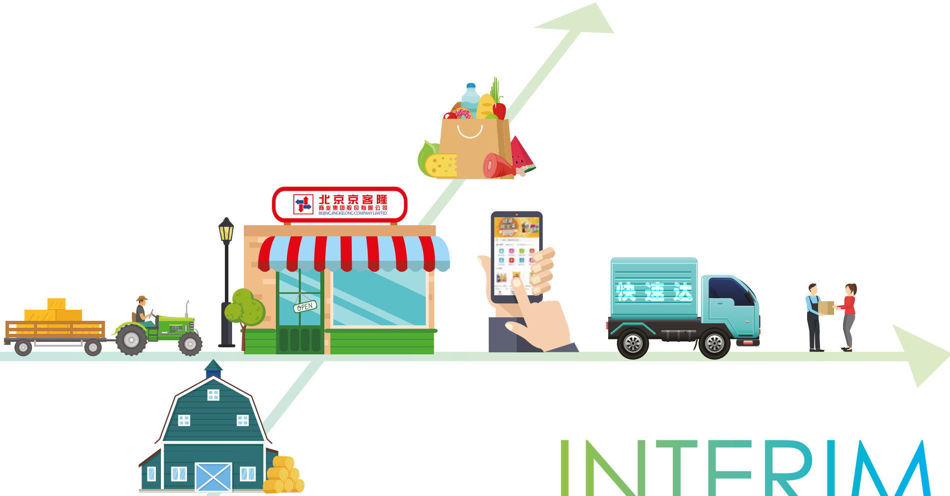
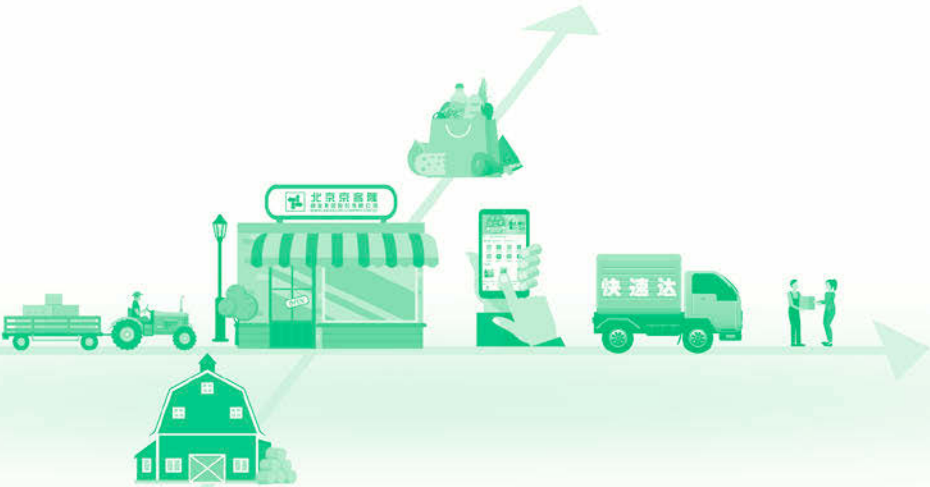


INTERIM REPORT 2018

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)



CONTENTS

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. Niu Hongyan
Ms. Li Chunyi
Mr. Chen Zhong
Ms. Fu Yanjun
Mr. Yang Baoqun

COMPANY SECRETARY

Mr. Li Bo, CPA

AUTHORISED REPRESENTATIVES

Ms. Li Chunyan
Mr. Li Bo, CPA

AUDITORS

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

LEGAL ADVISERS

As to Hong Kong law:
Reed Smith Richards Butler

As to PRC law:
Grandall Law Firm (Beijing)

INVESTORS AND MEDIA RELATION CONSULTANT

Unicorn Financial Company Limited

PRINCIPAL BANKERS

AGRICULTURAL BANK OF CHINA

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

BANK OF BEIJING

Jiulongshan Branch
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Jinsong Dongkou Nongguang Lane
Beijing, PRC

H SHARES REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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COMPANY WEBSITE

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STOCK CODE

814

FINANCIAL HIGHLIGHTS

The Group achieved the following results during the six months ended 30 June 2018:

- Revenue amounted to RMB5,137,604,291, representing a decrease of approximately 8.9%.
- Gross profit amounted to RMB737,975,053, representing a decrease of approximately 5.7%.
- Operating profit amounted to RMB78,773,847, representing a decrease of approximately 7%.
- Profit attributable the owners of the parent company reached RMB29,036,547, representing an increase of approximately 9.6%

(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 2018, China's economic operation remained steady overall. While seeing a stable growth in consumption generally, the consumption structure had evolved substantially, consumption habits, consumption methods, consumption concepts and consumption cognitive abilities had all experienced notable changes, and certain characteristics of consumption demand, including stratification, personalization, de-commoditization, facilitation and socialization became more prominent. In this connection, methods to adapt to the changes above became a main factor in driving retail reform. In response to this, the Group actively adapted to the new changes, remained closely focused on [commodity+service], worked to perceive and satisfy the changing consumer demand in terms of product category, quality, cost-effectiveness and consumer shopping experience , throughout all respects of offline process ranging from supply chain management, product category management, display management, sanitation safety management, marketing management to logistics management; at the same time, also sped up the introduction, integration and application of intelligent technology, enhanced accurate and effective offline chain management through data analysis, created innovative scenarios and improved the consumer experience by using self-service facilities and equipments, upgraded the mobile e-commerce functions of its own App and improved the third-party platform business for better integration of online and offline operations.

RETAIL BUSINESS

ACTIVELY EXPLORING THE UPGRADING OF THE OPERATION SEGMENT

During the Reporting Period, the Group upgraded its operations through technological advancement, by continuously introducing intelligent technology and combining it with the interior design and renovation of traditional stores, the Group successively commenced the decoration and renovation of four comprehensive supermarkets and three convenience stores, of which three "Joy&Joy" (京捷) community live and fresh produce convenience stores were opened as scheduled. The Group also attempted to transform its traditional physical stores into technology-based stores through digital upgrade, and opened Jingkelong's first round-the-clock self-service store, accordingly, providing consumers with new options of convenient shopping according to their own needs. Additionally, the Group also accelerated the promotion and use of self-service cash devices in stores, which reduced customers' on-site waiting time, and reshaped the offline shopping experience for customers through application of new technology.

BUILDING THE CONSUMER-CENTRED OPERATION SYSTEM

During the Reporting Period, the Group built its consumer-centered digital operation system using the data information and data analysis technology gathered through the information management system.

The Group gained insight into changes to consumer demand and responded quickly in respect of the introduction and elimination of commodities as follows: the Group continued to promote the development of healthy, green, fashionable and specialty products and the introduction of ready-to-eat commodities to meet convenient needs of customers and needs of younger and fashionable customers; screened representative key product categories through the analysis of major backbone categories and conducted special analysis on them, of which in-depth analysis was given for food, non-staple food, cold food and beer based on their total sales, comprehensive gross profit, sales volume, pin variety, transaction frequency, per customer transaction, unit price per piece, connective sales and other specific indicators, providing decision-making basis for the analysis and adjustment of the products selected. The Group carried out operation by means of buyout in batches or customization for the key backbone commodities and the backbone commodities for festival purposes based on the analysis of consumers' purchase preference, purchase frequency, purchase habits and other data, which helped enhance the products' sales contribution while meeting the consumers' requirements for cost-effectiveness.

By applying data technology and category management technology, the Group focused on its target consumers and accurately positioned their demand scenarios, refined the classification of store segments, reviewed and valuated the business category for every type of segments, and improved its operations and categorization of products which was carried out through the store layout adjustments. Besides, the Group also strengthened store supervision management, introduced service allowances for store staff and intensified appraisals, raised employees' awareness of active service consciousness, gave rein to the advantages of face-to-face direct interaction between offline stores and consumers so as to improve the service levels for customers.

Centered around the actual needs of the target consumers and combined with the Group's operating advantages and characteristics, we added emotive marketing hint into the daily marketing and promotion activities such as: warm New Year's gifts, advocating family reunion for the new year, care for Women's Day, Mother's Day, family day, Father's Day, and more, to increase the interaction between the site and consumers and trigger the consumers' purchase motivation through stronger scene interaction.

PROMOTING THE ONLINE AND OFFLINE INTEGRATED DEVELOPMENT

During the reporting period, the Group continued to optimize the structure and functions of its self-owned APP system, improved the selection process of the third-party platform to enhance the products selection efficiency, further enriched the coverage of online product categories and replaced products in a timely manner to increase the online pin rate of products. The Group conducted online marketing activities and launched an online-only commodity promotion to effectively increase the volume of online orders, continued to channel customers to use its APP via WeChat graphics, coupons and other forms, which contributed to the rising proportion of online sales.

The Group further strengthened the basis of the trend of online and offline integrated development by transplanting the operational advantages of offline operations in respect of live and fresh goods to the online platform and by speeding up the upgrading of technologies and methods of offline operations in respect of live and fresh commodity through the application of the online view. Live and fresh goods are major commodities used by offline stores to attract the customer flow, and introducing the advantages of live and fresh commodities also serves as an important factor for the Group to attract online customers and further boost online sales. The standardization required by online operation of live and fresh produce in turn drived the Group to upgrade technology throughout the whole supply chain management, including procurement, selection, initial processing, packaging materials and packing methods, logistics distribution of live and fresh commodities. The simultaneous attainment of standardized and professional operation of live and fresh commodities on both online and offline retail platforms not only reduced costs and improving efficiency but also enhanced the consumer experience.

HIGHLY VALUING FOOD SAFETY MANAGEMENT

During the Reporting Period, the Group continued to improved food safety responsibilities, through formulating and improving various systems such as the Stock-in Inspection Record System, the Inspection System for Edible Agricultural Products and the Plan for Food Safety Emergencies, the Group was able to strictly control the quality of goods and ensure the quality of the goods in the service. The Group continuously strengthened the employees' awareness on food safety management and provided food safety training for employees through various means. Along with the Consumer Rights Day on 15 March, the Group launched the Jingkelong Product Quality Month event to promote commodity quality knowledge among consumers through the use of media such as leaflets and display boards, so as to raise consumers' awareness for and the ability to uphold their legitimate rights and interests. The Group continuously strengthened safety management on edible agricultural products such as meat, eggs and milk, required providers to manage pesticide use and increase supply sampling. At present, the Group has three stores approved as the first "Reliable Meat and Vegetable Demonstration Supermarkets" in Beijing.

PROMOTING LOGISTICS TO IMPROVE QUALITY AND EFFICIENCY

During the Reporting Period, the Group improved its automatic replenishment parameters of normal temperature goods and shortened the supplier's order delivery duration from four days to two days, which significantly improved the efficiency of the supply chain, enabled the stores to maintain reasonable inventory level and enhanced the commodity turnover rate. The Group further advanced the the efforts in disassembly, making store orders more precised and accurate. The Group also enhanced its efforts in transit and distribution of daily cooked food, enriched product varieties of small and medium-sized stores and reduced the scarcity of goods so as to meet diverse needs of customers and boost both its sales and gross profit. By leveraging on data analysis, the Group strengthened the standardized management of commodity inventory and early warning management of the commodity shelf life to reduce losses and improve the turnover rate of the goods in stock.

PRUDENT DEVELOPMENT OF RETAIL NETWORK

During the Reporting Period, the Group focused on improving the operational capability of its stores. During the Reporting Period, nine convenience stores were opened. Due to reasons including the expiration of tenancy and modifications to the loss-making stores, two supermarkets and 15 convenience stores, including six directly-operated convenience stores and nine franchise-operated convenience stores, were closed during the Reporting Period. In addition, the Group renovated and upgraded two supermarkets and three convenience stores.

The Group had 212 retail outlets as at 30 June 2018, including 170 directly-operated outlets and 42 franchise-operated outlets, with a total net operating area of 283,412 square metres. The following table sets out the number and net operating area of the Group's retail outlets as at 30 June 2018:

	Department stores	Hypermarkets	Supermarkets	Convenience stores	Total
Number of retail outlets:					
Directly-operated	2	11	59	98	170
Franchise-operated	–	–	1	41	42
Total	2	11	60	139	212
Net operating area (square metres):					
Directly-operated	39,742	78,817	134,573	19,185	272,317
Franchise-operated	–	–	880	10,215	11,095
Total	39,742	78,817	135,453	29,400	283,412

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		
	2018	2017	Variance
	RMB'000	RMB'000	
Directly-operated retail outlets:			
Hypermarkets	**627,775**	644,743	(2.6%)
Supermarkets	**1,408,576**	1,444,557	(2.5%)
Convenience stores	**186,260**	175,521	6.1%
Department stores	**20,014**	20,693	(3.3%)
(including commissions)	**16,939**	17,519	(3.3%)
Online retail business	**–**	20,179	–
Total retail principal operating income	**2,242,625**	2,305,693	(2.7%)
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	**16.2**	15.9	0.3p.p

During the Reporting Period, the retail principal operating income of the Group decreased by approximately 2.7% mainly due to the following reasons: (i) an overall same-store sales increase of approximately 2.16% during the Reporting Period; (ii) the impact of continuously adjusting the layout of stores and government removal and development by closing three stores in the second half year of 2017 and eight directly-operated stores in the first half year of 2018, and renovating and upgrading five stores during the Reporting Period which caused the retail principal operating income decreased.

During the Reporting Period, gross profit margin of the directly-operated retail business (excluding department stores) increased from 15.9% of the last corresponding period to 16.2%, mainly because of: (i) the adjustment and optimization of the product mix by gradually increasing the proportion of high value-added and high gross profit margin products during the Reporting Period; and (ii) the re-adjustment of the layout of stores by closing those unprofitable and low gross profit stores.

WHOLESALE BUSINESS

STRENGTHENING CHANNEL EXPANSION AND ACCELERATING THE INTEGRATION OF ONLINE AND OFFLINE CHANNELS

During the Reporting Period, the Group carried out specific follow-up works to resolve current problems relating to sales, operations, logistics and other procedure arising from its business operation with the existing sales clients. Through improving the quality and standard of its sales services, the Group enhanced customer satisfaction and further consolidated the cooperative relationship with the existing sales channels. The Group worked to accelerate the integration of business with new types of retail businesses and reinforced marketing opportunities, also continued to over forward in-depth cooperation with major e-commerce mainstream platforms, steadily developed its own e-commerce platform, strengthened its services and support for e-commerce especially in areas such as document processing, transportation monitoring and delivery control, in order to provide customers with better services and enhance customer loyalty. Relying on its mature brand resources, marketing technology and logistics system, the Group continued to expanded offline sales channels and increased the market share.

FURTHER STRENGTHENING THE BRAND DEVELOPMENT STRATEGY

During the Reporting Period, the Group continuously enriched its brand resources, introduced a rising number of superior brands, introduced new suppliers and producers, and expanded categories and varieties of the commodities. The Group continued to expand its own brand business and currently has had 10 self-owned brand products, including Shangzhen (尚珍), Moshifu (魔師傅), Miaoshaoye (喵少爺), Zhaoxixiangchu (朝夕相廚) and Yinya (銀雅). The Group also participated in the 19th International Food & Beverage Expo with a variety of its own brand products with a view to expanding brand publicity and opening up the sales network of its own brand products. Further, the Group also continued to introduce imported goods, leveraging on the advantages of its sales channels, the Group completed the introduction of imported goods to the market, and at the same time strengthened the targeted tracking and analysis of the operation of imported goods, locked target customer groups and carried out marketing and promotion among customers.

FACILITATING THE DEVELOPMENT OF LOGISTICS OPERATION

During the Reporting Period, on the basis of gradually realizing unified planning of logistics development, unified allocation of logistics resources and unified management of logistics business, the Group continuously accelerated the construction of sub-logistics warehouses and the strategic layout of collaborative warehouses to further enhanced the professional and standardized operation level of the logistics business. The Group continued to expand the third-party logistics business, and by consolidating its existing business, the Group continued to improve logistics chains, reduced costs, actively develop new third-party customers, and expand the scale of the third-party business. The Group continued to strengthen the cooperation with the upstream suppliers in terms of the third-party logistics and co-logistics warehouses, significantly increasing the revenue of the third-party logistics business.

WHOLESALE OPERATING RESULTS

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

	For the six months ended 30 June		
	2018	2017	Variance
	RMB'000	RMB'000	
Wholesale principal operating income recognised by Chaopi Group*	**3,153,369**	3,549,231	(11.2%)
Less: Intersegment Sales	**(279,641)**	(247,273)	13.1%
Sales to franchisees	**1,673**	1,440	16.2%
Consolidated Wholesale principal operating income	**2,875,401**	3,303,398	(13.0%)
Gross profit margin **(%)	**11.3**	11.1	0.2p.p

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

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

During the Reporting Period, the wholesale principal operating income recognized by Chaopi Group decreased by approximately 11.2%, which was mainly due to the following reasons: (i) by adjusting the composition of e-commerce commodities; (ii) by terminating the cooperation with suppliers of small market space and low profit products.

During the Reporting Period, the gross profit margin of wholesale business recognized by Chaopi Trading and its subsidiary increased slightly from 11.1% of the last corresponding period to 11.3%, as a result of the adjusting relating to commodities mix mentioned above.

FINANCIAL RESULTS

	For the six months ended 30 June		
	2018	2017	Variance
	RMB'000	RMB'000	
Principal operating income	**5,137,604**	5,638,639	(8.9%)
Gross profit	**737,975**	782,424	(5.7%)
Gross profit margin (%)	**14.4%**	13.9%	0.5p.p
Earnings before interest and tax	**164,342**	165,176	(0.5%)
Net profit	**47,707**	54,322	(12.2%)
Net profit margin (%)	**0.9%**	1.0%	(0.1p.p)
Net profit attributable to shareholders of the parent company	**29,037**	26,490	9.6%
Net profit margin attributable to shareholders of the parent company (%)	**0.6%**	0.5%	0.1p.p

PRINCIPAL OPERATING INCOME

During the Reporting Period, the Group's principal operating income decreased by approximately 8.9%, of which retail principal operating income decreased by approximately 2.7%, and wholesale principal operating income decreased by approximately 13.0%.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group decreased by approximately 5.7% compared with the last corresponding period. During the Reporting Period, the gross profit margin was 14.4% (last corresponding period: 13.9%).

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

During the Reporting Period, net profit attributable to shareholders of the parent company increased by approximately 9.6% compared with the last corresponding period. The earnings before interest and tax amounted to RMB164,342,466, representing a decrease of RMB833,827 compared with the last corresponding period, and the net profit attributable to shareholders of the parent company increased from RMB26,490,046 of the last corresponding period to RMB29,036,547.

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 2018, the Group had non-current assets of RMB2,340,198,919 (comprising mainly fixed assets, investment property, and land use right for a total of RMB1,461,041,926), and non-current liabilities of RMB58,466,334.

As at 30 June 2018, the Group had current assets of RMB5,405,972,808. Current assets mainly comprised of cash and cash equivalents of RMB1,093,829,740, inventories of RMB1,616,182,006, notes receivable and accounts receivable of RMB1,352,129,706 and prepayments and other receivables of RMB1,008,614,238. The Group had current liabilities of RMB5,565,696,815. Current liabilities mainly comprised of notes payable and accounts payable of RMB1,424,899,526, short term bank loans of RMB2,564,886,074 and non-current liabilities due within one year of RMB749,839,311, contract liabilities of RMB327,430,574.

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 30 June 2018, the Group had bank loans of RMB2,564,886,074, which consisted of accounts receivable factored bank loans of RMB131,836,074 and unsecured bank loans of RMB2,433,050,000. All the Group's bank loans bear interest rates ranging from 4.35% to 5.87% per annum.

Certain of the Group's margin deposit of RMB99,468,103 were pledged for notes payable of RMB490,597,831 as at 30 June 2018.

The Group's gearing ratio* was approximately 72.6% as at 30 June 2018, which was slightly lower than approximately 73.6% 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 2018, the Group employed 6,730 employees domestically (as at 30 June 2017: 7,206 employees). The total staffing costs (including directors' and supervisors' remunerations) of the Group for Reporting Period amounted to RMB396,064,492 (corresponding period of 2017: RMB377,967,121). 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 2018, the Group did not have any significant contingent liabilities.

