



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)



25th
1994-2019



2019
INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Li Jianwen (*Chairman*)
Mr. Shang Yongtian
Ms. Li Chunyan
Mr. Zhang Liwei

NON-EXECUTIVE DIRECTORS

Ms. Zhang Yan
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(特殊普通合伙))

LEGAL ADVISERS

As to Hong Kong law:
Reed Smith Richards Butler

As to PRC law:
Grandall Law Firm (Beijing)



INVESTORS AND MEDIA RELATION CONSULTANT

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
117th Building
Jinsong Dongkou Nongguang Lane
Beijing, PRC

H SHARES REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
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183 Queen's Road East
Wanchai, Hong Kong

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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XinYuan Street
Chaoyang District
Beijing, PRC

PLACE OF BUSINESS IN HONG KONG

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18 Chater Road
Central, Hong Kong

COMPANY WEBSITE

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SHAREHOLDERS' ENQUIRIES CONTACT INFORMATION OF THE COMPANY

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STOCK CODE

814

FINANCIAL HIGHLIGHTS

The Group achieved the following results during the six months ended 30 June 2019:

- Revenue amounted to approximately RMB5,324,902,003, representing an increase of approximately 3.6% compared with last corresponding period.
- Gross profit amounted to approximately RMB776,454,443, representing an increase of approximately 5.2% compared with last corresponding period.
- Operating profit amounted to approximately RMB83,826,542, representing an increase of approximately 6.4% compared with last corresponding period.
- Profit attributable the owners of the parent reached approximately RMB30,133,697, representing an increase of approximately 3.8% compared with last corresponding period.

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



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2019, China's GDP growth rate was 6.3% due to the slowdown in global economic growth. The economic operation was generally stable, the scale of the consumer goods market continued to expand, the quarterly growth rate was steadily rising, the consumption structure was constantly optimizing, and the online and offline integration accelerated, contributing to a new momentum to promote consumption growth. The Group is involved in the fast-moving consumer good retail and wholesale industry, where product innovation, consumption upgrade, transformation and upgrade of the physical stores, and e-commerce all constitute the key drivers. The Group actively adapted to the new pattern of the industry and the new changes in the consumer market. Focusing on consumer experience, the Group continued to emphasize its strategy centered on [commodity + service] innovated new products, through the introduction of buyout, customized and self-owned products. The Group enhanced customer stickiness and improved the differentiation and competitiveness of the stores through the innovation of format of physical stores, the optimization of product mix and the adjustment of store layout. The Group focused on the integration and the mutual flow of online and offline sales channels, and made use of consumer experience oriented big data mining and analysis technology to enhance operational efficiency, so as to meet the requirement of the growing and ever-changing shopping needs and shopping experience of consumers, and to maintain a steady and healthy corporate development by continuously improving the profitability of its products and the standard of services.

RETAIL BUSINESS

CONTINUOUSLY EXPLORING THE TRANSFORMATION AND UPGRADE OF THE BUSINESS MODEL

During the Reporting Period, the Group actively accelerated its transformation speed, grasped the policy opportunities to improve the quality of consumer-oriented service industries and promote the development of convenience stores, steadily implemented the transformation and upgrade of current stores, and continuously expanded small and medium-sized convenience community stores such as community live and fresh produce stores. In the first half of the year, nine shops were renovated, eight of which successfully debuted as "Jingjie" community live and fresh produce convenience stores. By the end of June 2019, there were thirty "Jingjie" live and fresh produce convenience stores. We increased the number of convenience stores selling pharmaceutical products on a trial basis, and introduced services that were closely related to the daily lives of the residents. The community micro service center were introduced into some of the stores, and provided more than ten kinds of services, including laundry, lock repairing and key pairing, mobile phone repairing and fast haircut services, which created a new model of convenience service to satisfy consumers' demand for convenience and shopping, as well as strengthened customer loyalty. On the other hand, the Group continued to enhance the intelligent transformation and digitization of traditional physical stores, and made continuous efforts to enhance the shopping experience of customers by continuing the introduction of new types of equipments such as self-service cash registers and electronic price tags to provide more convenient shopping service.

