yuan)	Proportion of the entity's ownership interests held by the parent (%)	Proportion of the entity's voting power held by the parent (%)	The ultimate controlling party of the Company	Organization code
Chaoyang Auxiliary	State-owned	Beijing	Mr. WangWeilin	Sales of food and oil products	21,306.10	40.61	40.61	Chaoyang Auxiliary	91110000 10163706X9

2. Subsidiaries of the Company

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

3. Related party 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 2016 (unaudited)	Six months ended at 30 June 2015 (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	-	-

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 at June 30, 2011, the annual rents under the contracts with Chaoyang Auxiliary were RMB7,344,499 and RMB920,853 respectively for the Company and its subsidiary Chaopi 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"). The Company continued to lease the properties owned by Chaoyang Auxiliary for its 5 stores at annual rent of RMB162,758 with incremental once every five years. On June 18, 2012, the Company entered into a property lease supplemental agreement with Chaoyang Auxiliary, pursuant to which the annual rent for the aforesaid five properties were adjusted to RMB1,111,933 effecting from July 1, 2012 with incremental by 3% every five years; and 1 additional property was leased at annual rent of RMB214,412 with incremental by 3% every five years for a term from July 1, 2012 to December 31, 2023. The rental expenses payable to Chaoyang Auxiliary for the year ended at June 30, 2016 and June 30, 2015 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 rebuild 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 July 1, 2012 and December 18, 2013 respectively. From July 1, 2014 to December 31, 2023, the annual rents of such properties were adjusted to revert to the amount in the agreements on July 1, 2011, which were RMB7,344,499 and RMB920,853 respectively with incremental by 3% every five years. Meanwhile, for the rest of agent construction fee amounted to RMB58,164,490, Hongchao Weiye won't take the responsibility of paying the funds back when the original agreement and supplemental agreements are executed efficiently. The aforesaid rest of agent construction fee is undertaken and amortized by the Company.

Note 2: On April 30, 2004, Xinyang Tongli leased a property located at No.1, Jiuxianqiao, Tuofangying, Chaoyang District, Beijing from Chaoyang Auxiliary with annual rent of RMB16,257 for a term from January 1, 2004 to December 31, 2023. On December 14, 2012, the Chaoyang Auxiliary reentered into a relocation compensation contract with Xinyang Tongli and they agreed on paying compensation fee of RMB6,349,040 on decorating equipment relocation and stopping doing business made by Xinyang Tongli's relocation is of RMB6,349,040. Since December 31, 2012, Xinyang Tongli and Chaoyang Auxiliary stopped their lease contract. Xinyang Tongli received its demolition compensation on January 18, 2013. Revenue from relocation compensation was calculated by relocation process in each period and there was RMB4,321,892 received from relocation compensation (June 30, 2016 and June 30, 2015: RMB0).

(2) Compensation for key management personnel

Item	Six months ended at June 30 2016 (unaudited)	Six months ended at June 30 2015 (unaudited)
Compensation for key management personnel	4,775,097	5,382,246

4. Receivables and payables of related parties

The Group had no receivables or payables balance with related parties at June 30, 2016 and December 31, 2015.

5. Related party commitments

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

The anticipated future rent by the Group:

Item	2016.6.30 (unaudited)	2015.12.31 (audited)
1st year subsequent to the balance sheet date	1,336,292	1,326,345
2nd year subsequent to the balance sheet date	1,356,187	1,326,345
3rd year subsequent to the balance sheet date	1,366,135	1,366,135
Subsequent periods	6,209,084	6,912,047
Total	10,267,698	10,930,872

X. COMMITMENTS

1. Significant commitments

(1) Capital commitments

Item	2016.6.30 (unaudited)	2015.12.31 (audited)
Acquisition of fixed assets	–	–
Authorized but not contracted	328,760,041	265,835,993
Contracted but not provided	231,229,123	207,175,857
Total	559,989,164	473,011,850

(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:

(1) As the lessee

Item	2016.6.30 (unaudited)	2015.12.31 (audited)
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	237,177,849	239,699,213
2nd year subsequent to the balance sheet date	234,882,303	237,682,884
3rd year subsequent to the balance sheet date	235,496,635	237,196,402
Subsequent periods	1,453,173,337	1,534,387,383
Total	2,160,730,124	2,248,965,882