CAPITAL INCREASE IN RESPECT OF A NON-WHOLLY OWNED SUBSIDIARY

On 27 February 2018, Chaopi Trading contributed an additional capital injection of RMB4,800,000, which has been fully paid up, into a non-wholly-owned subsidiary of the Company, Chaopi International Trading (Shanghai) Company (the "Chaopi International Trading"), increasing the registered capital of Chaopi International Trading from RMB5,000,000 to RMB9,800,000. After the increase of registered capital, the Company will become a holder of an indirect equity interest of approximately 79.85% in Chaopi International Trading.

OUTLOOK

In the second half of 2018, with the online and offline integration and the omni-channel rule rising as the consensus of retail business upgrading and innovation, the Group will continue to use data and intelligent technology to achieve the integration of online and offline involving commodities, members, transactions, marketing and other data to provide consumers with cross-channel shopping experience. As far as retail business is concerned, the Group will further transform offline stores by means of data application, use electronic price tags more extensively, and enhance the operational efficiency of stores through intelligent transformation; while doing so, the Group will, keeping to focus on changing consumer demand, continued to introduce new products, such as healthy, fashionable and green commodities to improve high-quality shopping experience. And as for wholesale business, the Group will deepen the cooperation with upstream manufacturers and downstream customers, accelerate paces in brand introduction and sales channel expansion, and work to realize interconnection and exchange of data between upstream and downstream, between customers and products and between goods by displaying and sharing commodity information such as commodity experience, order fulfillment, logistics distribution and after-sales service, to provide intelligent business services for customers, thereby further consolidating the competitive advantages of the Group's wholesale business.

EVENTS AFTER THE REPORTING PERIOD

Pursuant to the "Approval on Issuance of Corporate Bonds of Beijing Jingkelong Company Limited" (證監許可 [2013] No. 791) issued by the CSRC, on 15 August 2013, the Company issued the corporate bonds aggregated to RMB750,000,000 with a term of maturity of 5 years, embedded with the option to increase the coupon rate by the issuer and putable option by the investor at the end of the third year. The corporate bonds were jointly secured by Beijing Chaoyang District National Capital Operating Management Center, a state-owned enterprise, bearing coupon rate at 5.48% per annum. On 8 August 2018, such bonds payable and interest payable have been paid.

OTHER INFORMATION

CORPORATE GOVERNANCE

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

Provision A4.2 of the Corporate Governance Code requires that every director (including those appointed for a specific term) of a listed issuer shall be subject to retirement by rotation at least once every three years. The Company's Articles of Association 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 2018 unaudited interim consolidated results. The Audit Committee considered that the interim financial report for the six months ended 30 June 2018 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 2018, the interests and positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules, were as follows:

LONG POSITIONS IN THE DOMESTIC SHARES OF THE COMPANY

Name	Capacity	Number of domestic shares held	Approximate percentage of total issued domestic shares (%)	Approximate percentage of total issued shares (%)
Li Jianwen	Personal	2,022,579	0.88	0.49
Shang Yongtian	Personal	989,451	0.43	0.24
Li Chunyan	Personal	505,992	0.22	0.12
Liu Yuejin	Personal	375,151	0.16	0.09
Li Shunxiang	Personal	5,210,428	2.26	1.26
Yang Baoqun	Personal	1,042,086	0.45	0.25
Liu Wenyu	Personal	365,151	0.16	0.09
Niu Hongyan	Personal	70,000	0.03	0.02
Li Chunyi	Personal	50,000	0.02	0.01

Save as disclosed above, as at 30 June 2018, 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 2018, 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

Long positions in the H shares of the Company

Name	Total number of H shares held	Approximate percentage of total issued H shares (%)	Approximate percentage of total issued shares (%)
China Galaxy International Asset Management (Hong Kong) Co., Limited *(Note 1)*	18,080,000(L)	9.92	4.39
China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) *(Note 2)*	16,690,000(L)	9.16	4.05
Citigroup Inc. *(Note 3)*	15,710,000(L)	8.62	3.81
ICBC International Asset Management Limited *(Note 4)*	14,599,000(L)	8.01	3.54

(L) – Long Position

Note:

1. These 18,080,000 H shares were held by China Galaxy International Asset Management (Hong Kong) Co., Limited in its capacity as an investment manager.

2. These 16,690,000 H shares were held by China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) in its capacity as an investment manager.

3. These 15,710,000 H shares were held by Citigroup Inc. in its capacity as an investment manager.

4. These 14,599,000 H shares were held by ICBC International Asset Management Limited in its capacity as an investment manager.

Save as disclosed above, as far as is known to the directors, supervisors or chief executive of the Company, as at 30 June 2018, 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 2018

瑞华会计师事务所
RUIHUA CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON REVIEW OF COMPANY'S AND CONSOLIDATED FINANCIAL STATEMENTS

RuiHua Yue Zi [2018] 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 30 June 2018, 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 consolidated and Company's financial position as of 30 June 2018, and Beijing Jingkelong Company Limited's consolidated and Company'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

24 August 2018

(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 30 JUNE 2018

Currency: RMB

Item	*Notes*	**2018.6.30 (unaudited)**	2017.12.31 (audited)
Current Assets:			
Cash and bank balances	*(VI)1*	**1,193,297,843**	1,068,203,328
Notes receivable and accounts receivable	*(VI)2*	**1,352,129,706**	1,360,971,297
Prepayments	*(VI)3*	**830,018,899**	662,157,731
Other receivables	*(VI)4*	**178,595,339**	169,933,613
Inventories	*(VI)5*	**1,616,182,006**	1,789,719,995
Other current assets	*(VI)6*	**235,749,015**	215,668,600
Total current assets		**5,405,972,808**	5,266,654,564
Non-current Assets:			
Available-for-sale financial assets	*(VI)7*	**–**	11,398,000
Other non-current financial assets	*(VI)8*	**13,768,917**	–
Investment properties	*(VI)9*	**191,952,591**	196,314,596
Fixed assets	*(VI)10*	**1,000,471,641**	1,043,875,757
Construction in progress	*(VI)11*	**115,358,776**	108,751,566
Intangible assets	*(VI)12*	**310,569,721**	318,169,810
Goodwill	*(VI)13*	**86,673,788**	86,673,788
Long-term prepaid expenses	*(VI)14*	**426,219,142**	465,880,487
Deferred tax assets	*(VI)15*	**21,637,667**	22,813,175
Other non-current assets	*(VI)16*	**173,546,676**	179,720,029
Total non-current assets		**2,340,198,919**	2,433,597,208
TOTAL ASSETS		**7,746,171,727**	7,700,251,772

CONSOLIDATED BALANCE SHEETS (Continued)

AT 30 JUNE 2018

Currency: RMB

Item	Notes	2018.6.30 (unaudited)	2017.12.31 (audited)
Current Liabilities:			
Short-term borrowings	(VI)17	**2,564,886,074**	2,716,210,442
Notes payable and accounts payable	(VI)18	**1,424,899,526**	1,335,455,767
Advance from customers	(VI)19	**–**	379,071,193
Contract liabilities	(VI)20	**327,430,574**	–
Payroll payable	(VI)21	**1,904,852**	1,649,123
Taxes payable	(VI)22	**85,943,887**	65,970,300
Other payables	(VI)23	**311,715,391**	179,566,241
Non-current liabilities due within one year	(VI)24	**749,839,311**	749,068,225
Other current liabilities	(VI)25	**99,077,200**	59,429,262
Total current liabilities		**5,565,696,815**	5,486,420,553
Non-current Liabilities:			
Long-term payables	(VI)26	**800,000**	–
Deferred income	(VI)28	**29,410,695**	33,351,013
Deferred tax liabilities	(VI)15	**1,346,683**	3,612,252
Other non-current liabilities	(VI)29	**26,908,956**	25,241,705
Total non-current liabilities		**58,466,334**	62,204,970
TOTAL LIABILITIES		**5,624,163,149**	5,548,625,523
Shareholders' equity:			
Share capital	(VI)30	**412,220,000**	412,220,000
Capital reserves	(VI)31	**605,008,846**	605,008,846
Other comprehensive income	(VI)32	**100,256**	6,625,801
Surplus reserves	(VI)33	**147,748,597**	147,748,597
Undistributed profits	(VI)34	**509,005,316**	498,085,598
Total equity attributable to shareholders of the parent company		**1,674,083,015**	1,669,688,842
Minority interests		**447,925,563**	481,937,407
TOTAL SHAREHOLDERS' EQUITY		**2,122,008,578**	2,151,626,249
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**7,746,171,727**	7,700,251,772

The notes as set out from page 35 to 110 form an integral part of the financial statements

The financial statements as set out from pages 20 to 34 have been signed by

Legal Representative	*Chief Financial Officer*	*Chief Accountant*
Li Jianwen	**Li Chunyan**	**Pei Lianhuan**

BALANCE SHEETS OF THE COMPANY

AT 30 JUNE 2018

Currency: RMB

Item	*Notes*	**2018.6.30 (unaudited)**	2017.12.31 (audited)
Current Assets:			
Cash and bank balances		**467,828,227**	373,250,486
Notes receivable and accounts receivable	*(XIII)1*	**94,404,313**	91,547,790
Prepayments		**1,838,868**	288,285
Other receivables	*(XIII)2*	**485,919,727**	559,024,156
Inventories		**205,699,738**	210,161,070
Other current assets		**568,618,181**	484,272,966
Total current assets		**1,824,309,054**	1,718,544,753
Non-current Assets:			
Long-term equity investments	*(XIII)3*	**1,246,991,571**	1,246,991,571
Investment properties		**52,170,266**	53,805,205
Fixed assets		**707,068,405**	734,939,941
Construction in progress		**108,145,174**	103,846,187
Intangible assets		**85,965,123**	88,093,729
Long-term prepaid expenses		**316,715,940**	349,804,988
Deferred tax assets		**1,933,938**	2,262,265
Other non-current assets		**5,013,314**	4,941,972
Total non-current assets		**2,524,003,731**	2,584,685,858
TOTAL ASSETS		**4,348,312,785**	4,303,230,611

BALANCE SHEETS OF THE COMPANY (Continued)

AT 30 JUNE 2018

Currency: RMB

Item	*Note*	**2018.6.30 (unaudited)**	2017.12.31 (audited)
Current Liabilities:			
Short-term borrowings		**900,000,000**	870,000,000
Notes payable and accounts payable		**661,074,360**	672,628,057
Advance from customers		**–**	331,750,447
Contract liabilities		**316,211,473**	–
Payroll payable		**1,498,977**	1,328,389
Taxes payable		**7,180,691**	4,794,591
Other payables		**113,563,206**	103,648,458
Non-current liabilities due within one year		**749,839,311**	749,068,225
Other current liabilities		**61,190,132**	48,482,023
Total current liabilities		**2,810,558,150**	2,781,700,190
Non-current Liabilities:			
Long-term payables		**800,000**	–
Deferred income		**19,098,593**	21,811,638
Other non-current liabilities		**3,600,000**	4,200,000
Total non-current liabilities		**23,498,593**	26,011,638
TOTAL LIABILITIES		**2,834,056,743**	2,807,711,828
Shareholders' equity:			
Share capital		**412,220,000**	412,220,000
Capital reserves		**615,293,521**	615,293,521
Surplus reserves		**123,971,362**	123,971,362
Undistributed profits		**362,771,159**	344,033,900
TOTAL SHAREHOLDERS' EQUITY		**1,514,256,042**	1,495,518,783
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,348,312,785**	4,303,230,611

The notes as set out from page 35 to 110 form an integral part of the financial statements

The financial statements as set out from pages 20 to 34 have been signed by

Legal Representative	*Chief Financial Officer*	*Chief Accountant*
Li Jianwen	**Li Chunyan**	**Pei Lianhuan**

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED AT 30 JUNE 2018

Currency: RMB

Item	Notes	Six months ended at 30 June 2018 (unaudited)	Six months ended at 30 June 2017 (unaudited)
I. Total operating income	(VI)35	**5,726,292,192**	6,210,704,356
Including: Operating income	(VI)35	**5,726,292,192**	6,210,704,356
II. Total operating costs		**5,657,889,447**	6,129,941,614
Including: Operating cost	(VI)35	**4,404,951,437**	4,859,652,391
Taxes and surcharges	(VI)36	**25,592,449**	26,061,653
Selling expenses	(VI)37	**984,201,023**	1,014,367,933
Administrative expenses	(VI)38	**153,718,096**	148,742,678
Financial expenses	(VI)39	**87,955,119**	81,116,959
Including: Interest expense		**85,568,619**	80,502,295
Interest income		**(5,539,492)**	(8,275,364)
Impairment losses on credits	(VI)40	**1,471,323**	–
Add: Other Income	(VI)41	**8,706,198**	7,649,114
Investment income	(VI)42	**11,891,593**	332,960
Gains or losses on changes in fair value	(VI)43	**(8,949,083)**	–
Gains or losses on disposal of assets	(VI)44	**(1,226,928)**	(27,120)
III. Operating profit		**78,824,525**	88,717,696
Add: Non-operating income	(VI)45	**9,710,675**	2,469,021
Less: Non-operating expenses	(VI)46	**9,761,353**	6,512,719
IV. Total profit		**78,773,847**	84,673,998
Less: Income tax expense	(VI)47	**31,067,302**	30,351,536
V. Net profit		**47,706,545**	54,322,462
(I) Classified by business continuity			
1. Net profit from continuing operations		**47,706,545**	54,322,462
2. Net profit from discontinued operations		**–**	–
(II) Classified by ownership			
1. Profit or loss attributable to minority interests		**18,669,998**	27,832,416
2. Net profit attributable to shareholders of the parent company		**29,036,547**	26,490,046
VI. Net value of other comprehensive income after tax		**174,993**	1,639,436
Net value of other comprehensive income attributable to shareholders of the parent company after tax		**90,826**	1,295,273
(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 30 JUNE 2018

Currency: RMB

Item	Notes	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)
(II) Other comprehensive income which can be reclassified into profit or loss subsequently		**90,826**	1,295,273
1. Balancing arising from the translation of foreign currency financial statements		**90,826**	25,658
2. Gains or losses from changes in fair value of available-for-sale financial assets		**–**	1,269,615
Net value of other comprehensive income attributable to minority interests after tax		**84,167**	344,163
VII. Total comprehensive income		**47,881,538**	55,961,898
Total comprehensive income attributable to shareholders of the parent company		**29,127,373**	27,785,319
Total comprehensive income attributable to minority interests		**18,754,165**	28,176,579
VIII. Earnings per share			
(I) Basic earnings per share	*(VI)48*	**0.07**	0.06
(II) Diluted earnings per share		**–**	–

The notes as set out from page 35 to 110 form an integral part of the financial statements

The financial statements as set out from pages 20 to 34 have been signed by

Legal Representative	*Chief Financial Officer*	*Chief Accountant*
Li Jianwen	**Li Chunyan**	**Pei Lianhuan**

INCOME STATEMENT OF THE COMPANY

FOR THE YEAR ENDED AT 30 JUNE 2018

Currency: RMB

Item	Notes	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)
I. Operating income	*(XIII)4*	**2,273,083,104**	2,253,942,657
Less: Operating cost	*(XIII)4*	**1,787,342,303**	1,784,731,758
Taxes and surcharges		**13,627,001**	13,760,427
Selling expenses		**348,244,606**	345,623,924
Administrative expenses		**85,398,521**	80,242,432
Financial expenses		**22,422,220**	18,447,066
Including: Interest expense		**40,148,315**	37,404,598
Interest income		**(22,597,299)**	(25,388,230)
Add: Other Income		**5,363,809**	3,241,228
Investment income	*(XIII)5*	**24,664,372**	20,574,192
Gains or losses on disposal of assets		**(1,169,315)**	(755)
II. Operating profit		**44,907,319**	34,951,715
Add: Non-operating income		**9,423,127**	567,960
Less: Non-operating expenses		**827,434**	358,458
III. Total profit		**53,503,012**	35,161,217
Less: Income tax expense		**10,032,553**	3,095,403
IV. Net profit		**43,470,459**	32,065,814
Net profit from continuing operations		**43,470,459**	32,065,814
Net profit from discontinued operations		**–**	–
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		**43,470,459**	32,065,814

The notes as set out from page 35 to 110 form an integral part of the financial statements

The financial statements as set out from pages 20 to 34 have been signed by

Legal Representative	*Chief Financial Officer*	*Chief Accountant*
Li Jianwen	**Li Chunyan**	**Pei Lianhuan**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED AT 30 JUNE 2018

Currency: RMB

Item		Notes	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)
I.	**Cash flows from operating activities**			
	Cash received from selling goods and rendering services		**6,717,264,289**	6,988,538,597
	Taxes and surcharges refunds received		**123,141**	–
	Other cash received relating to operating activities		**146,443,817**	143,535,159
	Subtotal of cash inflows from operating activities		**6,863,831,247**	7,132,073,756
	Cash paid for purchasing goods and receiving services		**5,309,649,017**	5,638,411,524
	Cash payments to and on behalf of employees		**395,807,763**	377,361,310
	Taxes and surcharges paid		**158,955,538**	173,430,344
	Other cash paid related to operating activities		**558,560,190**	554,485,785
	Subtotal of cash outflows from operating activities		**6,422,972,508**	6,743,688,963
	Net cash flow from operating activities	*(VI)49*	**440,858,739**	388,384,793
II.	**Cash flows from investing activities**			
	Cash received from short-term investment income/ interest income		**1,195,045**	332,960
	Net cash received from disposal of fixed assets, and other long-term assets		**3,017,783**	419,979
	Cash received from disposal of financial products		**529,275,339**	729,550,000
	Cash received from withdrawal of margin deposits		**112,555,876**	196,940,524
	Cash received from recovering temporary loans from other companies		**–**	2,000,000
	Cash received from government grants related to assets		**–**	6,813,800
	Subtotal of cash inflows from investing activities		**646,044,043**	936,057,263
	Cash paid for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets		**35,516,368**	66,010,091
	Cash paid for increase of margin deposits		**73,329,535**	65,739,262
	Cash paid for financial products		**532,690,000**	859,650,000
	Temporary loans to other companies		**–**	3,286,400
	Cash paid for investment in other business units		**–**	10,370,000
	Subtotal of cash outflows from investing activities		**641,535,904**	1,005,055,753
	Net cash flow from investing activities		**4,508,139**	(68,998,490)

CONSOLIDATED CASH FLOW STATEMENT (Continued)

FOR THE YEAR ENDED AT 30 JUNE 2018

Currency: RMB

Item	*Notes*	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)
III. Cash flows from financing activities			
Cash received from borrowings		**2,276,139,773**	2,433,199,103
Cash received from other financing activities		**1,110,000,000**	–
Subtotal of cash inflows from financing activities		**3,386,139,773**	2,433,199,103
Cash paid for repayments of liabilities		**2,438,585,562**	2,246,013,669
Cash paid for repayments of bonds		**–**	300,000,000
Cash paid for the acquisition of minority interests in subsidiaries		**–**	4,077,636
Cash paid for distribution of dividends or repayments of interests		**118,601,796**	111,964,908
Including: Dividends and profits paid by subsidiaries to minority shareholders		**44,548,200**	41,539,491
Cash paid for other financing activates		**1,110,000,000**	–
Subtotal of cash outflows from financing activities		**3,667,187,357**	2,662,056,213
Net cash flow from financing activities		**(281,047,584)**	(228,857,110)
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		**1,562**	262,185
V. Net increase (decrease) in cash and cash equivalents	*(VI)49*	**164,320,857**	90,791,378
Add: Balance of cash and cash equivalents at the beginning of the year	*(VI)49*	**929,508,883**	613,131,273
VI. Balance of cash and cash equivalents at the end of the year	*(VI)49*	**1,093,829,740**	703,922,651

The notes as set out from page 35 to 110 form an integral part of the financial statements

The financial statements as set out from pages 20 to 34 have been signed by

Legal Representative	*Chief Financial Officer*	*Chief Accountant*
Li Jianwen	**Li Chunyan**	**Pei Lianhuan**