ACCELERATING THE INTRODUCTION OF NEW PRODUCTS

During the Reporting Period, the Group formulated evaluation mechanisms for buyout, customized and self-owned products in different categories based on its own positioning, format characteristics, advantages in the supply chain, consumer habits and preferences, and market segmentation. We accelerated the development and introduction of buyout, customized and self-owned products, and established competitive advantages in terms of brand effects, procurement costs control, quality assurance, and differentiated products. At the same time, the Group utilized big data technology and category management technology to conduct regular product structure analysis, continuously introduce new channels and new products, refine new product marketing plans, and enhance the quality and speed of product upgrading.

CONTINUING TO STRENGTHEN THE LIVE AND FRESH PRODUCE BUSINESS

During the Reporting Period, the Group continued to adhere to the strategy of direct procurement from the source, which is in line with the inelastic demand and frequently-purchased characteristics of the live and fresh produce. With special products with geographical and regional characteristics being the main focus of our product development strategy. We have introduced healthy, green and convenient live and fresh produce. The price competition of the fruit in season was normalized, and the quality of live and fresh produce improved through the mechanism of survival of the fittest mechanism. The Group tried to implement the procurement and store the fruit and vegetable products sold in installment and harvested in one season, ensuring price advantage and stable supply, and further enhancing the profitability of the live and fresh produce.

CONSOLIDATING THE DEVELOPMENT OF ONLINE AND OFFLINE INTEGRATION

During the Reporting Period, the Group launched a new version of the online shopping APP, and the overall function of the APP and the online shopping experience of customers were improved through iterative optimization. By continuously updating and improving the online product structure and enriching the categories of products, the products in APP were basically generally consistent with the offline physical store products. A pilot mini-program was launched on WeChat, which enriched our online sales channels through applications such as WeChat push-notifications, and gift coupons, etc. The Group steadily promoted its third-party platform business, piloted orders taking and picking assistants at the outlets, and greatly improved the fulfillment efficiency of store operation by incorporating platform-wide orders and picking by region and by designated personnel. We took advantage of the Group's live and fresh produce business, enhanced the marketing of online selling of the live and fresh produce, accelerated the development of prepackaged live and fresh produce, attracted online consumers with the unique advantages of the live and fresh produce, expanded the consumer base, and improved customer stickiness, resulting in a continuous growth of online sales.



HIGHLY VALUING FOOD SAFETY MANAGEMENT

During the Reporting Period, the Group took effective measures to comprehensively strengthen food safety management in all aspects, ranging from product procurement, delivery, store display to sales. The Group strictly controlled the supplier channels and products, and carefully managed the existing channels and new channels. Through on-site inspection, qualification checks and actual product inspection, self-inspection and sampling inspection, we can ensure the quality and safety of products. The Group's normal temperature logistics centre strictly managed the receipt and storage of goods with the aid of distribution data analysis model, comprehensively controlled the product shelf life, and optimized the expiry date warning mechanism. The live and fresh produce logistics center perfected the quality control system, strengthened the management of all steps of process, and effectively controlled the quality of the live and fresh produce. The Group continued to improve the awareness of food safety amongst all employees, and organized a number of special trainings on topics such as food safety laws and regulations, food business process hygiene standards, and food distribution management practices, strengthening employees' food safety responsibilities.

CONSTANT INNOVATION IN MARKETING AND SERVICES

During the Reporting Period, the Group strengthened the marketing plans for products and services. In addition to adhering to key festivals and celebrations as the focus of planning and promotional activities, the Group successfully held the first New Year Temple Fair, launched promotions in the form of traditional Chinese temple fairs to satisfy consumers' shopping needs during the Spring Festival, adding to the festive atmosphere. Taking advantage of the 25th anniversary of the establishment of the Group, a large-scale promotion campaign was held to reward consumers with redemption and lottery, which achieved excellent results. Through the WeChat mini-program, a series of group-buying activities were carried out customer to achieve the diversification of sales model and expand online sales channels through fission marketing. We added convenience service facilities for customers in physical stores, launched a "Service Action Plan", and collected opinions from customers, supervisors, and stores as guidance for physical stores to improve specific areas of the standard of consumer services.

OPTIMIZING LOGISTICS AND DISTRIBUTION RESOURCES CONTINUOUSLY

During the Reporting Period, the live and fresh produce logistic center improved overall quality control from product acceptance, workshop distribution, to delivering products to stores, reducing the loss of goods and enhancing the degree of intensification of logistics distribution. The normal temperature logistics center enhanced the management of pallets, distribution cages and packing environment, optimized the examination criteria for products acceptance, and separately arranged the pallets for different batches of products to maximize the automatic sorting efficiency, improve efficiency and reduce labor costs.