(2) As the lessor

Item	2016.6.30 (unaudited)	2015.12.31 (audited)
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	104,387,285	103,322,482
2nd year subsequent to the balance sheet date	68,671,486	79,984,670
3rd year subsequent to the balance sheet date	54,538,389	61,942,554
Subsequent periods	105,571,853	152,235,013
Total	333,169,013	397,484,719

XI. SIGNIFICANT SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

1. New subsidiaries established and bonds issued

- (1) On August 12, 2016, the Company's subsidiary Chaopi Trading, established Chaopi Jiusheng Mingpin Trading Company Limited ("Chaopi Jiusheng") as a wholly-owned subsidiary, with registered capital of RMB30,000,000. Chaopi Jiusheng was indirectly held by the Company as to 79.85% through Chaopi Trading. Chaopi Jiusheng has obtained business license with NO. 91110105MA007KEC70. As at date of report, Chaopi Jiusheng's registered capital RMB30,000,000 has not paid yet.

On July 28, 2016, the Company's subsidiary Chaopi Trading and other equity holders respectively contributed additional RMB5,343,000 and RMB4,657,000 into Chaopi Tianhua. As at that date, the registered capital of Chaopi Tianhua increased to RMB20,000,000. Upon completion of the capital increase, the equity interest in Chaopi Tianhua was directly held by Chaopi Trading as to 53.43%, and indirectly held by the Company through Chaopi Trading as to 42.66%.

- (2) On August 15, 2016, the Company issued of the year 2016 the second phase of short-term bonds with a coupon rate of 2.94%, a term of maturity of 365 days, value date to be August 16, 2016 and interest date to be August 16, 2017 in aggregate amounting to RMB300 million through Bank of Beijing Co., Ltd. according to the signed "Interbank bonds market debt financing instruments of non-financial enterprises underwriting agreement". As at date of report, the Company has received all raised capital used to issue this short-term bond.

On August 18, 2016, the Company issued of the year 2016 the third phase of short-term bonds with a coupon rate of 2.98%, a term of maturity of 365 days, value date to be August 19, 2016 and interest date to be August 19, 2017 in aggregate amounting to RMB200 million through Bank of Beijing Co., Ltd. according to the signed "Interbank bonds market debt financing instruments of non-financial enterprises underwriting agreement". As at date of report, the Company has received all raised capital used to issue this short-term bond.

2. Other significant non-adjusting event after balance sheet date

Except for the issues disclosed above, no other significant non-adjusting event should be disclosed by the Company by the end of the approval date of the financial statements.

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.

The Group mainly does business in terms of retail and wholesale in Beijing, PRC and mainly identifiable assets are recognized in Beijing.

For the 6 months ended at June 30, 2016 (unaudited)

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

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

Item	Retailing	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

2016.6.30 (unaudited)

Item	Retailing	Wholesale	Others	Inter-segment offset	Total
Total assets	4,219,782,187	4,628,492,465	24,785,415	(1,039,450,786)	7,833,609,281
Total liabilities	3,198,702,303	3,583,527,165	7,773,332	(1,039,450,786)	5,750,552,014

2015.12.31(audited)

Item	Detailing	Wholesale	Others	Inter-segment offset	Total
Total assets	4,510,244,796	5,085,045,956	24,989,606	(1,249,509,956)	8,370,770,402
Total liabilities	3,494,893,834	4,008,586,950	7,285,862	(1,249,509,956)	6,261,256,692

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

Net current assets

Item	2016.6.30 (unaudited)	2015.12.31 (audited)
Current assets	5,407,995,198	5,885,553,645
Less: Current liabilities	4,948,982,746	5,458,024,515
Net current assets	459,012,452	427,529,130

Total assets less current liabilities

Item	2016.6.30 (unaudited)	2015.12.31 (audited)
Total assets	7,833,609,281	8,370,770,402
Less: Current liabilities	4,948,982,746	5,458,024,515
Total assets less current liabilities	2,884,626,535	2,912,745,887

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

1. Accounts receivable

(1) Presentation of accounts receivable by category

Category	2016.6.30 (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	279,900,727	99	-	-	279,900,727
Receivables that are not individually significant but for which bad debt provision has been assessed individually	1,753,916	1	1,753,916	100	-
Total	281,654,643	100	1,753,916		279,900,727