CASH FLOW STATEMENT OF THE COMPANY

FOR THE YEAR ENDED AT 30 JUNE 2018

Currency: RMB

Item	Note	Six months ended at 30 June 2018 (unaudited)	Six months ended at 30 June 2017 (unaudited)
I. Cash flows from operating activities			
Cash received from selling goods and rendering services		**2,466,366,775**	2,509,302,902
Taxes and surcharges refunds received		**122,010**	–
Other cash received relating to operating activities		**80,169,714**	65,579,038
Subtotal of cash inflows from operating activities		**2,546,658,499**	2,574,881,940
Cash paid for purchasing goods and receiving services		**2,046,994,243**	2,009,372,009
Cash payments to and on behalf of employees		**204,244,965**	189,864,155
Taxes and surcharges paid		**62,213,581**	64,965,102
Other cash paid related to operating activities		**161,189,301**	167,866,394
Subtotal of cash outflows from operating activities		**2,474,642,090**	2,432,067,660
Net cash flow from operating activities		**72,016,409**	142,814,280
II. Cash flows from investing activities			
Cash received from short-term investment income/ interest income		**23,943,943**	21,616,526
Net cash received from disposal of fixed assets, and other long-term assets		**149,450**	66,686
Cash received from disposal of financial products		**425,200,000**	729,500,000
Cash received from recovering entrusted loans		**75,000,000**	–
Cash received from dividend paid		**23,955,540**	20,241,239
Cash received from recovering temporary loans from other companies		**170,000,000**	220,000,000
Subtotal of cash inflows from investing activities		**718,248,933**	991,424,451
Cash paid for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets		**24,635,871**	36,254,608
Cash paid for entrusted loans		**155,000,000**	–
Cash paid for financial products		**445,300,000**	934,600,000
Temporary loans to other companies		**70,150,000**	170,000,000
Subtotal of cash outflows from investing activities		**695,085,871**	1,140,854,608
Net cash flow from investing activities		**23,163,062**	(149,430,157)

CASH FLOW STATEMENT OF THE COMPANY (Continued)

FOR THE YEAR ENDED AT 30 JUNE 2018

Currency: RMB

Item	Note	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)
III. Cash flows from financing activities			
Cash received from borrowings		**753,000,000**	470,000,000
Cash received from other financing activities		**1,110,000,000**	–
Subtotal of cash inflows from financing activities		**1,863,000,000**	470,000,000
Cash paid for repayments of liabilities		**720,000,000**	100,000,000
Cash paid for repayments of bonds		**–**	300,000,000
Cash paid for distribution of dividends or repayments of interests		**33,828,694**	30,642,759
Cash paid for other financing activities		**1,110,000,000**	–
Subtotal of cash outflows from financing activities		**1,863,828,694**	430,642,759
Net cash flow from financing activities		**(828,694)**	39,357,241
IV. Effect on cash or cash equivalents due to change in foreign currency exchange rate		**226,964**	(46,254)
V. Net increase in cash and cash equivalents		**94,577,741**	32,695,110
Add: Balance of cash and cash equivalents at the beginning of the year		**373,250,486**	129,564,870
VI. Balance of cash and cash equivalents at the end of the year		**467,828,227**	162,259,980

The notes as set out from page 35 to 110 form an integral part of the financial statements

The financial statements as set out from pages 20 to 34 have been signed by

Legal Representative	*Chief Financial Officer*	*Chief Accountant*
Li Jianwen	**Li Chunyan**	**Pei Lianhuan**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED AT 30 JUNE 2018

Currency: RMB

	Six months ended at 30 June 2018 (unaudited)						
	Equity attributable to shareholders of the parent company						
Item	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Undistributed profits	Minority interests	Total shareholders' equity
I. Balance at the end of the prior period	**412,220,000**	**605,008,846**	**6,625,801**	**147,748,597**	**498,085,598**	**481,937,407**	**2,151,626,249**
Add: Changes in accounting policies	-	-	(6,616,371)	-	6,616,371	-	-
Correction of prior errors	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
II. Balance at the beginning of the period	**412,220,000**	**605,008,846**	**9,430**	**147,748,597**	**504,701,969**	**481,937,407**	**2,151,626,249**
III. Increase or decrease amount in the year	-	-	**90,826**	-	**4,303,347**	**(34,011,844)**	**(29,617,671)**
(I) Total comprehensive income	-	-	**90,826**	-	**29,036,547**	**18,754,165**	**47,881,538**
(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. Others	-	-	-	-	-	-	-
(III) Profit contribution	-	-	-	-	**(24,733,200)**	**(52,766,009)**	**(77,499,209)**
1. Appropriation to surplus reserves	-	-	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	(24,733,200)	(52,766,009)	(77,499,209)
4. Others	-	-	-	-	-	-	-
(IV) Internal transfer within shareholders' equity	-	-	-	-	-	-	-
1. Capital reserves transferred to capital (or shares)	-	-	-	-	-	-	-
2. Surplus reserves transferred to capital (or shares)	-	-	-	-	-	-	-
3. Surplus reserves made up for losses	-	-	-	-	-	-	-
4. Changes arising from the measurement of net liabilities or net assets of defined benefit plan carry-over remained earnings	-	-	-	-	-	-	-
5. Other comprehensive income carry-over remained earnings	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-
1. Appropriation in the period	-	-	-	-	-	-	-
2. Usage in the period	-	-	-	-	-	-	-
(VI) Other	-	-	-	-	-	-	-
IV. Balance at the end of the year	**412,220,000**	**605,008,846**	**100,256**	**147,748,597**	**509,005,316**	**447,925,563**	**2,122,008,578**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

FOR THE YEAR ENDED AT 30 JUNE 2018

Currency: RMB

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

The notes as set out from page 35 to 110 form an integral part of the financial statements

The financial statements as set out from pages 20 to 34 have been signed by

Legal Representative	*Chief Financial Officer*	*Chief Accountant*
Li Jianwen	**Li Chunyan**	**Pei Lianhuan**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

FOR THE YEAR ENDED AT 30 JUNE 2018

Currency: RMB

	Six months ended at 30 June 2018 (unaudited)				
Item	Capital share	Capital reserves	Surplus reserves	Undistributed profits	Total shareholders' equity
I. Balance at the end of last year	**412,220,000**	**615,293,521**	**123,971,362**	**344,033,900**	**1,495,518,783**
Add: Changes in accounting policies	-	-	-	-	-
Correction of prior errors	-	-	-	-	-
Others	-	-	-	-	-
II. Balance at the beginning of the year	**412,220,000**	**615,293,521**	**123,971,362**	**344,033,900**	**1,495,518,783**
III. Increase or decrease amount in the year	**-**	**-**	**-**	**18,737,259**	**18,737,259**
(I) Total comprehensive income	**-**	**-**	**-**	**43,470,459**	**43,470,459**
(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. Others	-	-	-	-	-
(III) Profit contribution	**-**	**-**	**-**	**(24,733,200)**	**(24,733,200)**
1. Appropriation to surplus reserves	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-
3. Distribution to shareholders	-	-	-	(24,733,200)	(24,733,200)
4. Others	-	-	-	-	-
(IV) Internal transfer within shareholders' equity	**-**	**-**	**-**	**-**	**-**
1. Capital reserves transferred to capital (or shares)	-	-	-	-	-
2. Surplus reserves transferred to capital (or shares)	-	-	-	-	-
3. Surplus reserves made up for losses	-	-	-	-	-
4. Changes arising from the measurement of net liabilities or net assets of defined benefit plan carry-over remained earnings	-	-	-	-	-
5. Other comprehensive income carry-over remained earnings	-	-	-	-	-
6. Others	-	-	-	-	-
(V) Special reserves	**-**	**-**	**-**	**-**	**-**
1. Appropriation in the period	-	-	-	-	-
2. Usage in the period	-	-	-	-	-
(VI) Others	**-**	**-**	**-**	**-**	**-**
IV. Balance at the end of the period	**412,220,000**	**615,293,521**	**123,971,362**	**362,771,159**	**1,514,256,042**

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

FOR THE YEAR ENDED AT 30 JUNE 2018

Currency: RMB

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

The notes as set out from page 35 to 110 form an integral part of the financial statements

The financial statements as set out from pages 20 to 34 have been signed by

Legal Representative	*Chief Financial Officer*	*Chief Accountant*
Li Jianwen	**Li Chunyan**	**Pei Lianhuan**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AT 30 JUNE 2018

I. GENERAL INFORMATION

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

As at 25 September 2006, the H shares issued by the Company were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. As at 26 February 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 30 June 2018.

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

The consolidated financial statements of the Group and financial statements of the Company were approved by the board of directors on 24 August 2018.

II. BASIS FOR PREPARASTION OF FINANCIAL STATEMENTS

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

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

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

The financial statements prepared by the Group have been in compliance with ASBE and truly and completely reflect the financial position of the Group as at 30 June 2018 and the operating results, cash flows and other relevant information of the Company for the 6 months ended at 30 June 2018. In addition, the Company has also disclosed relevant financial information required by the Company Ordinance of Hong Kong and the Listing Rules of the Stock Exchange of Hong Kong Limited.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1 Accounting period

The accounting period of the Group is divided into the year and the middle period, and the accounting period refers to the reporting period shorter than a full fiscal year. The Group adopts the calendar year as its accounting year from January 1 to December 31.

2 Functional currency

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

3 Business combinations involving enterprises not under common control and goodwill

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

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

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

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

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

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

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

4 Preparation of consolidated financial statements

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

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

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

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

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

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

5 Recognition criteria of cash and cash equivalents

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

6 Foreign currency transactions

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

7 Financial instruments

7.1 Amortized cost and effective interest rate

The effective interest rate method refers to the method of calculating the amortized cost of financial assets or financial liabilities and apportioning interest income or interest expenses to each accounting period.

The effective interest rate refers to the interest rate used to discount the estimated future cash flows of financial assets or financial liabilities over the estimated duration of the financial assets to the carrying amount of the financial assets, which means amortized cost before minus loss preparation, or the amortized cost of the financial liabilities. When determining the effective interest rate, expected cash flows should be estimated on the basis of all contractual terms of financial assets or financial liabilities, such as early repayment rights, rollovers, call options or other similar options, however, expected credit losses should not be considered. This includes transaction fees, premiums or discounts, and fees paid or received that are part of the effective interest rate.

The credit-adjusted effective interest rate refers to the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortized cost of a financial asset that is a purchased or originated credit-impaired financial asset. When determining the credit-adjusted effective interest rate, expected cash flows should be estimated on the basis of all contractual terms of financial assets, such as prepayments, rollovers, call options or other similar options, and initial expected credit losses. This includes transaction fees, premiums or discounts, and the fees or initial expected credit losses that are paid or received as part of the effective interest rate.

The amortized cost of financial assets or financial liabilities, should be determined at the initially recognized amount of the financial assets or financial liabilities adjusted through following adjustments: Deduct principal already paid; Add or subtract the accumulated amortization amount formed by amortization of the difference between the initial recognized amount and the maturity amount at the effective interest rate method.; Deduct loss provisions accumulatively computed (only suitable for financial assets)

When the Group adjusts the estimated future cash flows, the carrying amount of the financial assets or financial liabilities is adjusted in accordance with the results of the new cash flow estimates and discounts of the original effective interest rates, and the changes are included in profit or loss.

7.2 Initial recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognized, when the Group becomes a party to a financial instrument contract. In addition, the Group trades financial assets in the normal way and performs accounting recognition on the trading day. Specifically, the trading day is the date on which the Group commits to purchase or sell financial assets.

When recognize financial assets or financial liabilities initially, the Group should measure them at fair value.

The fair value at initial recognition is usually the transaction price of the relevant financial asset or financial liabilities. If there is a difference between the fair value and the transaction price of financial assets or financial liabilities, thus, the difference should be treated differently: one is that the fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, the difference is regarded as a profit or loss; another is that the fair value is determined by the other methods, and the difference will be deferred. For the second treatment, after initial recognition, the deferred difference shall be recognized as a profit or loss based on the variation of a certain factor in the related accounting period. Such factors, including time, only limited to factors that market participants consider when they price financial instruments.

For financial assets or financial liabilities at fair value through profit or loss, relevant transaction expenses should be directly recorded in current profit or loss; for other kinds of financial assets or financial liabilities, relevant transaction expenses should be included in the initially recognized amount.

7.3 Method for determining the 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. If the financial instructions have an active market, the fair value will be evidenced by a quoted price in an active market. Specifically, the quoted price in an active market refers to price that are readily available from exchanges, brokers, industry associations, pricing services and others, and it represents the price of a market transaction that actually occur in a fair trade. If the financial instructions have no active market, the fair value will be evidenced by a valuation technique that uses only data from observable markets. Valuation techniques include reference to the price used in recent market transactions by parties familiar with the situation and voluntary transactions, with reference to the current fair value of other financial instructions that are substantially identical, discounted cash flow methods and option pricing models. When it is valuation, the Group adopts valuation techniques that are applicable in the current circumstances and that are sufficiently supported by data and other information, which used to select the characteristics of the assets or liabilities to be considered in relation to the market participants' transactions in the relevant assets or liabilities, and use the relevant observable input values as much as possible. However, unallowable values will be used, if the relevant observable input values are not available or are not practicable.

7.4 The classification and subsequent measurement of financial assets

The Group classifies financial assets into the following categories at initial recognition: Financial assets measured at amortized cost; financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

The classification of financial assets is based on the Group's business model for managing the financial assets, and the cash flow characteristics of the financial asset.

Business model: The Group's business model of managing financial assets is based on particular business goals of managing financial assets, which are determined by key managers. This business model depends on objective facts as well. The Group's business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If both of them mentioned before are not suitable for the Group, for example, financial assets holding for trading, thus, the business model of this group of financial assets is "other, and classify them as financial assets at fair value through profit or loss.

The contractual cash flow characteristics of financial assets:

The Group classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. To do so, the Group determines whether the asset's contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

The contractual cash flow characteristics of financial assets are cash flow attributes that are stipulated by financial instrument contracts and reflect economic features of related financial assets. In other words, contractual cash flow characteristics are consistent with basic loan arrangements, and the contractual cash flows incurred at specific dates are the only payments to principals and interests based on unpaid principals. The interests include considerations to time value of currency, which is a portion of considerations as a result of passing of time in interest factors, credit risks related to unpaid principal amount in a particular period, risks of other basic loan arrangements, and cost and profit.

As for instruments containing embedded derivatives, (which belongs to financial assets within "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Assets"), when determining whether the asset's contractual cash flows are solely payments of principal and interest on the principal amount outstanding, It should be analyzed as a whole. (Please refer to Note IV, 7(10) ①)

The Group reclassifies the business model of managing financial assets only when it changes.

Financial assets held by the Group contain investments in debt instruments, investments in equity instruments and hybrid financial instruments.

7.4.1 Investments in debt instruments

Investments in debt instruments refer to financial assets whose contractual cash flow characteristics that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement, these include loans, government bonds and corporate bonds, as well as receivables purchased from other parties based on non-recourse factoring arrangements.

Investments in debt instruments of financial assets could be generally categorized into the following three groups and conducts subsequent measurement, which based on the business model that managing by the Group and the contractual cash flow characteristics of the investments in debt instruments of financial assets:

Amortized cost: A financial asset of the Group shall be measured at amortized cost if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Simultaneously, the asset is not designated as investments in debt instruments of financial asset measured at fair value through profit or loss. The gains or losses produced by financial assets measured at amortized cost and not belong to any part of hedge relationship, should be included in current profit or loss in derecognition or included in profit or loss of relevant period. The interest income of the financial asset is calculated by the effective interest method. As for a financial asset that is a purchased or originated credit-impaired financial asset, the interest income is calculated by the amortized cost of financial assets and the credit-adjusted effective interest rate from initial confirmation.

Fair value through other comprehensive income: A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Simultaneously, the asset is not designated as investments in debt instruments of financial asset measured at fair value through profit or loss. Impairment loss, interest income and exchange gains or losses related to this financial asset are included to profit or loss. In addition, changes in book value are included in other comprehensive income. When the criteria of derecognition are met, it shall reclassify the previous cumulative gain or loss that included in other comprehensive income to profit or loss. The interest income of the financial asset is calculated by the effective interest method. As for a financial asset that is a purchased or originated credit-impaired financial asset, the interest income is calculated by the amortized cost of financial assets and the credit-adjusted effective interest rate from initial confirmation. As for a financial asset that is a purchased or originated no credit-impaired financial asset, but have a credit-impaired financial asset in the following date, thus, the interest income is calculated by the amortized cost of financial assets and the effective interest rate from initial confirmation.

Fair value through profit or loss: A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. As for subsequent measurement of its fair value, related gains or loss shall be recognized in profit or loss. As for subsequent measurement of its fair value, related gain or loss shall be recognized in profit or loss. Such related gain or loss exclude a portion of gain or loss related to hedging relationship, which is stipulated by 'Accounting Standards for Business Enterprises NO.24 Hedge Accounting'. If financial assets are treated as hedge instruments, the financial assets hedge against non-trading equity investment instrument at fair value through other comprehensive income or its components, and the profit or loss arising from hedge instruments is recognized in other comprehensive income.

Fair value option: In initial recognition, the Group classify the financial assets as measured at amortized cost or the financial assets at fair value through profit or loss. Financial assets can eliminate or significantly reduce accounting mismatch. The Group could designate the financial asset as the financial assets at fair value through profit or loss. Once the designation is made, it cannot be revoked.

7.4.2 *Investments in equity instruments*

The equity instrument is a contract proving that the owner of an enterprise owns residual interest in assets after deducting all liabilities. (Please refer to Note IV, 7(13)). In addition, the equity instrument neither include contractual obligations to pay to other parties and enjoy the issuer's net assets or residual income, for example ordinary shares.

Investments in equity instruments holding by the Group is fair value through profit or loss, (however, in initial recognition the Group may make an irrevocable election to non-trading equity instrument, except for fair value through other comprehensive income, please refer to Note IV, 7(3) ③). As for non-trading equity instruments of financial assets at fair value through other comprehensive income, subsequent changes in fair value can only be recognized in other comprehensive income, it cannot reclassified to profit or loss even when disposed of. The Group recognizes dividend revenue in profit or loss when the right to collect dividend has been confirmed and the economic benefits related to dividend are very likely to flow into the Group and the amount can be reliably measured.

7.4.3 Other financial assets

Other financial assets refer to financial assets other than investments in debt instruments, investment in equity instruments, such as hybrid instruments (please refer to Note IV,7(10), Derivatives and embedded derivatives) financial guarantee contracts (please refer to Note IV, 7(11)), special financial instruments that meet the definition of financial liabilities but should be classified as equity instruments in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments" and financial assets formed by contingent consideration in a combination of entities or businesses under non-common control.

7.5 Measurement and impairment of expected credit losses on financial assets

The financial asset becomes a financial asset that has suffered a credit losses, when one or more events in which the expected future cash flows of financial assets have an adverse effect. The evidence of the financial asset that has suffered a credit loss includes the following observable information: Significant financial difficulties for the issuer or debtor; the debtor breached the contract; Repayment of interest or principal default or overdue and so on; the creditor will make concessions to a debtor in financial or contractual considerations of related debtor's financial difficulties. Such concessions will not be made in any other case. The debtor is likely to go bankrupt or carry out other financial restructuring; The financial difficulties of the issuer's debtor lead to the disappearance of the active market of the financial asset; Purchase or derived from a financial asset at a substantial discount that reflects the fact that credit losses have occurred; The credit losses of financial assets may be caused by the joint action of multiple events, and may not be caused by separately identifiable events.

On each balance sheet date, the Group performs impairment accounting treatment and confirms loss provision on the basis of expected credit losses:

① Financial assets classified as financial assets measured at amortized cost and financial assets at fair value through other comprehensive income;

② Recognized accounts receivable, trade acceptance receivable ("trade receivable") and contract asset arising from sale of goods or provision of services based on 'Accounting Standards for Business Enterprises NO.14 Revenue', which was amended in 2017 and hereinafter referred as "the New Standard of Revenue Recognition";

③ Other receivables

④ Lease receivables

⑤ The loan commitments and financial guarantee contracts issued by the Group other than financial liabilities that are measured at fair value through profit or loss.