PRUDENT DEVELOPMENT OF RETAIL NETWORK

During the Reporting Period, the Group focused on improving the operational capability of its stores and prudently expanded the size of the stores. During the Reporting Period, three convenience stores were opened. Due to reasons including the expiration of tenancy and modifications to the loss-making stores, one department store, one supermarket and six convenience stores, including two directly-operated convenience stores and four franchise-operated convenience stores, were closed during the Reporting Period. In addition, the Group renovated and upgraded one supermarket and eight convenience stores.

The Group had 200 retail outlets as at 30 June 2019, including 171 directly-operated outlets and 29 franchise-operated outlets, with a total net operating area of 264,404 square metres. The following table sets out the number and net operating area of the Group's retail outlets as at 30 June 2019:

	Department stores	Hypermarkets	Supermarkets	Convenience stores	Total
Number of retail outlets:					
Directly-operated	1	11	58	101	171
Franchise-operated	–	–	1	28	29
Total	1	11	59	129	200
Net operating area (square metres):					
Directly-operated	27,800	78,817	130,137	18,973	255,727
Franchise-operated	–	–	880	7,797	8,677
Total	27,800	78,817	131,017	26,770	264,404



RETAIL OPERATING RESULTS

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

	For the six months ended 30 June		Variance
	2019 RMB'000	2018 RMB'000	
Directly-operated retail outlets:			
Hypermarkets	596,935	627,775	(4.9%)
Supermarkets	1,319,044	1,408,576	(6.4%)
Convenience stores	179,047	186,260	(3.9%)
Department stores (including commissions)	14,579	20,014	(27.2%)
	11,952	16,939	(29.4%)
Total retail principal operating income	2,109,605	2,242,625	(5.9%)
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	16.9	16.2	0.7p.p

During the Reporting Period, the retail principal operating income of the Group decreased by approximately 5.9% mainly due to the following reasons: (i) an overall same-store sales decrease of approximately 5.03% during the Reporting Period; (ii) the increase of sales promotion to face the fierce competition in retail market; and (iii) sales reduction caused by the closing down of stores in 2018.

During the Reporting Period, gross profit margin of the directly-operated retail business (excluding department stores) increased from 16.2% of the last corresponding period to 16.9%, mainly because of: (1) the adjustment and optimization of the product mix by gradually increasing the proportion of buyout, customized and self-owned products during the Reporting Period; (2) strengthening supply chain management and reducing purchase cost; and (3) the increase of direct procurement from fresh commodity bases and the reduction of the loss of live and fresh produce.

WHOLESALE BUSINESS

MULTI-CHANNELS INTEGRATION DEVELOPMENT

During the Reporting Period, the Group leveraged its rich brand resources, marketing techniques and logistics systems to further enhance the integration and development of online and offline channel services by using refined management and control measures. While stabilizing the existing e-commerce business channels, the Group continued to promote high level of cooperation with major e-commerce platforms, enhanced customer satisfaction by increasing the order fulfillment rate, improved client satisfaction from existing channel, accurately identified customer needs, and focused on developing convenience, value-added, and efficient services in the supply chain. This allowed us to further improve online and offline service, actively respond to changes in market channels and continuously expand the market share.

ENRICHING BRAND RESOURCES CONSTANTLY

During the Reporting Period, the Group continued to introduce new brands and new suppliers at home and abroad, continuously expanding product categories, and accelerating the optimization and upgrading of product structure. The Group accelerated the research and development of the self-owned brand, committing to build a competitive advantage in the self-owned brand being quality-based, consumer-focused and brand-driven products, and strengthened channel management and marketing promotion of the products from the self-owned brand, striving to achieve stable and sustainable development of the self-owned brand market. We actively introduced foreign quality brands, gradually expanded overseas direct procurement business, actively established overseas supply chains, focused on core items, and developed strategic cooperation suppliers. With the use of online and offline distribution channels and network, the Group steadily promoted the marketing of imported goods.

CONTINUOUSLY IMPROVING THE CONSTRUCTION OF LOGISTICS SYSTEM CONSTANTLY

During the Reporting Period, the Group's wholesale distribution center and various business departments collaborated to actively allocate warehousing resources, optimize operation processes, and improve resource utilization efficiency. The Group continued to expand the scale of the third-party logistics business, completed the upgrade of the third-party mutual distribution center system and implemented of the electronic label project, further improving the standard of the third-party logistics services, while the revenue of the third-party logistics business continued to steadily grow.