Category	2015.12.31 (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	260,613,309	99	-	-	260,613,309
Receivables that are not individually significant but for which bad debt provision has been assessed individually	1,753,916	1	1,753,916	100	-
Total	262,367,225	100	1,753,916		260,613,309

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

Aging	2016.6.30 (unaudited)			Net book value
	Carrying amount	Proportion (%)	Bad debt provision	
Within 1 year	199,900,727	99	-	199,900,727
1-2 years	-	-	-	-
2-3 years	-	-	-	-
3-4 years	1,753,916	-	1,753,916	-
4-5 years	-	-	-	-
Over 5 years	80,000,000	1	-	80,000,000
Total	281,654,643	100	-	279,900,727

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

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

2. **Other receivables**

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

Category	2016.6.30 (unaudited)				Net book value
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Rate (%)	
Other receivables that are individually significant and for which bad debt provision is assessed individually	6,212,250	1	4,224,750	68	1,987,500
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	902,349,511	99	—	—	902,349,511
Other receivables that are not individually significant but for which the bad debt provision is assessed individually.	2,051,300	—	1,171,772	57	879,528
Total	910,613,061	100	5,396,522		905,216,539

Category	2015.12.31 (audited)				Net book value
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Rate (%)	
Other receivables that are individually significant and for which bad debt provision is assessed individually	6,212,250	1	4,224,750	68	1,987,500
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	892,546,300	99	—	—	892,546,300
Other receivables that are not individually significant but for which the bad debt provision is assessed individually.	2,051,300	—	1,171,772	57	879,528
Total	900,809,850	100	5,396,522		895,413,328

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

Aging	Carrying amount	2016.6.30 (unaudited)		
		Proportion (%)	Bad debt provision	Net book value
Within 1 year	900,136,553	99	–	900,136,553
1-2 years	2,322,631	–	–	2,322,631
2-3 years	2,827	–	–	2,827
3-4 years	2,051,300	–	1,171,772	879,528
4-5 years	–	–	–	–
Over 5 years	6,099,750	1	4,224,750	1,875,000
Total	910,613,061	100	5,396,522	905,216,539

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

Content of other receivables	Carrying amount	2016.6.30 (unaudited)		
		Bad debt provision	Rate (%)	Reason
Beijing Guanyuan Wholesale Market Company Limited	6,099,750	4,224,750	69	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*

Content of other receivables	Carrying amount	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	2016.6.30 (unaudited)			2015.12.31 (audited)		
	Carrying amount	Provision for impairment	Net book value	Carrying amount	Provision for impairment	Net book value
Investment in subsidiaries	978,035,869	–	978,035,869	978,035,869	–	978,035,869
Total	978,035,869	–	978,035,869	978,035,869	–	978,035,869

(2) Investment in subsidiaries

Investee	2015.12.31 (audited)	Increase in the period	Decrease in the period	2016.6.30 (unaudited)	Provision for impairment for the period	Provision for impairment at period end
Jingkelong Langfang	83,980,000	-	-	83,980,000	-	-
Chaopi Trading	436,505,594	-	-	436,505,594	-	-
Xinyang Tongli	5,565,775	-	-	5,565,775	-	-
Shouchao Group	422,484,500	-	-	422,484,500	-	-
Jingkelong Tongzhou	29,000,000	-	-	29,000,000	-	-
Peixun Xuexiao	500,000	-	-	500,000	-	-
Total	978,035,869	-	-	978,035,869	-	-

4. Operating income and operating cost

Item	Six months ended at June 30, 2016 (unaudited)		Six months ended at June 30, 2015 (unaudited)	
	Income	Cost	Income	Cost
Principal operating	2,141,675,828	1,829,436,555	2,197,728,459	1,881,844,439
Other operating	161,593,911	1,634,939	160,020,006	1,641,986
Total	2,303,269,739	1,831,071,494	2,357,748,465	1,883,486,425

5. Investment income

Item	Six months ended at June 30, 2016 (unaudited)	Six months ended at June 30, 2015 (unaudited)
Investment income from distributed dividend of subsidiaries.	19,962,950	39,925,900
Investment income from purchasing short-term financial products	467,480	466,235
Total	20,430,430	40,392,135