Expected credit losses refers to the weighted average of credit losses with the respective risks of a default occurring as the weights.

Credit loss refers to the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The measurement of the Group's expected credit losses reflects the following elements: Unbiased probability weighted amount determined by evaluating a range of possible outcomes; time value of money; and at the balance sheet date, reasonable and evidence-based information about past events, current conditions, and future economic forecasts without the need for unnecessary additional costs or effort.

As for financial assets that investments in debt instruments measured at amortized cost and measured at fair value through other comprehensive income, the Group conducted an expected credit loss assessment based on forward-looking information.

7.6 The derecognition and measurement of transfer of financial assets

The transfer of financial assets is conformed to criteria of derecognition, when one of following conditions are met: ① The termination of a contractual right to collect cash flow from a financial asset shall terminate the recognition of the financial asset. ② If the Group has transferred almost all risks and rewards on the ownership of financial assets to the transferee, it should also derecognize the financial assets.③ Although the Group has not transferred or remained almost all risks and rewards on the ownership of financial assets to the transferee, they gave up the control of the financial assets, thus, it should also derecognize the financial assets.

If the entity has neither transferred nor remained almost all risks and rewards on the ownership of financial assets, and they do not give up the control of the financial assets, they confirm relevant financial assets and financial liabilities in accordance with the extent of continuing involvement in the transferred financial assets. The extent of continuing involvement in the transferred financial assets is the risk level faced by the enterprise resulting from changes in value of financial asset.

If the overall transfer of the financial assets meets the conditions for derecognition, the difference between the carrying amount of the transferred financial assets and the combination of the consideration received from the transfer and the accumulated changes in the fair value of other comprehensive income is recognised in profit or loss.

If a partial transfer of the financial assets meets the conditions for derecognition, the carrying amount of the transferred financial assets is allocated between derecognized portion and non-derecognized portion based on respective fair values. In addition, the difference between the carrying amount mentioned above and the combination of the consideration received from the transfer and the accumulated changes in the fair value that are allocated to derecognized portion and were recognized previously in other comprehensive income is recognized in the profit or loss. The financial assets involved in transfer are the financial assets at fair value through other comprehensive income based the eighteenth article of" ASBE NO.22 the Recognition and Measurement of Financial Assets', which was amended in 2017.

For financial assets sold with recourse or endorsement and discount of holding financial assets, the Group has to determine whether almost all risk and reward of ownership of these financial assets have been transferred. If almost all risk and reward of ownership of a financial asset have been transferred to transferee, this financial asset is derecognized; if almost all risk and reward of ownership of a financial asset have been reserved, this financial asset is not derecognized; if almost all risk and reward of ownership of a financial asset have been neither transferred nor reserved, then the Group has to further confirm whether the Group keeps control of this asset, and carries out accounting treatments based on the principles mentioned in each paragraph above.

7.7 Write-off of financial assets

The Group has reasonable expectations of recovering the contractual cash flows on a financial assets in its entirety or a portion thereof, it write-down to the carrying amount of the financial asset directly. This write-downs constitute a derecognition or partial derecognition of the financial asset.

7.8 The classification, recognition and measurement of financial liabilities

Financial liabilities could be categorized into financial liabilities measured at fair value through profit or loss and other financial liabilities at initial recognition. Financial liabilities measured at fair value at initial recognition. As for financial liabilities measured at fair value through profit or loss, the related transaction fees are recognized in profit or loss; as for other financial liabilities, the related transaction fees are recognized in initial recognition amount of it, which means deducted from the fair value at initial recognition.

7.8.1 Financial liabilities measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss, (including trading financial liabilities (including derivative instrument belong to financial liabilities) and financial liabilities designated as financial liabilities at fair value through profit or loss.

The Group classifies financial liabilities that meet one of the following conditions as financial liabilities measured at fair value through profit or loss at initial recognition: (a) financial liabilities can eliminate or significantly reduce accounting mismatch (the same conditions with financial assets designated at fair value through profit or loss) (b) According to enterprise risk management or investment strategy stated in official written documents, the management and performance evaluation of financial liabilities portfolio or financial assets and financial liabilities portfolio is based on fair value, and report to key managers on this basis inside the enterprise. Once the designation is made, it cannot be revoked.

Financial liabilities measured at fair value through profit or loss are subsequently measured at fair value. The gain or loss arising from changes in fair value and the dividend and interest expense related to these financial liabilities are recognized in profit or loss.

7.8.2 Other financial liabilities

Other financial liabilities of the Group adopt the effective interest method, and measured at amortized cost in subsequent measurement, gains or loss arising from derecognition or amortization are recognized in profit or loss. Other financial liabilities mainly included payables, borrowings and bonds payable and so on. In addition, payables include accounts payable, other payables and so on.

7.9 *The derecognition of financial liabilities*

Once the present obligation of financial liabilities (or parts of them) has been lifted, financial liabilities (or parts of them) of the Group has been derecognized. The Group (the debtor) makes substantial changes on contractual terms of original financial liabilities (or parts of them), then they derecognize the original financial liabilities and confirm a new financial liability in accordance with the revised terms.

The difference between the carrying amount of financial liabilities (or parts of them) and consideration paid (including transferred non-cash assets or liabilities) is recognized in profit or loss, when financial liabilities (or parts of them) are derecognized.

7.10 *Derivatives and embedded derivatives*

Derivatives are initially measured at fair value on the date of signing of the relevant contract and subsequently measured at fair value. Changes in fair value of derivatives are recognized in profit and loss.

Hybrid instruments that included embedded derivatives:

① The financial asset include in main contract within the scope of "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments" (revised in 2017). Hybrid instruments as a whole in accordance with the relevant provisions of the standard on the classification of financial assets at the initial confirmation.

② The financial asset does not include in main contract within the scope of "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments" (revised in 2017), under the premise that the following conditions are met at the same time, separating the embedded derivative from hybrid contract and treating it as a separate derivative: The economic characteristics and risks of embedded derivatives are not closely related to the economic characteristics and risks of the main contract; A separate instrument with the same terms as the embedded derivative meets the definition of the derivative; The hybrid contract is not measured at fair value and its changes are recognized in the profit and loss. If the embedded derivative is not measured separately at the time of acquisition or on the subsequent balance sheet date, the hybrid instrument is designated as a financial asset or financial liability at fair value through profit or loss.

7.11 *Financial guarantee contract*

A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

7.12 *Offset of financial assets and financial liabilities*

The Group has statutory rights to offset recognized financial assets and financial liabilities, and currently enforces this legal right, at the same time, the Group plans to settle the financial assets on a net basis or simultaneously and liquidate the financial liabilities, financial assets and financial liabilities are presented in the balance sheet at offsetting amounts. In addition, financial assets and financial liabilities are presented separately in the balance sheet and are not offset in the other situation.

7.13 Equity instrument

Equity instrument refers to a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The Group issues (including refinancing), repurchases, sells or writes off equity instruments as changes in equity. Transaction costs associated with equity transactions are deducted from equity.

The Group's various distributions of equity instrument holders (excluding stock dividends) reduce shareholders' equity. The Group does not recognise changes in fair value of equity instruments.

8 Accounts receivable

Receivables include accounts receivable and other receivables etc.

8.1 Recognition of provision for bad debts

The Group measures expected credit loss related to accounts receivable in accordance with expected credit loss on each balance sheet date, and recognizes the provision for bad debts.

8.2 Provision for bad debts

On balance sheet date, the Group assesses individually credit risk of account receivable that has a significantly single amount, and then recognizes provision for bad debts based on the expected credit loss. For account receivables that have similar characteristics of credit loss, the Group measures expected credit loss of related account receivables and recognizes provision for bad debts of related account receivables on portfolio basis.

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.

The Group assesses individually credit risk for account receivables that are individually significant. In the basis of an entire duration, the Group measures expected credit loss and recognizes provision for bad debts.

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

The method of aging analysis is the bad debt provision for a portfolio according to credit risk characteristics in the Group.

Aging analysis method is used to a portfolio of bad debt provision

Aging	Receivables accrual proportion (%)
Within 1 year (including 1 year, the same below)	0
1-2 years	3
2-3 years	10
3-4 years	25
4-5 years	50
Over 5 years	100

8.2.3 *Receivables which are not individually significant but for which credit risk and bad debt provision is individually assessed*

For certain account receivables that are not individually significant, the Group assesses credit risk individually, measures expected credit loss based on expected duration, and recognizes provision for bad debts individually. Characteristics of such account receivables including: account receivables from related parties; account receivables that are controversial or involve litigation or arbitration with the other party; it is probable that the borrower will not fulfill payment obligation according to obvious indications.

9 Inventories

9.1 Classification of inventories

Inventories include raw materials, goods in product, low value consumables and goods in stocks, etc.

9.2 The measurement of inventories received and issued

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

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

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

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

9.4 The stock count system for inventories is the perpetual inventory system

9.5 Amortization methods of low-value consumables and packaging materials

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

10 Long-term equity investments

A long-term equity investment is the long-term equity investment of the Group that is able to control, jointly control or significantly influence on the investee. The long-term equity investment of the Group that is not able to control, jointly control or significantly influence on the investee is recognized as the held-for-sale financial asset or the financial asset measured at fair value through profit or loss. The related accounting policies refers to Note IV, 7 financial instruments.

10.1 Determination of investment cost

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

10.2 Subsequent measurement and recognition of profit or loss

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

10.2.1 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 in actual payment or consideration as the Group obtains the investment but have not been paid, the investment income for the period is recognized according to cash dividends or profits declared to distribute by the investee

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

10.2.3 Acquisitions of minority interest

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

10.2.4 Disposals of long-term equity investment

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

11 Investment properties

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

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

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

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

12 Fixed assets

12.1 Recognition of fixed assets

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

12.2 Method for depreciation of different fixed assets

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

Category	Useful life (year)	Residual value (%)	Annual depreciation (%)
Buildings	20-35	3-4	2.70-4.85
Machinery and equipment	5-10	3-5	9.50-19.40
Office equipment	5	3-5	19.00-19.40
Vehicles	5-8	3-4	12.00-19.40

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

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

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

12.4 Other explanations

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

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

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

13 Construction in progress

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

14 Borrowing costs

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

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

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

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

15 Intangible assets

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

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

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

16 Long-term prepaid expenses

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

17 Long-term assets impairment

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

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

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

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

18 Employee benefits

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

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

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

19 Revenue

The revenue is recognized when the customer obtains control of the relevant commodity, and the contract between the Group and the customer meets the following conditions: All parties have approved the contract and have committed to perform their obligations; The contract identifies the rights and obligations of the parties relating to the goods transferred or the provision of services; The contract has a clear payment terms associated with the transferred goods; The contract has commercial substance, which means the contract will change risk, time distribution or amount of the future cash flows; The consideration that the Group is entitled to for the transfer of goods to customers is likely to be recovered.

From the effective date of the contract, the Group identifies each individual performance obligations and allocates the transaction price proportionally to each individual performance obligation based on the relative proportion of the individual selling price of the commodities promised by each individual performance obligation. When determining the transaction price, the impact of variable consideration, major financing components in the contract, non-cash consideration, and customer consideration are considered.

For each individual performance obligation in the contract, the Group will recognize the transaction price allocated to the individual performance obligation as revenue in accordance with the performance progress period during the relevant performance period, if one of the following conditions is met: the customer obtains and consumes the economic benefits of the Group's performance as the Group perform it; the customer can control the products under construction in the course of the Group's performance; The goods produced during the performance of the Group have irreplaceable uses and the Group has the right to receive payments for the portion of the performance that has been completed to date. In addition, the performance of the contract is determined by the input method or the output method according to the nature of the transferred goods. When the performance of the contract cannot be reasonably determined, if the expenses incurred by the Group are expected to be compensated, the revenue will be recognized according to the amount of costs incurred until the performance of the contract can be achieved reasonably.

If one of the above conditions is not met, the Group will distribute the transaction price confirmation revenue of the individual performance obligation when the customer obtains control of the relevant commodity. When determining whether the customer has obtained control of the commodity, the Group will consider the following situations: the Group has the current right to collect the goods, which means that the customer has a current payment obligation for the goods; the Company has transferred the legal title of the item to the customer, which means that the customer has already own the legal title of the item; the Group has transferred the goods in kind to the customer, that is, the customer has possessed the goods in kind; the Group has transferred the main risks and rewards of ownership of the goods to the customer, that is, the customer has obtained the main risks and rewards of ownership of the goods; the customer has accepted the goods. The other indications that the customer has obtained control of the goods.

19.1 *Revenue from sales of goods*

The Group's merchandise sales are mainly divided into retail sales and wholesale sales. Revenues of retail sales are recognized, when goods are sold to customers, the customers receive the goods, and the Group collects payments of goods or has a right to collect payments of goods; in addition, revenue of wholesale sales are recognized, when the goods are sent to clients and the clients check, receive and confirm the goods, and the Group collects payments of goods or has a right to collect payments of goods.

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

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

19.2 *Revenue from rendering of services*

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

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

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

19.3 *Rental Income*

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

20 Government grants

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

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

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

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

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

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

21 Deferred tax assets and deferred tax liabilities

21.1 Current income taxes

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

21.2 Deferred tax assets and deferred tax liabilities

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

For taxable temporary difference which is related to the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profits or taxable income (or deductible losses), a deferred tax liability is not recognized. In addition, for deductible temporary difference arising from investments in subsidiaries, associates and joint ventures, the Group shall recognize a deferred tax liability for all taxable temporary difference except to the extent that the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

21.3 *Income tax*

Income tax comprises current and deferred tax.

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

21.4 *Offsetting of income taxes*

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

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

22 Lease

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

22.1 *The Group as lessee under operating leases*

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

22.2 *The Group as lessor under operating leases*

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

23 Changes in significant accounting policies and accounting estimates

(1) Changes in accounting policies

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

On 31 May 2017, Ministry of finance promulgated 'NO. 22 of Accounting Standards for Business Enterprises-Recognition and Valuation of Financial Instrument (Revised at 2017)' (CAIKUAI NO. [2017] 7), 'NO. 23 of Accounting Standards for Business Enterprises-Transfer of Financial Instruments (Revised at 2017)' (CAIKUAI NO. [2017] 8), NO. 24 of Accounting Standards for Business Enterprises-Hedge Accounting (Revised at 2017)' (CAIKUAI NO. [2017] 9), on 5 July 2018, NO. 37 of Accounting Standards for Business Enterprises-Presentation of Financial Instruments (Revised at 2017)' (CAIKUAI NO. [2017] 14) was promulgated. All accounting standards mentioned before hereinafter are referred briefly as "New Standards of Financial Instruments". On 5 July 2017, Ministry of finance promulgated 'NO. 14 of Accounting Standards for Business Enterprises-Revenue (Revised at 2017)' (CAIKUAI NO. [2017] 22), which is referred briefly as "New Standards of Revenue Recognition". The company that are listed both in domestic and overseas and those are listed overseas and adopted IFRS or ASBE to prepare financial reports, is implement the New Standards of Financial Instruments and New Standards of Revenue Recognition from 1 January 2018.

The Group begins to implement the five accounting standards mentioned before, when the ministry of finance required.

All recognized financial assets that under the new financial instrument criteria are subsequently measured at amortized cost or fair value.

On the implementation date of the New Standards of Financial Instruments, business model of managing financial assets is evaluated based on the facts and circumstances of the Group on that date on that day, and the financial assets are classified to three groups in accordance with evaluating the contractual cash flow characteristics of the financial assets based on the facts and circumstances at the time of initial recognition of the financial assets, which is measured at amortized cost, Fair value through other comprehensive income, Fair value through profit or loss. The classification is based on the business model that managing by the Group and the contractual cash flow characteristics of the investments in debt instruments of financial assets.

In order to recognize impairment, the New Standard of Financial Instruments introduces an expected credit loss model. This model includes a method called "three-stages", which is on the basis of change of financial assets credit quality after initial recognition. Financial assets change with these changes in credit quality during these three phases, and the measurement method of impairment loss and the application method of the effective interest rate that adopted by the Group is decided by the different stage.

The New Standards of Financial Instruments begin to use the expected credit losses model, and the Group recognizes the expected credit losses at least in the next 12 months, according to the result of evaluation about the financial assets credit quality on the balance sheet date, which is based on financial assets measured at amortized cost previously. However, the management of the Group recognizes the credit impairment of such financial assets has not substantially incurred from the date of promulgation of the New Standard of Financial Instruments and there was no significant impact on financial statements.

The Group has adopted the New Standard of Financial Instruments on 1 January 2018 in accordance with the requirements of the Ministry of Finance. The Group retroactively applies the New Standard of Financial Instruments. However, the Group does not restate categorization and estimation (including impairments) that is related to the data on the prior comparative financial statements and different from the New Standard of Financial Instruments. On the Group's consolidated financial reports, such retroactive adjustments make the beginning balance of other comprehensive on 1 January 2018 decrease by RMB6,616,371; these adjustments make the beginning balance of undistributed profit increase by RMB6,616,371.

At the date of promulgation of the New Standard of Financial Instruments, based on the related provision of the New Standard of Financial Instruments, the Group makes the following adjustments on categorizations and measurements of financial assets and financial liabilities:

The Group re-classifies equity investments of available-for-sale financial assets, which was recognized in previous years, as financial assets at fair value through profit or loss.

Financial Instruments Classification and Reconciliation of the New Standard of Financial Instruments from the Date of Promulgation

Financial assets

New Standard of Financial Instruments Categorization / Original Standard of Financial Instruments Categorization	Closing Balance of Last Year Based on Original Standard of Financial Instruments	Opening Balance Based on the New Standard of Financial Instruments		
		Financial Assets at Amortized Cost	Financial Assets at Fair Value Through Other Comprehensive Income	Financial Assets at Fair Value Through Profit or Loss
Loan and Account Receivable	–	–	–	–
Hold to Maturity Investment	–	–	–	–
Available for Sale Debt Instrument Investment	–	–	–	–
Available for Sale Equity Instrument Investment	11,398,000	–	–	11,398,000
Trading Financial Asset and Derivative Financial Asset	–	–	–	–

When New Standards of Revenue Recognition was implement, The Group reassessed the recognition and measurement, accounting and presentation of the company's main contract revenue in accordance with the norms of the standard, and cumulative impact amount based on the first implementation of the New Standards of Revenue Recognition will be adjusted the amount of retained earnings at the beginning of the period (1 January 2018), and the amount of relevant item amount of financial statement. No adjustments will be made to the financial statements in 2017.

(2) *Changes in accounting estimates*

None.

V. TAXATION

1. Major taxes and tax rates

Tax types	Tax basis	Tax rate
Value-added tax	Note 1	16%(17%)/13%/ 10%(11%)/6%/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	See table below

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

Note 1: The value-added tax payable is the residual value of the output value-added tax after deduction of input value-added tax. The output value-added tax is computed on a basis of sales resolved by relevant tax laws. From 1 May 2018, the original application rate (17% and 11%) was adjusted to 16% and 10%, in accordance with the "Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting the Value-Added Tax Rate" (Cai Shui [2018] No. 32).

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

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All AMOUNTS IN RMB UNLESS OTHERWISE STATED.

The period used in all notes below is that this period is from 1 January 2018 to 30 June 2018 and the prior period was from 1 January 2017 to 30 June 2017.

1. Cash and bank balances

Item	**2018.6.30 (unaudited)**	2017.12.31 (audited)
Cash on hand	**17,579,603**	17,831,167
Cash in bank	**1,076,250,137**	911,677,717
Other cash and cash equivalents *(Note 1)*	**99,468,103**	138,694,444
Total	**1,193,297,843**	1,068,203,328
Including: Overseas deposits *(Note 2)*	**7,328,154**	7,067,378

Note 1: As at 30 June 2018, the Group's margin deposits with use restrictions was RMB99,468,103 (December 31,2017: RMB122,714,742), and details were referred to Note (VI) 18.Notes payable and accounts payable. The credit margin deposits amounted to RMB0 (31 December 2017: RMB12,300,000).