WHOLESALE OPERATING RESULTS

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

	For the six months ended 30 June		Variance
	2019 RMB'000	2018 RMB'000	
Principal operating income recognised by Chaopi Group*	3,424,698	3,153,369	8.6%
Less: Intersegment Sales	(226,813)	(279,641)	(18.9%)
Sales to franchisees	1,438	1,673	(14.0%)
Consolidated Wholesale principal operating income	3,199,323	2,875,401	11.3%
Gross profit margin **(%)	11.8	11.3	0.5p.p

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

** This represents gross profit margin recognised by Chaopi Group including intersegment sales.

During the Reporting Period, the wholesale principal operating income increased by approximately 11.3%, which was mainly due to the following reasons: (i) sales increase from new customers in small and medium-sized supermarkets and suburb areas; (ii) sales increase from the recovery of the liquor market; and (iii) sales contribution from newly introduced brands and imported goods.

During the Reporting Period, the gross profit margin was 11.8%, a slight increase from that of 11.3% for the corresponding period last year, mainly because of: (i) the continuous adjustment of the commodity structure by eliminating low gross margin commodities and increasing high gross margin commodities; and (ii) the gradually increased sales share of self-owned brands.

FINANCIAL RESULTS

	For the six months ended 30 June		Variance
	2019 RMB'000	2018 RMB'000	
Principal operating income	5,324,902	5,137,604	3.6%
Gross profit	776,454	737,975	5.2%
Gross profit margin (%)	14.6%	14.4%	0.2p.p
Earnings before interest and tax	182,597	164,342	11.1%
Net profit	47,530	47,707	(0.4%)
Net profit margin (%)	0.9%	0.9%	–
Net profit attributable to shareholders of the parent company	30,134	29,037	3.8%
Net profit margin attributable to shareholders of the parent company (%)	0.6%	0.6%	–

PRINCIPAL OPERATING INCOME

During the Reporting Period, the Group's principal operating income increased by approximately 3.6%, of which retail principal operating income decreased by approximately 5.9%, and wholesale principal operating income increased by approximately 11.3%.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group increased by approximately 5.2% compared with the last corresponding period. During the Reporting Period, the gross profit margin was 14.6% (last corresponding period: 14.4%).

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 3.8% compared with the last corresponding period. The earnings before interest and tax amounted to approximately RMB182,596,650 representing an increase of RMB18,254,184 compared with the last corresponding period, and the net profit attributable to shareholders of the parent company increased from RMB29,036,547 in the last corresponding period to RMB30,133,697.

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 2019, the Group had non-current assets of RMB3,322,471,567 (comprising mainly fixed assets, investment property, and land use right for a total of RMB1,377,793,940), and non-current liabilities of RMB993,453,162.



As at 30 June 2019, the Group had current assets of RMB4,934,587,968. Current assets mainly comprised cash and cash equivalents of RMB704,959,975, inventories of RMB1,473,811,046, notes receivable and accounts receivable of RMB1,316,816,263 and prepayments and other receivables of RMB1,200,773,707. The Group had current liabilities of RMB5,132,048,336. Current liabilities mainly comprised notes payable and accounts payable of RMB1,447,726,099, short term bank loans of RMB2,164,344,991, non-current liabilities due within one year of RMB178,979,399, and contract liabilities of RMB341,065,125.

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 30 June 2019, the Group had bank loans of RMB2,164,344,991, which consisted of accounts receivable factored bank loans of RMB98,558,196, and unsecured bank loans of RMB2,065,786,795. All the Group's bank loans bear interest rates ranging from 4.31% to 5.22% per annum.

Certain of the Group's margin deposit of RMB104,890,669 were pledged for notes payable of RMB529,667,363 as at 30 June 2019.

The Group's gearing ratio* was approximately 74.2% as at 30 June 2019, which was slightly higher than approximately 72.6% 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 2019, the Group employed 5,831 employees domestically (as at 30 June 2018: 6,730 employees). The total staffing costs (including directors' and supervisors' remunerations) of the Group for Reporting Period amounted to RMB401,697,284 (corresponding period in 2018: RMB396,064,492). 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 2019, the Group did not have any significant contingent liabilities.