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

2. Notes receivable and accounts receivable

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Notes receivable	–	1,550,000
Accounts receivable	**1,352,129,706**	1,359,421,297
Total	**1,352,129,706**	1,360,971,297

(1) Details of notes receivable

Presentation of notes receivable by category

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Bank acceptance	–	1,550,000
Trade acceptance	–	–
Total	–	1,550,000

(2) Details of accounts receivable

① Presentation of accounts receivable by category:

	2018.6.30 (unaudited)				
	Carrying amount		Bad debt provision		
Category	Amount	Proportion (%)	Amount	Rate (%)	Net book value
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	1,359,934,724	100	7,805,018	1	1,352,129,706
Receivables that are not individually significant but for which the bad debt provision is assessed individually.	–	–	–	–	–
Total	1,359,934,724	100	7,805,018	1	1,352,129,706

Category	2017.12.31 (audited)				
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Rate (%)	Net book value
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	1,365,754,992	100	6,333,695	–	1,359,421,297
Receivables that are not individually significant but for which the bad debt provision is assessed individually.	–	–	–	–	–
Total	1,365,754,992	100	6,333,695		1,359,421,297

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

Aging	2018.6.30 (unaudited)			
	Carrying amount	**Proportion%**	**Bad debt provision**	**Net book value**
Within 1 year	**1,273,197,525**	**94**	**–**	**1,273,197,525**
1-2 years	**53,524,565**	**4**	**1,605,737**	**51,918,828**
2-3 years	**15,711,002**	**1**	**1,571,100**	**14,139,902**
3-4 years	**16,490,540**	**1**	**4,122,635**	**12,367,905**
4-5 years	**1,011,092**	**–**	**505,546**	**505,546**
Over 5 years	**–**	**–**	**–**	**–**
Total	**1,359,934,724**	**100**	**7,805,018**	**1,352,129,706**

③ Presentation of accounts receivable according to bad debt provision by aging analysis

Aging	2018.6.30 (unaudited)		
	Carrying amount	**Bad debt provision**	**Proportion%**
Within 1 year	**1,273,197,525**	**–**	**0**
1-2 years	**53,524,565**	**1,605,737**	**3**
2-3 years	**15,711,002**	**1,571,100**	**10**
3-4 years	**16,490,540**	**4,122,635**	**25**
4-5 years	**1,011,092**	**505,546**	**50**
Over 5 years	**–**	**–**	**100**
Total	**1,359,934,724**	**7,805,018**	

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 30 June 2018, the total accounts receivable due from Wu-mart, Beijing Carrefour Commercial Co. Ltd., Beijing Lotus Supermarket Chain Co., Ltd., Beijing Yonghui Superstores Co. Ltd., Jingdong, Tianjin jumei.com Technology Co., Ltd, Vipshop, and Lefeng (Shanghai) Information Technology Company Limited amounted to RMB330,363,405 (31 December 2017: RMB428,485,860) 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 recourses 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) 17).

	Factoring accounts receivable on full recourses basis	
	2018.6.30 (unaudited)	2017.12.31 (audited)
Carrying amount of transferred assets	**330,363,405**	428,485,860
Carrying amount of related liabilities	**131,836,074**	117,179,353
Net book value	**198,527,331**	311,306,507

3. Prepayments

Presentation of prepayments according to aging analysis

	2018.6.30 (unaudited)		2017.12.31 (audited)	
Aging	**Amount**	**Proportion (%)**	Amount	Proportion (%)
Within 1 year	**761,355,646**	**92**	662,157,731	100
1-2 years	**68,663,253**	**8**	–	–
Total	**830,018,899**	**100**	662,157,731	100

On 30 June 2018 and 31 December 2017, there was no prepayment from shareholders who held voting shares of more than 5% (including 5%).

4. Other receivables

Item	**2018.6.30 (unaudited)**	2017.12.31 (audited)
Other receivables	**178,595,339**	169,933,613
Interest receivables	**–**	–
Dividend receivables	**–**	–
Total	**178,595,339**	169,933,613

Details of other receivables

(1) Presentation of other receivables by category

Category	**2018.6.30 (unaudited)**				
	Carrying amount		**Bad debt provision**		
	Amount	**Proportion (%)**	**Amount**	**Rate (%)**	**Net book value**
Other receivables that are individually significant and for which bad debt provision is assessed individually	**5,199,750**	**3**	**4,224,750**	**81**	**975,000**
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	**177,620,339**	**97**	**–**	**–**	**177,620,339**
Other receivables that are not individually significant but for which the bad debt provision is assessed individually.	**–**	**–**	**–**	**–**	**–**
Total	**182,820,089**	**100**	**4,224,750**		**178,595,339**

Category	2017.12.31 (audited)				
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Rate (%)	Net book value
Other receivables that are individually significant and for which bad debt provision is assessed individually	5,312,250	3	4,224,750	80	1,087,500
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	168,846,113	97	–	–	168,846,113
Other receivables that are not individually significant but for which the bad debt provision is assessed individually.	–	–	–	–	–
Total	174,158,363	100	4,224,750		169,933,613

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

Aging	2018.6.30 (unaudited) Carrying amount	Proportion%	Bad debt provision	Net book value
Within 1 year	**177,620,339**	**97**	**–**	**177,620,339**
1-2 years	**–**	**–**	**–**	**–**
2-3 years	**–**	**–**	**–**	**–**
3-4 years	**–**	**–**	**–**	**–**
4-5 years	**–**	**–**	**–**	**–**
Over 5 years	**5,199,750**	**3**	**4,224,750**	**975,000**
Total	**182,820,089**	**100**	**4,224,750**	**178,595,339**

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

Content of other receivables	Carrying amount	Bad debt provision	Rate%	Reason
Beijing Guanyuan Wholesale Market Co., Ltd.	5,199,750	4,224,750	81	Full bad debt provision for the part unrecovered, according to the agreement

(4) *Presentation of other receivable according to bad debt provision by aging analysis*

Aging	2018.6.30 (unaudited) Other receivables	Bad debt provision	Proportion%
Within 1 year	**177,620,339**	**–**	**0**
1-2 years	**–**	**–**	**3**
2-3 years	**–**	**–**	**10**
3-4 years	**–**	**–**	**25**
4-5 years	**–**	**–**	**50**
Over 5 years	**–**	**–**	**100**
Total	**177,620,339**	**–**	

5. Inventories

Presentation of Inventories by category

Item	2018.6.30 (unaudited) Carrying amount	Impairment	Net book value
Merchandise inventory	**1,601,120,245**	**–**	**1,601,120,245**
Raw material	**14,995,634**	**–**	**14,995,634**
Goods in process	**63,992**	**–**	**63,992**
Low-value consumables	**2,135**	**–**	**2,135**
Total	**1,616,182,006**	**–**	**1,616,182,006**

Item	2017.12.31 (audited) Carrying amount	Impairment	Net book value
Merchandise inventory	1,769,016,192	–	1,769,016,192
Raw material	20,609,749	–	20,609,749
Goods in process	90,328	–	90,328
Low-value consumables	3,726	–	3,726
Total	1,789,719,995	–	1,789,719,995

6. Other current assets

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Short-term investments *(Note 1)*	**41,100,000**	25,800,000
Deductible input value-added tax	**123,499,342**	148,176,268
Prepaid lease expenses	**37,674,399**	32,534,912
Prepaid heating expenses	**–**	2,906,124
Other prepaid expenses *(Note 2)*	**9,685,373**	6,251,296
Receivable return cost *(Note 3)*	**23,789,901**	–
Total	**235,749,015**	215,668,600

Note 1: On 1 June 2018, Chaopi Huansheng, a subsidiary of Chaopi Trading, held principal-guaranteed floating-income financial products of RMB14,000,000 managed by Agricultural Bank of China Limited with annual yield 2.1% to 3.5%. The principal and interest of such short-term investments have been recovered respectively until 31 July 2018.

On 29 June 2018, Chaopi Jiusheng, a subsidiary of Chaopi Trading, held principal-guaranteed floating-income financial products of RMB7,000,000 managed by Agricultural Bank of China Limited with annual yield 2% to 3%. The principal and interest of such short-term investments have been fully recovered respectively until 31 July 2018.

On 26 June 2018, the Company held RMB20,100,000 with annual yield 6.55% from the repurchase of wealth management products of China National Securities Co., Ltd. to Everbright Securities Co., Ltd. The principal and interest of such short-term investments have been fully received on 3 July 2018.

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

Note 3: Related information in accordance with implementation of the New Standard of Revenue Recognition refers to Note VI, 25 Other current liabilities (refund payable).

7. Available-for-sale financial assets

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

Item	2018.6.30 (unaudited)			2017.12.31 (audited)		
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
Available-for-sale equity instrument	–	–	–	–	–	–
Including: Measured by fair value	–	–	–	11,398,000	–	11,398,000
Measured by cost	–	–	–	1,188,000	1,188,000	–
Total	–	–	–	12,586,000	1,188,000	11,398,000

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

Category	Available-for-sale equity instrument 2018.6.30 (unaudited)	2017.12.31 (audited)
Cost of equity instrument	–	350,000
Fair value	–	11,398,000
Accumulative amount of other comprehensive income by fair value	–	11,048,000
Accrued amount of asset impairment	–	–

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

Investee	Carrying amount 2017.12.31 (audited)	Increase in the current period	Decrease in the current period	2018.6.30 (unaudited)
Luoyang Chundu Group Limited (Luoyang Chundu)	1,188,000	–	–	–
Total	1,188,000	–	–	–

Investee	Provision for impairment of assets 2017.12.31 (audited)	Increase in the current period	Decrease in the current period	2018.6.30 (unaudited)	Share proportion (%)	Cash dividend in the period
Luoyang Chundu Group Limited (Luoyang Chundu)	1,188,000	–	–	–	0.12	–
Total	1,188,000	–	–	–		–

Note: the statement about the difference due to adopt the New Standard of Financial Instruments refers to Note VI.8 Other non-current financial asset

8. Other non-current financial assets

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Classified Financial Assets at Fair Value Through Profit or Loss	**13,768,917**	–
Including: Debt Instrument Investments	**–**	–
Equity Instrument Investments	**13,768,917**	–
Subtotal	**13,768,917**	–
Less: Current Portion That Matures Within One Year	**–**	–
Total	**13,768,917**	–

Note: The Group has adopted the New Standard of Financial Instruments from 1 January 2018. Based on provisions of the New Standard of Financial Instruments, the Group's business model of managerial financial assets and characteristics of contractual cash flow, the Group classifies equity investments of available-for-sale financial assets, which was recognized in previous years, as financial assets at fair value through profit or loss. In addition, the Group doesn't restate categorization and estimation that are related to the data on the prior comparative financial statements and different from the New Standard of Financial Instruments.

9. Investment properties

Investment properties under the cost method

Item		Buildings	Land use rights	Total
I.	**Original carrying amount**			
1.	2017.12.31 (audited)	139,248,884	122,900,708	262,149,592
2.	Increase in the period	–	–	–
(1)	Revised carrying amount by the company	–	–	–
3.	Decrease in the period	–	–	–
(1)	Transferred to the fixed assets	–	–	–
4.	2018.6.30 (unaudited)	139,248,884	122,900,708	262,149,592
II.	**Accumulated depreciation and amortization**			
1.	2017.12.31 (audited)	51,295,182	14,539,814	65,834,996
2.	Increase in the period	2,645,404	1,716,601	4,362,005
(1)	Accrual or amortization	2,645,404	1,716,601	4,362,005
3.	Decrease in the period	–	–	–
(1)	Disposal	–	–	–
4.	2018.6.30 (unaudited)	53,940,586	16,256,415	70,197,001
III.	**Provision for impairment**			
1.	2017.12.31 (audited)	–	–	–
2.	Increase in the period	–	–	–
(1)	Accrual	–	–	–
3.	Decrease in the period	–	–	–
(1)	Disposal	–	–	–
4.	2018.6.30 (unaudited)	–	–	–
IV.	**Net book value**			
1.	Net book value as at 30 June 2018 (unaudited)	85,308,298	106,644,293	191,952,591
2.	Net book value as at 31 December 2017 (audited)	87,953,702	108,360,894	196,314,596

As at 30 June 2018 and 31 December 2017, all land use rights in the investment properties of the Group are medium-term lease.

10. Fixed assets

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Fixed assets	**1,000,053,900**	1,043,875,757
Disposal on fixed assets	**417,741**	–
Total	**1,000,471,641**	1,043,875,757

(1) Details of fixed assets

Item		Buildings	Machinery and equipment	Electronic devices and others	Transportation vehicles	Total
I.	**Original carrying amount**					
1.	2017.12.31 (audited)	1,065,915,625	909,986,266	166,290,498	80,995,490	2,223,187,879
2.	Increase in the period	–	9,113,819	7,625,010	1,270,833	18,009,662
(1)	Purchase	–	7,759,433	7,625,010	1,270,833	16,655,276
(2)	Transferred from the construction in process	–	1,354,386	–	–	1,354,386
(3)	Transferred from the investment properties	–	–	–	–	–
3.	Decrease in the period	–	17,611,742	4,379,062	6,941,042	28,931,846
(1)	Disposal or retirement	–	17,611,742	4,379,062	6,941,042	28,931,846
4.	2018.6.30 (unaudited)	1,065,915,625	901,488,343	169,536,446	75,325,281	2,212,265,695
II.	**Accumulative depreciation**					
1.	2017.12.31 (audited)	360,307,497	635,560,032	130,721,094	52,723,499	1,179,312,122
2.	Increase in the period	18,146,423	19,455,680	6,699,632	8,356,143	52,657,878
(1)	Accrual	18,146,423	19,455,680	6,699,632	8,356,143	52,657,878
3.	Decrease in the period	–	5,353,098	4,107,514	10,297,593	19,758,205
(1)	Disposal or Scrap	–	5,353,098	4,107,514	10,297,593	19,758,205
4.	2018.6.30 (unaudited)	378,453,920	649,662,614	133,313,212	50,782,049	1,212,211,795
III.	**Provision for impairment losses**					
1.	2017.12.31 (audited)	–	–	–	–	–
2.	Increase in the period	–	–	–	–	–
(1)	Accrual	–	–	–	–	–
3.	Decrease in the period	–	–	–	–	–
(1)	Disposal or Scrap	–	–	–	–	–
4.	2018.6.30 (unaudited)	–	–	–	–	–
IV.	**Net book value**	–	–	–	–	–
1.	Net book value as at 30 June 2018 (unaudited)	687,461,705	251,825,729	36,223,234	24,543,232	1,000,053,900
2.	Net book value as at 31 December 2017 (audited)	705,608,128	274,426,234	35,569,404	28,271,991	1,043,875,757

(2) Disposal on fixed assets

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Scrap	**417,741**	–
Total	**417,741**	–

11. Construction in progress

(1) Details of construction in progress

Item	2018.6.30 (unaudited)			2017.12.31 (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	**43,758,178**	**–**	**43,758,178**	43,547,031	–	43,547,031
Pingfang Refrigeratory Project	**9,617,821**	**–**	**9,617,821**	9,617,821	–	9,617,821
System Software Project	**7,213,602**	**–**	**7,213,602**	4,905,379	–	4,905,379
Xibahe store	**1,664,098**	**–**	**1,664,098**	52,000	–	52,000
Fresh Delivery Reconstruction Project	**996,510**	**–**	**996,510**	329,189	–	329,189
Jiuxianqiao Property plaza	**204,310**	**–**	**204,310**	67,493	–	67,493
Jingbai store Reconstruction Project	**–**	**–**	**–**	–	–	–
Airport store Reconstruction Project	**1,113,541**	**–**	**1,113,541**	–	–	–
Tianzhu store	**357,667**	**–**	**357,667**	–	–	–
Zhenzhi road store reconstruction Project	**200,396**	**–**	**200,396**	–	–	–
Total	**115,358,776**	**–**	**115,358,776**	108,751,566	–	108,751,566

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

Item	Budget amount	2017.12.31 (audited)	Increase in the period	Transferred to fixed assets, intangible assets or long-term prepaid expenses	Other deduction	2018.6.30 (unaudited)
Shuangqiao Project	108,988,036	50,232,653	–	–	–	**50,232,653**
Pingfang Project	73,655,986	43,547,031	211,147	–	–	**43,758,178**
Pingfang Refrigeratory Project	35,047,286	9,617,821	–	–	–	**9,617,821**
Jingbai store Reconstruction Project	25,531,163	–	(1,698)	–	(1,698)	**–**
Airport store Reconstruction Project	–	–	1,113,541	–	–	**1,113,541**
Tianzhu store	–	–	358,127	–	460	**357,667**
Zhenzhi road store reconstruction Project	–	–	200,396	–	–	**200,396**
Others	19,292,629	5,354,061	6,195,743	1,452,056	19,228	**10,078,520**
Total	262,515,100	108,751,566	8,077,256	1,452,056	17,990	**115,358,776**

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	59	59	425,988	–	–	Own funds and bank loans
Pingfang Refrigeratory Project	27	27	–	–	–	Own funds and bank loans
Jingbai store Reconstruction Project	–	–	–	–	–	Own funds and bank loans
Airport store Reconstruction Project	12	12	–	–	–	Own funds and bank loans
Tianzhu store	4	4	–	–	–	Own funds and bank loans
Zhenzhi road store reconstruction Project	18	18	–	–	–	Own funds and bank loans
Others	4 to 100	4 to 100	106,920	–	–	Own funds and bank loans
Total			3,532,908			

12. Intangible assets

Details of intangible assets

Item		Land use rights	Software	Operation rights of distribution network	Total
I.	**Original carrying amount**				
1.	2017.12.31 (audited)	322,868,516	52,632,969	34,254,633	409,756,118
2.	Increase in the period	–	657,355	–	657,355
(1)	Purchase	–	657,355	–	657,355
(2)	Transferred from the construction in process	–	–	–	–
3.	Decrease in the period	–	–	–	–
(1)	Disposal	–	–	–	–
4.	2018.6.30 (unaudited)	322,868,516	53,290,324	34,254,633	410,413,473
II.	**Accumulated amortization**				
1.	2017.12.31 (audited)	49,728,236	21,414,772	20,443,300	91,586,308
2.	Increase in the period	4,522,586	2,294,358	1,440,500	8,257,444
(1)	Accrual	4,522,586	2,294,358	1,440,500	8,257,444
3.	Decrease in the period	–	–	–	–
(1)	Disposal	–	–	–	–
4.	2018.6.30 (unaudited)	54,250,822	23,709,130	21,883,800	99,843,752
III.	**Provision for impairment losses**				
1.	2017.12.31 (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 30 June 2018 (unaudited)	268,617,694	29,581,194	12,370,833	310,569,721
2.	Net book value as at 31 December 2017 (audited)	273,140,280	31,218,197	13,811,333	318,169,810

13. Goodwill

Original carrying amount of goodwill

Name of the investee or item resulting in goodwill	2017.12.31 (audited)	Increase in the period Business combination	Others	Decrease in the period Disposal	Others	2018.6.30 (unaudited)
Acquisition of Shouchao Group	86,673,788	–	–	–	–	**86,673,788**
Total	86,673,788	–	–	–	–	**86,673,788**

On 30 June 2018 and 31 December 2017, the balance was the goodwill arising from the acquisition of Shoulian Supermarket and its subsidiaries ("Shouchao Group") as well as Beijing Jingchao Commercial Company Limited (Hereinafter referred to as "Jingchao").

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

The recoverable amount of the group of assets had been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to calculate the present value of a future stream of cash flows was 11% (2017: 11%). The growth rate used to extrapolate the cash flows of the subsidiary beyond the five-year period was 3% (2017: 3%).