OUTLOOK

In the second half of 2019, driven by various factors, such as the stable growth of residents' income, tax reduction and the implementation of the Individual Income Tax Deduction Policy, consumer demand will be further released and the consumer market is generally expected to continue to maintain a steady growth. In respect of the retail business, the Group will continue to accelerate the development and iteration of new products and complete functional categories, constantly optimizing the operating standards of the live and fresh version 4.0. We will speed up the development of food ingredients, promote the progress of supermarketization of food materials, cater for the needs and shopping habits of young consumers, and facilitating the diversification and "less quantification" of live and fresh produce, while preparing such ingredients in a "Chinese way". The Group will strengthen the construction of the bases for live and fresh produce and improve the processing system for live and fresh produces while exploring the potential of centralized goods replenishment and replenishing goods in a scientific manner, hence relieving the pressure of inventory in stores. The Group will, by utilizing channels including its own APP, small program and e-commerce third-party platform, enhance the integration of online and offline business development. For the wholesale business, the Group continues to foster the in-depth collaboration with upstream suppliers and downstream clients, promote the introduction of high-quality brands and development of self-owned brands. By employing mobile internet technology and big data analysis, we can leverage the supply chain resources to achieve efficient synergies in main aspects of the supply chain and create a new model of intelligent logistics, hence further strengthening the competitive advantages of the Group's wholesale business.

EVENTS AFTER THE REPORTING PERIOD

THE ISSUANCE OF BONDS

Pursuant to the "Approval on Issuance of Corporate Bonds of Beijing Jingkelong Company Limited" (Zheng Jian Xu Ke [2019] No. 303) issued by the CSRC, on 6 March 2019, which approved the company to publicly issue corporate bonds with a total par value of no more than RMB800 million to qualified investors. The lead underwriter and the bond trustee of the public issuing of corporate bonds is Zhong De Securities Company Limited.

The Company has officially launched the issuance of this corporate bond, as at the report date, the publicly issued corporate bonds (Phase I) in 2019 have announced the prospectus and abstract, the issuance announcement, the rating report, coupon rate announcement etc. on the website of the Shanghai Stock Exchange. In addition, the rest of the work is progressing as planned and it will be completed in early September 2019.



OTHER INFORMATION

CORPORATE GOVERNANCE

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

Provision A 4.2 of the Corporate Governance Code requires that every director (including those appointed for a specific term) of a listed issuer shall be subject to retirement by rotation at least once every three years. The Company’s Articles of Association 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 forementioned 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 2019 unaudited interim consolidated results. The Audit Committee considered that the interim financial report for the six months ended 30 June 2019 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 2019, 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 (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 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
Zhang Liwei	Personal	150,000	0.07	0.04
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 2019, 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 2019, 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)	9.93	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

(L) – Long Position

Notes:

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) as interest of controlled corporation.

Save as disclosed above, as far as is known to the directors, supervisors or chief executive of the Company, as at 30 June 2019, 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
23 August 2019



REPORT ON REVIEW OF COMPANY'S AND CONSOLIDATED FINANCIAL STATEMENTS

RuiHua Yue Zi [2019] 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 2019, and the consolidated income statement of the Group and the income statement of the Company, the consolidated statement of changes in shareholders' equity and the consolidated cash flow statement of the Group and the statement of changes in shareholders' equity and the cash flow statement of the Company for the six-month period then ended and a summary of significant accounting policies and other certain explanatory notes. The management of the Company is responsible for the preparation of these interim financial statements. Our responsibility is to express a conclusion on the interim financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements are not prepared in accordance with "Accounting Standard for Business Enterprises" and did not present fairly, in all material respects, the Beijing Jingkelong Company Limited's financial position as of 30 June 2019, and Beijing Jingkelong Company Limited's results of operations and cash flows for the six-month period then ended.

Ruihua Certified Public Accountants *Chinese Certified Public Accountants: Zhou Huiyan*