As at 30 June 2018, and 31 December 2017, 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

14. Long-term prepaid expenses

Item	2017.12.31 (audited)	Increase in the period	Amortization in the period	Other deduction	2018.6.30 (unaudited)
Transferred from construction in progress to leasehold improvements	418,202,598	5,525,332	39,822,623	557,291	**383,348,016**
Rent	47,677,889	–	102,498	4,704,265	**42,871,126**
Total	465,880,487	5,525,332	39,925,121	5,261,556	**426,219,142**

15. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets without offset

Item	2018.6.30 (unaudited) Deductible temporary differences	2018.6.30 (unaudited) Deferred tax assets	2017.12.31 (audited) Deductible temporary differences	2017.12.31 (audited) Deferred tax assets
Deductible losses	**65,044,919**	**16,261,230**	67,203,019	16,800,755
Taxable government grants	**38,829,153**	**9,707,288**	42,681,315	10,670,329
Total	**103,874,072**	**25,968,518**	109,884,334	27,471,084

(2) Deferred tax liabilities without offset

Item	2018.6.30 (unaudited) Taxable temporary differences	2018.6.30 (unaudited) Deferred tax liabilities	2017.12.31 (audited) Taxable temporary differences	2017.12.31 (audited) Deferred tax liabilities
Fair value adjustment of assets arising from non-monetary asset exchange	**13,072,609**	**3,268,152**	13,605,829	3,401,457
Changes on the fair value of available-for-sale financial assets	**2,098,917**	**524,729**	11,048,000	2,762,000
Capitalized interest adjustment of borrowing costs	**4,250,793**	**1,062,698**	5,025,804	1,256,451
Difference between the fair value and the carrying amount of subsidiary merger and acquisition	**3,287,817**	**821,955**	3,401,008	850,252
Total	**22,710,136**	**5,677,534**	33,080,641	8,270,160

(3) Net deferred tax assets or liabilities with offset

Item	**Offset amount of deferred tax assets and deferred tax liabilities at the end of year**	**Amount after offset of deferred tax assets and deferred tax liabilities at the end of year 2018.6.30 (unaudited)**	Offset amount of deferred tax assets and deferred tax liabilities in the beginning of year	Amount after offset of deferred tax assets and deferred tax liabilities at the end of year 2017.12.31 (audited)
Deferred tax assets	4,330,851	**21,637,667**	4,657,908	22,813,175
Deferred tax liabilities	4,330,851	**1,346,683**	4,657,908	3,612,252

16. Other non-current assets

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Long-term receivables due from Shoulian Group *(Note)*	**135,600,000**	135,600,000
Security deposit	**36,612,245**	30,997,640
Prepaid construction fees	**1,334,431**	1,452,389
Save investment fund	**–**	11,670,000
Total	**173,546,676**	179,720,029

Note: As at 31 December 2017, such long-term receivables consist of borrowings lent by Shoulian Supermarket to Shoulian Group due on 31 December 2020 as agreed upon. The long-term receivables bear interest at 4.64% 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.

17. Short-term borrowings

Presentation of short-term borrowings by category

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Accounts receivable secured loan *(Note 1)*	**131,836,074**	117,179,353
Guaranteed loan *(Note 2)*	**2,233,050,000**	2,149,031,089
Unsecured loan *(Note 3)*	**200,000,000**	450,000,000
Mortgage loan	**–**	–
Total	**2,564,886,074**	2,716,210,442

As at 30 June 2018, and 31 December 2017, the short-term borrowings above bore annual interest rates ranging from 4.35% to 5.87% and 1.15% to 5.0025% respectively without any due but unsettled ones.

Note 1: As at 30 June 2018, such short-term loan was obtained by several accounts receivable factoring of the Company totaling to RMB330,363,405 (31 December 2017: RMB428,485,860), and details were referred to Note (VI) 2.

Note 2: As at 30 June 2018, such short-term loans include RMB788,000,000, which was borrowed by Chaopi Trading, a subsidiary of the company, with a surety provided by the Company; RMB745,050,000, which was borrowed by a subsidiary of Chaopi Trading with a surety offered by Chaopi Trading, and another RMB700,000,000 was borrowed by the Company with the surety provided by Chaopi Trading.

As at 31 December 2017, among such short-term bank loans, RMB730,000,000 was borrowed by the Company's subsidiary Chaopi Trading upon a surety provided by the Company; RMB16,100,000 was borrowed by a subsidiary of Chaopi Trading upon a surety provided by the Company; and RMB782,931,089 was borrowed by a subsidiary of Chaopi Trading upon a surety provided by Chaopi Trading; RMB620,000,000 was borrowed by the Company upon a surety provided by Chaopi Trading.

Note 3: As at 30 June 2018, the credit loans included RMB50,000,000 and RMB150,000,000 respectively granted by Mizuho Bank (China), Ltd. Beijing Branch and Bank of Communications Co., Ltd. Sanyuan Bridge Branch.

As at 31 December 2017, the credit loans included RMB50,000,000, RMB100,000,000 and RMB100,000,000 respectively granted by Mizuho Bank (China), Ltd. Beijing Branch and Industrial, Commercial Bank of China Co., Ltd Beijing Chaoyang Sub-branch and Bank of Communications Co., Ltd. Sanyuan Bridge Branch on an unsecured basis; The credit loans included RMB200,000,000 borrowed by the Company's subsidiary Chaopi Trading that granted by China Everbright Bank Beijing Branch on an unsecured basis.

18. Notes payable and accounts payable

Item	**2018.6.30 (unaudited)**	2017.12.31 (audited)
Notes payable	**490,597,831**	264,839,684
Accounts payable	**934,301,695**	1,070,616,083
Total	**1,424,899,526**	1,335,455,767

(1) Details of notes payable

Category	**2018.6.30 (unaudited)**	2017.12.31 (audited)
Bank acceptances	**490,597,831**	264,839,684
Total	**490,597,831**	264,839,684

As at 30 June 2018, security deposit for the issuance of bank acceptances above amounted to RMB99,468,103 (31 December 2017: RMB122,714,742).

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

(2) Details of accounts payable

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

Item	**2018.6.30 (unaudited)**	2017.12.31 (audited)
Within 1 year	**918,405,630**	1,051,560,123
1-2 years	**6,725,002**	9,033,806
2-3 years	**3,005,584**	2,809,359
Over 3 years	**6,165,479**	7,212,795
Total	**934,301,695**	1,070,616,083

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

19. Advance from customers

Details of advance from customers

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Procurements received in advance	–	379,071,193
Total	–	379,071,193

Note: details refer to Note VI.20 Contract Liability

20. Contract Liability

Details of Contract liability

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Jingkelong Gift Card	**294,066,573**	–
Beijing Jingdong Century Information Technology Co., Ltd.	**10,616,263**	–
Beijing Niulanshan Xinxin Trading Co., Ltd.	**1,622,028**	–
Beijing Creative Church Trading Co., Ltd.	**1,137,454**	–
Nongfu Springs Co., Ltd.	**934,993**	–
Other	**19,053,263**	–
Total	**327,430,574**	–

Note: The Group has adopted the New Standard of Revenue Recognition from 1 January 2018. Based on the New Standard of Revenue Recognition, advance from customers that meets the recognition criteria of contract liabilities are classified as contract liabilities through check computation and presentation. In addition, the Group does not adjust related items on financial statements in 2017.

21. Payroll payable

(1) Details of payroll payable

Item	2017.12.31 (audited)	Increase in the period	Decrease in the period	2018.6.30 (unaudited)
I. Short-term remuneration	1,605,114	357,895,621	357,620,434	**1,880,301**
II. Post-employment benefits-defined contribution plans	44,009	38,168,871	38,188,329	**24,551**
III. Dismissal compensation	–	–	–	**–**
Total	1,649,123	396,064,492	395,808,763	**1,904,852**

(2) Short-term remuneration

Item	2017.12.31 (audited)	**Increase in the period**	**Decrease in the period**	**2018.6.30 (unaudited)**
1) Wages or salaries, bonus, allowance, subsidies	–	296,659,632	296,659,632	**–**
2) Staff welfare	–	13,984,385	13,984,385	**–**
3) Social security	–	24,388,853	24,372,005	**16,848**
Including: Medical insurance	–	21,769,314	21,754,338	**14,976**
Work injury insurance	–	934,420	933,746	**674**
Maternity insurance	–	1,685,119	1,683,921	**1,198**
4) Housing funds	–	16,351,876	16,351,876	**–**
5) Labor union expenses and employees' education expenses	1,605,114	6,510,875	6,252,536	**1,863,453**
Total	1,605,114	357,895,621	357,620,434	**1,880,301**

(3) Details of defined contribution plan

Item	2017.12.31 (audited)	**Increase in the period**	**Decrease in the period**	**2018.6.30 (unaudited)**
1) Basic retirement insurance	44,009	36,635,648	36,656,098	**23,559**
2) Unemployment insurance	–	1,533,223	1,532,231	**992**
3) Annuity	–	–	–	**–**
Total	44,009	38,168,871	38,188,329	**24,551**

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 RMB36,635,648 and RMB1,533,223 to retirement insurance and unemployment insurance accordingly.

22. Taxes payable

Item	**2018.6.30 (unaudited)**	2017.12.31 (audited)
Value-added tax	**59,955,169**	49,636,894
Corporate income tax	**12,016,081**	12,279,259
City construction and maintenance tax	**1,241,925**	1,043,997
Education surcharge	**535,671**	452,252
Others	**12,195,041**	2,557,898
Total	**85,943,887**	65,970,300

23. Other payables

(1) *Presentation of other payables by the nature of accounts*

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Other payables	**287,859,821**	171,713,583
Interest payables	**4,215,521**	3,472,281
Dividend payables	**19,640,049**	4,380,377
Total	**311,715,391**	179,566,241

(2) *Details of other payables*

Presentation of other payables by nature of accounts

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Construction fees payable	**29,744,717**	40,898,811
Deposit	**62,185,607**	59,874,140
Rent received in advance	**11,605,136**	11,692,884
Others	**184,324,361**	59,247,748
Total	**287,859,821**	171,713,583

(3) *Details of interest payables*

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Short-term debts interest payables	**4,215,521**	3,472,281
Total	**4,215,521**	3,472,281

(4) *Details of dividend payables*

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Ordinary shares dividend (domestic-owned shares)	**11,315,049**	937,877
Other minority shareholders' dividend	**8,325,000**	3,442,500
Total	**19,640,049**	4,380,377

24. Non-current liabilities due within one year

(1) *Bonds payable*

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Corporate bonds	**749,839,311**	749,068,225
Total	**749,839,311**	749,068,225

(2) *Changes in the bonds payable*

30 June 2018

Bonds	Par value	Issue date	Term of the bond	Issue amount	2017.12.31 (audited)	Issue in the period
Corporate bonds	750,000,000	2013.8.13	5 years	750,000,000	749,068,225	–
Total	750,000,000			750,000,000	749,068,225	–

Bonds	Accrued interest for the period	Bond discount/ premium amortization	Paid during the period	2018.6.30 (unaudited)
Corporate bonds	41,100,000	160,689	–	**749,839,311**
Total	41,100,000	160,689	–	**749,839,311**

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

Based on "Corporate bond prospectus in 2013", issuers has the right to rise the coupon rate for the last 2 years in the end of third year during bond duration and the adjustment range lies between 0 and 100 basis point (contains this number) where 1 basis point is 0.01%. Investors have rights to sell parts of bonds or all of bonds they hold back to the issuers on the third interest payment date, alternatively, they may give up putable 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 3 July 2016, the Company announced they would not adjust current bond coupon rate and they would repurchase bonds. On 7 July 2016, the Company announced bonds repurchase declaration situation that according to China Securities Depository and Clearing Company Limited (CSDCC) Shanghai branch statistic, there was no effective repurchase declaration and the amount of repurchase was RMB Nil during this bond repurchase declaration term. (4 July 2016 to 6 July 2016).

25. Other current liabilities

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Refund payable *(Note 1)*	**26,391,786**	–
Accrued expenses	**62,036,345**	48,247,367
Deferred income due within one year	**10,649,069**	11,181,895
Total	**99,077,200**	59,429,262

(1) Accrued expenses

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Accrued interest expenses	**36,875,833**	16,325,833
Accrued rent expenses	**19,541,455**	19,894,093
Accrued audit expenses	**–**	1,226,415
Others	**5,619,057**	10,801,026
Total	**62,036,345**	48,247,367

(2) Deferred income due with one year

Item	Notes	2018.6.30 (unaudited)	2017.12.31 (audited)
Asset-related government grants due within one year	*Note 2*	**9,385,126**	9,917,952
Considerations allocated to the award credits	*Note 3*	**1,263,943**	1,263,943
Total		**10,649,069**	11,181,895

Note 1: The Group has adopted the New Standard of Revenue Recognition from 1 January 2018. Based on the related provisions, when sales are accompanied by return clauses and customers obtain control of goods, the Group recognizes profits according to consideration amounts that the Group is expected to have a right to collect. Such consideration amounts exclude return amounts from expected sales returns. Also, the Group recognizes liabilities, which are refund payables, according to return amounts from expected sales returns. Meanwhile, an asset, which is return cost receivable, is recognized based on the difference between book value of expected return goods at the time of transfer and expected cost of taking back the goods.

Note 2: Asset-related government grants due within one year consisted of deferred income due within one year generated from special funds received in 2005, 2013, 2014, 2015, 2016 and 2017 by the Group and would be recognized as revenue in the next year, and details were referred to Note (VI) 26.

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

26. Long-term payables

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Specific Payables	**800,000**	–
Total	**800,000**	–

Including, details of specific payables:

Item	2017.12.31 (audited)	Increase in the period	Decrease in the period	2018.6.30 (unaudited)	Reasons
Upgraded subsidization program for Jingkelong clean-up and improvement of safe production environment	–	800,000	–	**800,000**	Rent loss arising from demolition of old buildings and rental shops
Total	–	800,000	–	**800,000**	

27. Government grants

(1) Details of government grants confirmed at current year

Item	Amounts	Related to assets			Related to income					Received or not
		Deferred income	Deferred income due within one year	Offset the book value of assets	Deferred income	Deferred income due within one year	Other income	Non-operating income	Offset costs and expenses	
Upgraded subsidization program for Jingkelong clean-up and improvement of safe production environment	9,200,000	–	–	–	–	–	–	9,200,000	–	Yes
Ease the employment pressure	2,032,992	–	–	–	–	–	2,032,992	–	–	Yes
Other	2,200,061	–	–	–	–	–	2,200,061	–	–	Yes
Total	13,433,053	–	–	–	–	–	4,233,053	9,200,000	–	–

(2) Details of government grants included in profit or loss for the current year

Item	Related to assets/income	Included other income	Included non-operating income	Offset costs and expenses
Ease the employment pressure	Related to income	2,032,992	–	–
Enterprise Purchasing Fresh Food Distribution Center, Fresh Food Purchasing Center and Distribution Center Logistics System Development and Integration Project	Related to assets	133,333	–	–
Enterprise environmental protection and energy-saving lamps renovation project	Related to assets	487,650	–	–
Agricultural Super Matchmaking Pilot Project	Related to assets	566,859	–	–
Promote service industry development projects	Related to assets	420,353	–	–
Enterprise purchase and construction logistics sorting equipment	Related to assets	250,000	–	–
Logistics standardization pilot project	Related to assets	1,603,347	–	–
Commercial Facilities Upgrade Project	Related to assets	407,567	–	–
Vegetable Basket Project Construction Project at Chaoyang District	Related to assets	203,692	–	–
Energy-saving and emission reduction technology transformation project	Related to assets	400,344	–	–
Upgraded subsidization program for Jingkelong clean-up and improvement of safe production environment	Related to income	–	9,200,000	–
Other	Related to income	2,200,061	–	–
Total		8,706,198	9,200,000	–

28. Deferred income

Item	2017.12.31 (audited)	Increase in the period	Decrease in the period	2018.6.30 (unaudited)	Reasons
Government grants	33,351,014	–	3,940,319	**29,410,695**	–
Total	33,351,014	–	3,940,319	**29,410,695**	–

Government grants includes:

(1) Deferred income was the government grants totaling RMB4,000,000 received in 2005 from Beijing Municipal Development and Reform Commission and Beijing Chaoyang District Finance Bureau to support the construction of fresh distribution center, fresh procurement center and distribution center logistics system. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (15 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.

(2) In 2013, the Company received government grants totaling RMB3,753,000 from Beijing Municipal Commission of Commerce as a special funding for renovation of energy-saving lamps. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be evenly amortized in the estimated useful life (5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.

(3) In 2014, the Company received government grants totaling RMB14,186,700 from Beijing Municipal Commission of Commerce and Beijing Finance Bureau as a special funding for agriculture-supermarket jointing program. The deferred income was recognized upon receipt of the financial allocations. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (11 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.

(4) In 2014, the Company received government grants totaling RMB8,820,000 from Beijing Municipal Commission of Commerce and Beijing Finance Bureau and as a special funding for service development program. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (11 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.

(5) In 2014, the Company received government grants totaling RMB3,000,000 from Beijing Municipal Commission of Commerce as a special funding for renovation of energy-saving lamps. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.

(6) In 2014, Chaopi Trading, a subsidiary of the Company, received government grants totaling RMB5,000,000 from Beijing Municipal Commission of Commerce as a special funding for group building sorting equipment. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by the initial entry value of assets, and deferred income would be evenly amortized in the estimated useful life (10 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.

(7) In 2015, the Company received government grants totaling RMB8,310,000 from Beijing Municipal Commission of Commerce as a special funding for logistics standardization project. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (10 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.

(8) In 2015, the Company received government grants totaling RMB5,865,700 from Beijing Municipal Commission of Commerce and Beijing Finance Bureau and as a special funding for upgrading business facilities program. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.

(9) In 2015, the Company received government grants totaling RMB2,080,000 from Beijing Finance Bureau as a special funding for renovation of energy-saving lamps. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (10 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.

(10) In 2015, Chaopi Trading, a subsidiary of the Company, received government grants totaling RMB8,730,000 from Beijing Municipal Commission of Commerce as a special funding for logistics standardization project. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by the initial entry value of assets, and deferred income would be evenly amortized in the estimated useful life (10 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.

(11) In 2016, the Company received government grants totaling RMB3,000,000 from Beijing Municipal Commission of Commerce and Beijing Finance Bureau and as a special funding for Chaoyang district Cailanzi project. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by the initial entry value of assets, and deferred income would be evenly amortized in the estimated useful life (10 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.

(12) In 2017, Chaopi Trading, a subsidiary of the Company, received government grants totaling RMB12,647,900 from Beijing Municipal Commission of Commerce as a special funding for logistics standardization project. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by the initial entry value of assets, and deferred income would be evenly amortized in the estimated useful life (8 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.

(13) In 2017, the Company received government grants totaling RMB3,140,000 from Beijing Municipal Development and Reform Commission as a special funds for Jingkelong energy-saving emission reduction technology innovation project. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by the initial entry value of assets, and deferred income would be evenly amortized in the estimated useful life (8 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.

(14) In 2017, the Company received government grants totaling RMB4,011,200 from Beijing Municipal Commission of Commerce and Beijing Finance Bureau and as a special funding for Commercial circulation development of agricultural ultra-docking 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 (9 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.

29. Other non-current liabilities

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Long-term rent payable	**26,908,956**	25,241,705
Total	**26,908,956**	25,241,705

30. Share capital

Item	2017.12.31 (audited)	Changes in the period					2018.6.30 (unaudited)
		New issue of shares	Bonus issue	Capitalization of surplus reserves	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	5,210,428	–	–	–	–	–	**5,210,428**
Domestic individual shareholders	57,439,764	–	–	–	–	–	**57,439,764**
3. Foreign listed shares denominated in RMB	182,160,000	–	–	–	–	–	**182,160,000**
Total shares	412,220,000	–	–	–	–	–	**412,220,000**

31. Capital reserves

Item	2017.12.31 (audited)	Increase in the period	Decrease in the period	2018.6.30 (unaudited)
Capital premium	609,790,884	–	–	**609,790,884**
Equity transaction with minority shareholders of subsidiaries	(10,477,531)	–	–	**(10,477,531)**
Other capital reserves	5,695,493	–	–	**5,695,493**
Total	605,008,846	–	–	**605,008,846**

32. Other comprehensive income

Item	2017.12.31 (audited)	Change in the period: Amount before tax	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	2018.6.30 (unaudited)
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	6,616,371	(11,048,000)	–	(2,762,000)	(6,616,371)	(1,669,629)	–
Difference of foreign currency financial statements convert	9,430	174,994	–	–	90,826	84,168	**100,256**
Total	6,625,801	(10,873,006)	–	(2,762,000)	(6,525,545)	(1,585,461)	**100,256**

33. Surplus reserves

Item	2017.12.31 (audited)	**Increase in the period**	**Decrease in the period**	**2018.6.30 (unaudited)**
Statutory surplus reserve	147,748,597	–	–	**147,748,597**
Total	147,748,597	–	–	**147,748,597**

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

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

34. Undistributed profits

Item	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)
Before adjustment: undistributed profits at the end of prior period	**498,085,598**	476,230,980
Adjustment: Total undistributed profits at the beginning of the period (Increase:+,decrease:-)	**6,616,371**	–
After Adjustment: undistributed profits at the beginning of the period	**504,701,969**	476,230,980
Add: Net profit attributable to the shareholders of the parent company for the period	**29,036,547**	26,490,046
Less: Appropriation to statutory surplus reserve	**–**	–
Appropriation to discretionary surplus reserve	**–**	–
Appropriation to general risk reserve	**–**	–
Ordinary shares' dividends payable	**24,733,200**	20,611,000
Undistributed profits at the end of the period	**509,005,316**	482,110,026

Dividend

A final dividend of RMB0.06 per share, in respect of year ended at 31 December 2017 (the previous corresponding period: RMB0.05 per share in respect of the year ended at 31 December 2016) was declared and paid to the shareholders of the Company. The aggregated amount of the final dividend declared and paid was RMB24,733,200 (Prior period: RMB20,611,000).

Board of directors do not suggest distributing interim dividends in the period (Prior period: RMB0)

35. Operating income and operating costs

(1) Operating income and operating costs

	Six months ended at 30 June 2018 (unaudited)		Six months ended at 30 June 2017 (unaudited)	
Item	**Income**	**Cost**	Income	Cost
Principal operating	**5,137,604,291**	**4,399,629,238**	5,638,638,757	4,856,214,405
Other operating	**588,687,901**	**5,322,199**	572,065,599	3,437,986
Total	**5,726,292,192**	**4,404,951,437**	6,210,704,356	4,859,652,391

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

Item	Six months ended at 30 June 2018 (unaudited) Principal operating income	Six months ended at 30 June 2018 (unaudited) Principal operating costs	Six months ended at 30 June 2017 (unaudited) Principal operating income	Six months ended at 30 June 2017 (unaudited) Principal operating costs
Retail	**2,242,625,542**	**1,866,386,559**	2,305,692,617	1,922,545,369
Wholesale	**2,875,400,409**	**2,518,176,084**	3,303,398,164	2,908,305,338
Others	**19,578,340**	**15,066,595**	29,547,976	25,363,698
Total	**5,137,604,291**	**4,399,629,238**	5,638,638,757	4,856,214,405

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

36. Taxes and surcharges

Item	Six months ended at 30 June 2018 (unaudited)	Six months ended at 30 June 2017 (unaudited)
Consumption tax	**1,315,086**	1,055,266
City construction and maintenance tax	**12,352,618**	13,873,197
Building tax	**7,667,608**	7,140,220
Land tax	**387,579**	516,742
Vehicle and vessel use tax	**225,387**	104,417
Stamp tax	**3,641,089**	3,371,575
Others	**3,082**	236
Total	**25,592,449**	26,061,653

37. Selling expenses

Item	Six months ended at 30 June 2018 (unaudited)	Six months ended at 30 June 2017 (unaudited)
Wages and salaries	**262,809,148**	255,133,031
Depreciation and amortization expenses	**95,275,255**	98,876,075
Lease expenses	**112,103,903**	118,488,489
Others	**514,012,717**	541,870,338
Total	**984,201,023**	1,014,367,933

38. Administrative expenses

Item	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)
Wages and salaries	**132,874,312**	122,137,603
Depreciation and amortization expenses	**4,391,790**	4,264,182
Others	**16,451,994**	22,340,893
Total	**153,718,096**	148,742,678

39. Financial expenses

Item	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)
Interest expenses	**85,603,075**	80,502,295
Less: Capitalized interest expenses	**34,455**	–
Interest income	**(5,539,492)**	(8,275,364)
Bank charges	**7,706,982**	8,988,270
Exchange losses (gains)	**219,009**	(98,242)
Others	**–**	–
Total	**87,955,119**	81,116,959

40. Credit impairment loss

Item	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)
Bad debt of note receivable and accounts receivable	**1,471,323**	–
including: Bad debt of note receivable	**–**	–
Bad debt of accounts receivable	**1,471,323**	–
Total	**1,471,323**	–

41. Other income

(1) Details of other income

Item	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)	The amount included in the current year non-recurring gains and losses
Government grants	**8,706,198**	7,649,114	8,706,198
Total	**8,706,198**	7,649,114	8,706,198

(2) *Details of government grants*

Item	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)
Government reserve expenses	**–**	–
Ease the employment pressure	**2,032,992**	190,605
Asset-related government grants amortization for the current year	**4,473,145**	7,424,132
Other	**2,200,061**	34,378
Total	**8,706,198**	7,649,115

42. Investment income

Item	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)
Investment income from short-term financial products	**1,011,101**	332,960
Investment income from disposing financial assets measured at fair value through profit or loss	**10,880,492**	–
Total	**11,891,593**	332,960

43. Gains from changes in fair values

Sources of gains from changes in fair values

Sources of gains from changes in fair values	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)
Trading financial assets	**(8,949,083)**	–
Including: classified financial assets at fair values through profits or losses (exclude gains from changes in fair value of derivative instruments)	**(8,949,083)**	–
classified financial assets at fair values through profits or losses (gains from changes in fair value of derivative instruments)		–
Total	**(8,949,083)**	–

44. Gain on disposal of assets

Item	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)	The amount included in the current year non-recurring gains and losses
Gain on disposal of non-current assets	**(1,226,928)**	(27,120)	(1,226,928)
Total	**(1,226,928)**	(27,120)	(1,226,928)

45. Non-operating income

(1) *Details of non-operating income*

Item	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)	The amounts included in non-recurring gains and losses for the year
Total gains on spoilage and obsolescence of non-current assets	**535**	–	535
Including: Gains on spoilage and obsolescence of non-current assets of fixed assets	**535**	–	535
Government grants	**9,200,000**	–	9,200,000
Others	**510,140**	2,469,021	510,140
Total	**9,710,675**	2,469,021	9,710,675

(2) *Details of government grants*

Item	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)
Compensation for government reserve expenses	**–**	–
Subsidies to ease the employment pressure	**–**	–
Amortization of government grants related to assets in current year	**–**	–
Others	**9,200,000**	–
Total	**9,200,000**	–

46. Non-operating expenses

Item	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)	The amounts included in non-recurring gains and losses for the year
Total losses on spoilage and obsolescence of non-current assets	**3,957,417**	2,792,084	3,957,417
Including: Losses on spoilage and obsolescence of fixed assets	**3,957,417**	2,792,084	3,957,417
Fine	**617,115**	105,193	617,115
Others	**5,186,821**	3,615,442	5,186,821
Total	**9,761,353**	6,512,719	9,761,353

47. Income tax expense

(1) Details of income tax expense

Item	Six months ended at 30 June 2018 (unaudited)	Six months ended at 30 June 2017 (unaudited)
Current income tax expense	**32,157,363**	28,929,795
Deferred income tax expense	**(1,090,061)**	1,421,741
Total	**31,067,302**	30,351,536

(2) Reconciliation between income tax expense and accounting profit is as follows:

Item	Six months ended at 30 June 2018 (unaudited)
Total profit	**78,773,847**
Income tax expense calculated at 25% tax rate	**19,693,462**
Effect of subsidiary companies to adapt different tax rates	**7,281**
Effect of adjusting the previous years' income tax	**670,174**
Effect of non-taxable income	**2,635,340**
Effect of non-deductible costs, expenses and losses	**1,548,223**
Effect of using deductible losses of previously unrecognized deferred tax assets	**(315,862)**
Effect of deductible losses recover of previously recognized deferred tax assets	**–**
Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets in the period	**6,828,684**
Income tax expense	**31,067,302**

48. Earnings per share

Item	Six months ended at 30 June 2018 (unaudited)	Six months ended at 30 June 2017 (unaudited)
Net profit for the period attributable to shareholders of the parent company	**29,036,547**	26,490,046
Number of ordinary shares used in the calculation of basic earnings per share	**412,220,000**	412,220,000

Item	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)
Calculated based on the net profit attributable to ordinary shareholders of the parent company:		
Basic earnings per share	**0.07**	0.06

49. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Supplementary information	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)
1. Reconciliation of net profits and cash flow from operating activities:		
Net profit	**47,706,544**	54,322,462
Add: Provision for impairment losses on assets	**1,471,323**	–
Depreciation of fixed assets, investment property, oil and gas assets and productive biological assets.	**57,019,883**	61,771,517
Amortization of intangible assets	**8,257,444**	5,944,860
Amortization of long-term prepaid expenses	**39,925,121**	38,823,740
Net Losses on disposal of fixed assets, intangible assets and other long-term assets	**1,226,928**	2,818,555
Losses arising from the scrapped fixed assets	**3,956,882**	650
Losses (Gains) on Changes in fair value	**8,949,083**	–
Financial expenses	**80,248,136**	72,128,689
Losses arising from investments	**(11,891,593)**	(332,960)
Amortization of government grants related to assets in current year	**(4,473,145)**	(3,239,068)
Decrease in deferred tax assets	**1,175,508**	1,460,194
Increase in deferred tax liabilities	**(2,265,569)**	491,548
Decrease(Increase) in inventories	**173,537,988**	138,616,058
Decrease in operating receivables	**(172,461,716)**	288,948,731
Increase in operating payables	**208,475,922**	(273,370,183)
Others	**–**	–
Net cash flows from operating activities	**440,858,739**	388,384,793
2. Net changes in cash and cash equivalents:		
Closing balance of cash	**1,093,829,740**	703,922,651
Less: Opening balance of cash	**929,508,883**	613,131,273
Add: Closing balance of cash equivalents	**–**	–
Less: Opening balance of cash equivalents	**–**	–
Net increase in cash and cash equivalents	**164,320,857**	90,791,378

(2) Cash and cash equivalents

Item	Six months ended at 30 June 2018 (unaudited)	Six months ended at 30 June 2017 (unaudited)
I. Cash	**1,093,829,740**	703,922,651
Including: Cash on hand	**17,579,603**	20,620,053
Bank deposits on demand	**1,076,250,137**	683,302,598
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	**–**	–
II. Cash equivalents	**–**	–
Including: Investments in bonds due within 3 months	**–**	–
III. Closing balance of cash and cash equivalents	**1,093,829,740**	703,922,651
Including: Cash and cash equivalents of parent and subsidiaries for restricted use only	**–**	–

VII. CHANGES IN THE CONSOLIDATION SCOPE

None.

VIII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

Subsidiary	Type	Place of incorporation	Nature of business	Registered Capital
Beijing Jingkelong (Langfang) Co., Ltd. (Jingkelong Langfang)	Limited company	Langfang, PRC	Retail	80,000,000
Beijing Jingkelong Supermarket Chain Co., Ltd. (Jingkelong Tongzhou)	Limited company	Beijing, PRC	Retail	29,000,000
Beijing Xinyang Tongli Commercial Facilities Co,.Ltd. (Xinyang Tongli)	Limited company	Beijing, PRC	Manufacture	10,000,000
Beijing Jingkelong Shouchao Commercial Co., Ltd. (Shoulian Supermarket)	Limited company	Beijing, PRC	Retail	398,453,439
Beijing Jingkelong Haotian Hotel Management Co., Ltd. (Haotian Hotel)	Limited company	Beijing, PRC	Hospitality	5,000,000
Beijing Jingkelong Vocational Training School (Training School)	Institutional organization	Beijing, PRC	Training	500,000
Beijing Lianchao Company Limited (the "Lianchao Limited")	Limited company	Beijing, PRC	Retail	10,000,000

Subsidiary	Type	Place of incorporation	Nature of business	Registered Capital
Beijing Jingkelong Fresh convenience store Company Limited (Jingkelong Fresh)	Limited company	Beijing, PRC	Retail	10,000,000
Beijing Chaopi Trading Co., Ltd. (Chaopi Trading)	Limited company	Beijing, PRC	Wholesale	500,000,000
Beijing Chaopi Shuanglong Alcohol Sales Co,.Ltd. (Chaopi Shuanglong)*	Limited company	Beijing, PRC	Wholesale	110,160,000
Beijing Chaopi Huaqing Beverage Co,.Ltd. (Chaopi Huaqing)*	Limited company	Beijing, PRC	Wholesale	80,000,000
Beijing Chaopi Flavourings, Co,. Ltd. (Chaopi Flavouring)*	Limited company	Beijing, PRC	Wholesale	50,000,000
Beijing Chaopi Jinglong Oil Sales Co,.Ltd. (Chaopi Oil Sales)*	Limited company	Beijing, PRC	Wholesale	36,000,000
Shijiazhuang Chaopi Xinlong Trading Co,.Ltd.*	Limited company	Shijiazhuang, PRC	Wholesale	5,000,000
Qingdao Chaopi Jinlong Trading Co,.Ltd.*	Limited company	Qingdao, PRC	Wholesale	5,000,000
Beijing Chaopi Zhongde Trading Co,.Ltd. (Chaopi Zhongde)*	Limited company	Beijing, PRC	Wholesale	50,000,000
Beijing Chaopi Huilong Trading Co,.Ltd. (Chaopi Huilong)*	Limited company	Beijing, PRC	Wholesale	24,000,000
Taiyuan Chaopi Trading Co,. Ltd.(Chaopi Taiyuan)*	Limited company	Taiyuan, PRC	Wholesale	15,000,000
Tangshan Chaopi Trading Co,. Ltd.*	Limited company	Tangshan, PRC	Wholesale	5,000,000
Tianjin Chaopi Trading Co,. Ltd.*	Limited company	Tianjin, PRC	Wholesale	15,000,000
Chaopi Yuli Trading Co,.Ltd.**	Limited company	Beijing, PRC	Wholesale	24,000,000
Chaopi Fangsheng Trading Co,. Ltd.**	Limited company	Beijing, PRC	Wholesale	20,000,000
Jinan Chaopi Linda Trading Co,. Ltd. (Chaopi Jinan)*	Limited company	Jinan, PRC	Wholesale	26,000,000
Beijing Chaopi Shenglong Trading Co,.Ltd. (Chaopi Shenglong)*	Limited company	Beijing, PRC	Wholesale	20,000,000
Beijing Chaopi Tianhua Trading Co,.Ltd. (Chaopi Tianhua)*	Limited company	Beijing, PRC	Wholesale	20,000,000
Datong Chaopi Beichen Trading Co,.Ltd. (Chaopi Datong)*	Limited company	Datong, PRC	Wholesale	26,000,000
Datong Chaopi Ant Trading Co,.Ltd. (Chaopi Ant)**	Limited company	Datong, PRC	Retail	5,000,000
Tangshan Chaopi Baishun Trading Co,.Ltd. (Chaopi Baishun)*	Limited company	Tangshan, PRC	Wholesale	30,000,000

Subsidiary	Type	Place of incorporation	Nature of business	Registered Capital
Beijing Chaopi Maolisheng Trading Co,.Ltd. (Chaopi Maolisheng)*	Limited company	Beijing, PRC	Wholesale	75,000,000
Hong Kong Chaopi Asia Co,. Ltd. (Chaopi Hong Kong)**	Limited company	Hong Kong, PRC	Wholesale	HKD10,000
Beijing Qumeiba Information Technology Company Limited (Qumeiba)*	Limited company	Beijing, PRC	Wholesale	1,000,000
Beijing Chaopi Shengshi Trading Co,. Ltd. (Chaopi Shengshi)*	Limited company	Beijing, PRC	Wholesale	25,000,000
Beijing Chaopi Zhaoyang E-commerce Co,.Ltd. (Chaopi Zhaoyang)*	Limited company	Beijing, PRC	Wholesale	20,000,000
Beijing Chaopi Xinyishangzhen Food Co., Ltd. (Xinyishanghen)*	Limited company	Beijing, PRC	Wholesale	40,000,000
Beijing Shangzhen Food Co., Ltd. (Shangzhen Food)**	Limited company	Beijing, PRC	Wholesale	5,000,000
Chaopi Maolisheng Hong Kong Co., Ltd. (Maolisheng Hong Kong)**	Limited company	Hong Kong, PRC	Wholesale	HKD10,000
Beijing Chaopi Tianshi Information Technology Co., Ltd. (Chaopi Tianshi)*	Limited company	Beijing, PRC	Wholesale	20,000,000
Chaopi International Trade (Shanghai) Co., Ltd (Chaopi International Trade)*	Limited company	Shanghai, PRC	Wholesale	9,800,000
Beijing Chaopi Jiushengmingpin Trading Co., Ltd (Chaopi Jiusheng)*	Limited company	Beijing, PRC	Wholesale	30,000,000
Beijing Chaopi Huansheng international Trading Company Limited (Chaopi Huansheng)*	Limited company	Beijing, PRC	Wholesale	15,000,000

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 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 Lianchao Company Limited (Lianchao Limited)	Sales of daily necessities, Wujinjiaodian, such as needle textiles	100	100	Yes	*Note 5*
Beijing Jingkelong Fresh convenience store Company Limited (Jingkelong Fresh)	Wholesale of food	100	100	No	*Note 6*
Beijing Chaopi Trading Co., Ltd. (Chaopi Trading)	Wholesale of general merchandise	79.85	79.85	Yes	
Beijing Chaopi Shuanglong Alcohol Sales Co,.Ltd. (Chaopi Shuanglong)*	Wholesale of beverages	47.11	59.00	Yes	
Beijing Chaopi Huaqing Beverage Co,. Ltd. (Chaopi Huaqing)*	Wholesale of drinks and food	42.66	53.43	Yes	
Beijing Chaopi Flavourings, Co,. Ltd. (Chaopi Flavouring)*	Wholesale of edible oil and food	42.03	52.63	Yes	
Beijing Chaopi Jinglong Oil Sales Co,. Ltd. (Chaopi Oil Sales)*	Wholesale of edible oil	43.30	54.23	Yes	
Shijiazhuang Chaopi Xinlong Trading Co,. Ltd.*	Wholesale of alcoholic beverages	79.85	100	Yes	
Qingdao Chaopi Jinlong Trading Co,. Ltd.*	Wholesale of alcoholic	79.85	100	Yes	
Beijing Chaopi Zhongde Trading Co,. Ltd. (Chaopi Zhongde)*	Wholesale of consumer sanitary products	79.85	100	Yes	
Beijing Chaopi Huilong Trading Co,. Ltd. (Chaopi Huilong)*	Wholesale of alcoholic beverages	79.85	100	Yes	*Note 3*
Taiyuan Chaopi Trading Co,. Ltd. (Chaopi Taiyuan)*	Wholesale of general merchandise	79.85	100	Yes	
Tangshan Chaopi Trading Co,. Ltd.*	Wholesale of general merchandise	79.85	100	Yes	*Note 7*

Subsidiary	Scope of business	Proportion of ownership interests (%)	Proportion of voting power (%)	Whether Consolidated or not	*Notes*
Tianjin Chaopi Trading Co,. Ltd.*	Wholesale of general merchandise	79.85	100	Yes	
Chaopi Yuli Trading Co,. Ltd. (Chaopi Yuli)**	Wholesale of general merchandise	30.31	70	Yes	
Chaopi Fangsheng Trading Co,. Ltd (Chaopi Fangsheng)**	Wholesale of general merchandise	55.90	70	Yes	
Jinan Chaopi Linda Trading Co,. Ltd. (Chaopi Jinan)*	Wholesale of general merchandise	51.90	65	Yes	
Beijing Chaopi Shenglong Trading Co,. Ltd. (Chaopi Shenglong)*	Wholesale of package service, packed food and storage service	47.11	59	Yes	
Beijing Chaopi Tianhua Trading Co,. Ltd. (Chaopi Tianhua)*	Wholesale of package service, packed food and storage service	42.66	53.43	Yes	
Datong Chaopi Beichen Trading Co,. Ltd. (Chaopi Datong)*	Wholesale of package service, packed food and storage service	55.90	70	Yes	
Datong Chaopi Ant Trading Co,. Ltd. (Chaopi Ant)**	Wholesale of package service, packed food and storage service	55.90	100	Yes	
Tangshan Chaopi Baishun Trading Co,. Ltd. (Chaopi Baishun)*	Wholesale of package service, packed food and storage service	55.90	70	Yes	
Beijing Chaopi Maolisheng Trading Co,. Ltd. (Chaopi Maolisheng)*	Wholesale of general merchandise	51.90	65	Yes	
Hong Kong Chaopi Asia Co,. Ltd. (Chaopi Hong Kong)**	Merchandise trading	42.03	100	Yes	
Beijing Qumeiba Information Technology Company Limited (Qumeiba)*	Wholesale of cosmetics	51.90	65	Yes	
Beijing Chaopi Shengshi Trading Co,. Ltd. (Chaopi Shengshi)*	Wholesale of cosmetics	51.90	65	Yes	
Beijing Chaopi Zhaoyang E-commerce Co,. Ltd. (Chaopi Zhaoyang)*	Wholesale of general merchandise	79.85	100	Yes	
Beijing Chaopi Xinyishangzhen Food Co., Ltd. (Xinyishanghen)*	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	

Subsidiary	Scope of business	Proportion of ownership interests (%)	Proportion of voting power (%)	Whether Consolidated or not	*Notes*
Chaopi Maolisheng Hong Kong Co., Ltd.(Maolisheng Hong Kong)**	Wholesale of nuts products (baking class), candied fruit, and fruit products (dried fruit products)	51.90	100	Yes	
Beijing Chaopi Tianshi Information Technology Co., Ltd. (Chaopi Tianshi)*	Wholesale of cosmetics, food and general merchandise	79.85	100	Yes	
Chaopi International Trade (Shanghai)Co., Ltd (Chaopi International Trade)*	Goods and technology import and export business and food circulation	79.85	100	Yes	*Note 1*
Beijing Chaopi Jiushengmingpin Trading Co., Ltd (Chaopi Jiusheng)*	Wholesale of general merchandise	79.85	100	Yes	*Note 2*
Beijing Chaopi Huansheng international Trading Company Limited (Chaopi Huansheng)*	Wholesale, retail food, health food; import and export goods; import and export agents	40.72	51	Yes	*Note 4*

Note:

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

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

The details of the movement in registered capital of subsidiaries and the proportion changes of ownership interests and of voting power held by the Company in subsidiaries during the accounting period are as follows:

Note 1: On 27 February 2018, the Company's subsidiary Chaopi Trading contributed additional registered capital amounted to RMB4,800,000 into Chaopi International Trade. The registered capital of Chaopi International Trade increased from RMB5,000,000 to RMB9,800,000, all of additional registered capital amounts has completed by Chaopi Trading. Upon completion of the capital increase, the Chaopi Trading directly held 100% equity interest in Chaopi International Trade, and indirectly held by the Company through Chaopi Trading as to 79.85%.

Note 2: On 12 August 2016, the Company's subsidiary Chaopi Trading, established Chaopi Jiusheng as a wholly-owned subsidiary, with registered capital of RMB30,000,000. The Company indirectly hold 79.85% equity of Chaopi Jiusheng through Chaopi Trading. Chaopi Jiusheng has obtained business license with NO. 91110105MA007KEC70. As at 16 December 2016 and 15 February 2017, Chaopi Trading invested registered capital of RMB12,000,000 to Chaopi Jiusheng and its residue capital has not been paid by Chaopi Trading.

Note 3: On 16 February 2017, Chaopi Trading acquired 22.25% stake of Chaopi Huilong, which held by natural person shareholders (Zhang Shangzhu, Zhang Xixi and Liu dong), according to JingkelongBanZi NO. [2016] 49 "On the transfer of shares held by natural person shareholders of Chaopi Huilong. After the acquisition, Chaopi Trading owned 100% equity of Chaopi Huilong directly, and the Company owned 79.85% equity of Chaopi Huilong through Chaopi Trading indirectly.

Note 4: On 14 July 2017, the Company's subsidiary Chaopi Trading, established Chaopi Huansheng as a subsidiary held by 51%, with registered capital of RMB15,000,000. The Company indirectly hold 40.72% equity of Chaopi Huansheng through Chaopi Trading. Chaopi Huansheng has obtained business license with NO. 91110105MA00G8A42P. As at 31August 2017, Chaopi Trading invested registered capital of RMB7,650,000 to Chaopi Huansheng and its residue capital has been paid by other shareholders.

Note 5: On 8 August 2017, the Company and Beijing Lianchao Co., Ltd have signed "Property Transaction Contract", and on 30 September 2017, the Company acquired 85% equity interest in Lianchao Limited, which was established at 22 July 2015 by the Company and Shoulian Group, the Company held 15% equity interest. After the acquisition, the Company held Lianchao Limited as a wholly-owned subsidiary, with registered capital of RMB10,000,000. Lianchao Limited was indirectly held by the Company as to 100.00%.

Note 6: On 27July 2017, the Company established Jingkelong Fresh as a wholly-owned subsidiary, with registered capital of RMB10,000,000. Jingkelong Fresh has obtained business license with NO. 91110105MA00GK4B4J. as at the reporting date, Jingkelong Fresh has not been paid. Jingkelong Fresh was indirectly held by the Company as to 100.00%.

Note 7: On 2 May 2018, Tangshan Chaopi, a subsidiary of the Company's subsidiary Chaopi Trading, has been cancelled.

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

Name of the parent company	Type	Place of incorporation	Legal representative	Nature of business	Registered capital(10 thousand yuan)	Proportion of the entity's ownership interests held by the parent (%)	Proportion of the entity's voting power held by the parent (%)	The ultimate controlling party of the Company	Uniform social credit code
Chaoyang Auxiliary	State-owned	Beijing	Mr.Wang Weilin	Sales of food and oil products	21,306.10	40.61	40.61	Chaoyang Auxiliary	911100001 0163706X9

2. Subsidiaries of the Company

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

3. Related party transaction

(1) Related party's lease transaction

Lessor	Leasee	Type of lease	Pricing basis of related party transaction	*Notes*	**Six months ended at 30 June 2018 (unaudited) Amount**	Six months ended at 30 June 2017 (unaudited) Amount
Chaoyang Auxiliary	The Company	Rental expenses	Price negotiated	*Note 1*	**683,068**	673,120

Note 1: On 30 April 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 1 January 2004 to 31 December 2023. From 2006 to 2009, the Group entered into lease contracts or supplemental agreements on several properties. As at 30 June 2011, the annual rents under the contracts with Chaoyang Auxiliary were RMB7,344,499 and RMB920,853 respectively for the Company and its subsidiary Chaopi Trading. On 30 June 2011, except for the properties used by 10 stores of the Company (including 5 properties still owned by Chaoyang Auxiliary and 5 properties for which lease agreements were terminated), the State-owned Assets Supervision and Administration Commission of Beijing Chaoyang District ("SASAC Chaoyang") approved the transfer of the land and properties used by the Company from Chaoyang Auxiliary to Beijing Hongchao Weiye SOE Management Company Limited ("Hongchao Weiye"). The Company continued to lease the properties owned by Chaoyang Auxiliary for its 5 stores at annual rent of RMB162,758 with incremental once every five years. On 18 June 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 1 July 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 1 July 2012 to 31 December 2023. The rental expenses payable to Chaoyang Auxiliary for this period and the prior period were recognized at RMB683,068 and RMB673,120 respectively.

On 1 July 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 1 July 2011.

On 1 July 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 18 December 2013, the Company entered into supplemental agreements to the aforesaid lease contracts with Hongchao Weiye. Considering the Company paid relevant construction fees on the rebuild project of certain of the properties in previous years and the renovation project conducted by the Company on behalf of Hongchao Weiye, Hongchao Weiye will compensate the Company for the cost of construction costs and related taxes paid ("agent construction fees") on property renovation project and re-build project of RMB86,742,211, including RMB41,265,838 recorded in other receivables and RMB45,476,373 recorded in long-term receivables. Meanwhile, agent construction fees receivables of RMB22,197,108 recorded in other receivables will immediately offset the rent payable to Hongchao Weiye at the end of 2013 as agreed by both parties. From the 1 January 2014 to 31 December 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 25 November 2014, the Company entered into supplemental agreements again to terminate the two supplemental agreements assigned on 1 July 2012 and 18 December 2013 respectively. From 1 July 2014 to 31 December 2023, the annual rents of such properties were adjusted to revert to the amount in the agreements on 1 July 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 on 30 June 2014, Hongchao Weiye won't take the responsibility of paying the funds back when the original agreement and supplemental agreements are executed efficiently. The aforesaid rest of agent construction fee is undertaken and amortized by the Company.

(2) Compensation for key management personnel

Item	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)
Compensation for key management:	**3,988,378**	4,322,092

4. Receivables and payables of related parties

The Group had no receivables or payables balance with related parties at 30 June 2018 and 31 December 2017.

5. Related party commitments

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

The anticipated future rent by the Group:

Item	**2018.6.30 (unaudited)**	2017.12.31 (audited)
1st year subsequent to the balance sheet date	**1,366,135**	1,366,135
2nd year subsequent to the balance sheet date	**1,366,135**	1,366,135
3rd year subsequent to the balance sheet date	**1,366,135**	1,366,135
Subsequent periods	**3,476,814**	4,179,777
Total	**7,575,219**	8,278,182

X. COMMITMENTS

1. Significant commitments

(1) Capital commitments

Item	**2018.6.30 (unaudited)**	2017.12.31 (audited)
Acquisition of fixed assets	**–**	–
Authorized but not contracted	**329,317,017**	310,499,380
Contracted but not provided	**208,702,332**	200,071,641
Total	**538,019,349**	510,571,021

(2) Operating lease commitments

As at 30 June 2018 and 31 December 2017, the Group had the following commitments in respect of non-cancellable operating leases:

(1) As the lessor

Item	**2018.6.30 (unaudited)**	2017.12.31 (audited)
Minimum lease receivables under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	**230,231,699**	227,412,307
2nd year subsequent to the balance sheet date	**220,746,951**	224,393,810
3rd year subsequent to the balance sheet date	**206,125,956**	206,656,679
Subsequent periods	**1,072,678,579**	1,115,758,402
Total	**1,729,783,185**	1,774,221,198

(2) As the renter

Item	**2018.6.30 (unaudited)**	2017.12.31 (audited)
Minimum lease receivables under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	**119,060,871**	114,579,378
2nd year subsequent to the balance sheet date	**86,098,218**	90,306,002
3rd year subsequent to the balance sheet date	**69,696,062**	69,505,614
Subsequent periods	**123,227,415**	146,727,781
Total	**398,082,566**	421,118,775

XI. SIGNIFICANTE SUBSEQUENT EVENTSAFTER BALANCE SHEET DATE

The repayment of corporate bonds

Pursuant to the "Approval on Issuance of Corporate Bonds of Beijing Jingkelong Company Limited" (Zheng Jian Xu Ke [2013] No. 791) issued by the CSRC, on 15 August 2013, the Company issued the corporate bonds aggregated to RMB750,000,000 with a term of maturity of 5 years, embedded with the option to increase the coupon rate by the issuer and putable option by the investor at the end of the third year. The corporate bonds were jointly secured by Beijing Chaoyang District National Capital Operating Management Center, a state-owned enterprise, bearing coupon rate at 5.48% per annum. On 8 August 2018, such bonds payable and interest payable have been paid.

XII. OTHER SIGNIFICANTE 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, selling plastic packing products, hotel services and school training services.

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

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

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

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

Six months ended at 30 June 2018 (unaudited)

Item	Retailing	Wholesaling	Others	Inter-segment offset	Total
Operating income					
External revenue	2,451,871,531	3,251,728,914	22,691,747	–	5,726,292,192
Inter-segment revenue	15,956,077	279,641,318	10,764,018	(306,361,413)	–
Total	2,467,827,608	3,531,370,232	33,455,765	(306,361,413)	5,726,292,192
Total profit	38,796,709	38,057,440	1,919,698	–	78,773,847
Income tax expenses	12,624,980	17,759,347	682,975	–	31,067,302
Net profit	26,171,729	20,298,093	1,236,723	–	47,706,545
Supplementary information:					
Depreciation and amortization expenses	86,669,890	14,462,981	3,967,080	–	105,099,951
Impairment losses on credits	37,126	1,434,197	–	–	1,471,323
Capital expenditures	20,849,867	9,943,754	23,927	–	30,817,548

Six months ended at 30 June 2017 (unaudited)

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

2018.6.30 (unaudited)

Item	Retailing	Wholesale	Others	Inter-segment offset	Total
Total assets	3,812,203,481	4,553,145,460	326,846,732	(946,023,946)	7,746,171,727
Total liabilities	3,739,051,863	2,795,639,564	35,495,668	(946,023,946)	5,624,163,149

2017.12.31 (audited)

Item	Retailing	Wholesale	Others	Inter-segment offset	Total
Total assets	3,667,945,597	4,649,454,159	331,511,514	(948,659,498)	7,700,251,772
Total liabilities	2,866,874,865	3,590,729,726	39,680,430	(948,659,498)	5,548,625,523

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

Net current assets

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Current assets	**5,405,972,808**	5,266,654,564
Less: Current liabilities	**5,565,696,815**	5,486,420,553
Net current assets	**(159,724,007)**	(219,765,989)

Total assets less current liabilities

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Total assets	**7,746,171,727**	7,700,251,772
Less: Current liabilities	**5,565,696,815**	5,486,420,553
Total assets less current liabilities	**2,180,474,912**	2,213,831,219

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

1. **Notes receivable and accounts receivable**

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Notes receivable	–	–
Accounts receivable	**94,404,313**	91,547,790
Total	**94,404,313**	91,547,790

Details of accounts receivable

(1) Presentation of accounts receivable by category

	2018.6.30 (unaudited)				
	Carrying amount		Bad debt provision		
Category	Amount	Proportion (%)	Amount	Rate (%)	Net book value
Receivables that are individually significant and for which bad debt provision has been assessed individually	–	–	–	–	–
Receivables for which bad debt provision has been assessed by groups according to credit risk characteristics	94,404,313	100	–	–	94,404,313
Receivables that are not individually significant but for which bad debt provision has been assessed individually	–	–	–	–	–
Total	94,404,313	100	–	–	94,404,313

	2017.12.31 (audited)				
	Carrying amount		Bad debt provision		
Category	Amount	Proportion (%)	Amount	Rate (%)	Net book value
Receivables that are individually significant and for which bad debt provision has been assessed individually	–	–	–	–	–
Receivables for which bad debt provision has been assessed by groups according to credit risk characteristics	91,547,790	100	–	–	91,547,790
Receivables that are not individually significant but for which bad debt provision has been assessed individually	–	–	–	–	–
Total	91,547,790	100			91,547,790

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

	2018.6.30 (unaudited)			
Aging	**Carrying amount**	**Proportion (%)**	**Bad debt provision**	**Net book value**
Within 1 year	**94,404,313**	**100**	**–**	**94,404,313**
1-2 years	**–**	**–**	**–**	**–**
2-3 years	**–**	**–**	**–**	**–**
3-4 years	**–**	**–**	**–**	**–**
4-5 years	**–**	**–**	**–**	**–**
Over 5 years	**–**	**–**	**–**	**–**
Total	**94,404,313**	**100**	**–**	**94,404,313**

(3) Accounting receivable according to bad debt provision by aging analysis

	2018.6.30 (unaudited)		
Aging	**Accounting receivable**	**Bad debt provision**	**Proportion (%)**
Within 1 year	**94,404,313**	**–**	**0**
1-2 years	**–**	**–**	**3**
2-3 years	**–**	**–**	**10**
3-4 years	**–**	**–**	**25**
4-5 years	**–**	**–**	**50**
Over 5 years	**–**	**–**	**100**
Total	**94,404,313**	**–**	

2. Other receivables

Item	2018.6.30 (unaudited)	2017.12.31 (audited)
Other receivables	**485,919,727**	559,024,156
Interest receivables	**–**	–
Dividend receivables	**–**	–
Total	**485,919,727**	559,024,156

Details of other receivables

(1) Presentation of other receivables by category:

Category	**2018.6.30 (unaudited)**				
	Carrying amount		**Bad debt provision**		
	Amount	**Proportion (%)**	**Amount**	**Rate (%)**	**Net book value**
Other receivables that are individually significant and for which bad debt provision is assessed individually	**5,199,750**	**1**	**4,224,750**	**81**	**975,000**
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	**484,944,727**	**99**	**–**	**–**	**484,944,727**
Other receivables that are not individually significant but for which the bad debt provision is assessed individually.	**–**	**–**	**–**	**–**	**–**
Total	**490,144,477**	**100**	**4,224,750**		**485,919,727**

Category	2017.12.31 (audited)				
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Rate (%)	Net book value
Other receivables that are individually significant and for which bad debt provision is assessed individually	5,312,250	1	4,224,750	80	1,087,500
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	557,936,656	99	–	–	557,936,656
Other receivables that are not individually significant but for which the bad debt provision is assessed individually.	–	–	–	–	–
Total	563,248,906	100	4,224,750		559,024,156

(2) Aging analysis of other receivables is as follows

Aging	2018.6.30 (unaudited) Carrying amount	Proportion%	Bad debt provision	Net book value
Within 1 year	**484,944,727**	**99**	**–**	**484,944,727**
1-2 years	**–**	**–**	**–**	**–**
2-3 years	**–**	**–**	**–**	**–**
3-4 years	**–**	**–**	**–**	**–**
4-5 years	**–**	**–**	**–**	**–**
Over 5 years	**5,199,750**	**1**	**4,224,750**	**975,000**
Total	**490,144,477**	**100**	**4,224,750**	**485,919,727**

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

Content of other receivables	2018.6.30 (unaudited) Carrying amount	bad debt provision	Rate (%)	Reason
Beijing Guanyuan Wholesale Market Company Limited	**5,199,750**	**4,224,750**	**81**	**Full bad debt provision for the part unrecovered, according to the agreement**

(4) Other receivables according to bad debt provision by aging analysis

Aging	2018.6.30 (unaudited) Other receivables	bad debt provision	Proportion%
Within 1 year	**484,944,727**	**–**	**0**
1-2 years	**–**	**–**	**3**
2-3 years	**–**	**–**	**10**
3-4 years	**–**	**–**	**25**
4-5 years	**–**	**–**	**50**
Over 5 years	**–**	**–**	**100**
Total	**484,944,727**	**–**	

3. Long-term equity investment

(1) Classification of long-term equity investments

Item	2018.6.30 (unaudited)			2017.12.31 (audited)		
	Carrying amount	Provision for impairment	Net book value	Carrying amount	Provision for impairment	Net book value
Investment in subsidiaries	**1,246,991,571**	**–**	**1,246,991,571**	1,246,991,571	–	1,246,991,571
Total	**1,246,991,571**	**–**	**1,246,991,571**	1,246,991,571	–	1,246,991,571

(2) Investment in subsidiaries

Investee	2017.12.31 (audited)	Increase in the period	Decrease in the period	2018.6.30 (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**	–	–
Shoulian Market	422,484,500	–	–	**422,484,500**	–	–
Jingkelong Tongzhou	29,000,000	–	–	**29,000,000**	–	–
Training School	500,000	–	–	**500,000**	–	–
Lianchao Company	268,955,702	–	–	**268,955,702**	–	–
Total	1,246,991,571	–	–	**1,246,991,571**	–	–

4. Operating income and operating costs

Item	**Six months ended at 30 June 2018 (unaudited)**		Six months ended at 30 June 2017 (unaudited)	
	Income	**Cost**	Income	Cost
Principal operating	**2,085,881,515**	**1,782,570,896**	2,086,040,550	1,779,648,849
Other operating	**187,201,589**	**4,771,407**	167,902,107	5,082,909
Total	**2,273,083,104**	**1,787,342,303**	2,253,942,657	1,784,731,758

5. Investment income

Item	**Six months ended at 30 June 2018 (unaudited)**	Six months ended at 30 June 2017 (unaudited)
Investment income from distributed dividend of subsidiaries.	**23,955,540**	20,241,239
Investment gain from buying short-term financial products	**708,832**	332,953
Total	**24,664,372**	20,574,192