Chinese Certified Public Accountants: Zhang Youquan

Beijing China

23 August 2019

(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 2019

Currency: RMB

Item	Notes	2019.6.30 (unaudited)	2018.12.31 (audited)
Current Assets:			
Cash and bank balances	(VI)1	809,850,644	1,146,910,207
Accounts receivable	(VI)2	1,316,816,263	1,490,822,972
Prepayments	(VI)3	972,468,801	750,913,496
Other receivables	(VI)4	228,304,906	175,508,371
Inventories	(VI)5	1,473,811,046	1,668,923,611
Other current assets	(VI)6	133,336,308	177,117,099
Total current assets		4,934,587,968	5,410,195,756
Non-current Assets:			
Other non-current financial assets	(VI)7	29,597,934	14,583,646
Investment properties	(VI)8	183,260,118	187,606,354
Fixed assets	(VI)9	934,961,299	976,125,343
Construction in progress	(VI)10	126,718,033	114,152,339
Right-of-use assets	(VI)11	1,110,718,906	–
Intangible assets	(VI)12	297,780,162	305,636,827
Goodwill	(VI)13	86,673,788	86,673,788
Long-term prepaid expenses	(VI)14	356,368,751	400,087,980
Deferred tax assets	(VI)15	18,552,900	20,226,293
Other non-current assets	(VI)16	177,839,676	172,511,502
Total non-current assets		3,322,471,567	2,277,604,072
TOTAL ASSETS		8,257,059,535	7,687,799,828



CONSOLIDATED BALANCE SHEETS (Continued)

AT 30 JUNE 2019

Item	Notes	Currency: RMB	
		2019.6.30 (unaudited)	2018.12.31 (audited)
Current Liabilities:			
Short-term borrowings	(VI)17	2,164,344,991	2,757,649,469
Notes payable	(VI)18	529,667,363	631,264,431
Accounts payable	(VI)19	918,058,736	1,001,433,347
Payroll payable	(VI)21	1,786,698	1,741,169
Taxes payable	(VI)22	120,129,939	90,160,465
Other payables	(VI)23	239,859,746	234,392,613
Including: Interest payable		3,029,983	3,939,352
Dividends payable		22,463,745	4,576,656
Contract liabilities	(VI)20	341,065,125	371,087,396
Non-current liabilities due within one year	(VI)24	178,979,399	–
Other current liabilities	(VI)25	638,192,339	356,977,042
Total current liabilities		5,132,084,336	5,444,705,932
Non-current Liabilities:			
Leases liabilities	(VI)26	948,760,371	–
Deferred income	(VI)28	38,749,784	34,300,405
Deferred tax liabilities	(VI)15	5,143,007	1,413,622
Other non-current liabilities	(VI)29	800,000	30,380,164
Total non-current liabilities		993,453,162	66,094,191
TOTAL LIABILITIES		6,125,537,498	5,510,800,123
Shareholders' equity:			
Share capital	(VI)30	412,220,000	412,220,000
Capital reserves	(VI)31	605,043,091	605,043,091
Other comprehensive income	(VI)32	164,808	82,125
Surplus reserves	(VI)33	153,125,894	153,125,894
Undistributed profits	(VI)34	535,063,243	537,907,146
Total equity attributable to shareholders of the parent company		1,705,617,036	1,708,378,256
Minority interests		425,905,001	468,621,449
TOTAL SHAREHOLDERS' EQUITY		2,131,522,037	2,176,999,705
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8,257,059,535	7,687,799,828

The notes as set out from pages 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
Li Jianwen

Chief Financial Officer
Li Chunyan

Chief Accountant
Wang Panzhou

BALANCE SHEETS OF THE COMPANY

AT 30 JUNE 2019

Item	Notes	Currency: RMB	
		2019.6.30 (unaudited)	2018.12.31 (audited)
Current Assets:			
Cash and bank balances		194,595,711	224,705,249
Accounts receivable	(XIII)1	84,590,084	74,528,897
Prepayments		4,800,280	7,522,174
Other receivables	(XIII)2	568,555,461	556,335,826
Inventories		219,584,824	232,394,387
Other current assets		567,075,353	599,182,485
Total current assets		1,639,201,713	1,694,669,018
Non-current Assets:			
Long-term equity investments	(XIII)3	1,246,991,571	1,246,991,571
Investment properties		48,931,925	50,551,095
Fixed assets		673,792,263	698,380,308
Construction in progress		105,987,630	105,435,366
Right-of-use assets		605,892,193	–
Intangible assets		83,969,081	86,508,544
Long-term prepaid expenses		265,598,581	299,680,251
Deferred tax assets		3,332,685	3,806,678
Other non-current assets		4,821,811	3,527,400
Total non-current assets		3,039,317,740	2,494,881,213
TOTAL ASSETS		4,678,519,453	4,189,550,231



BALANCE SHEETS OF THE COMPANY (Continued)

AT 30 JUNE 2019

Item	Notes	Currency: RMB	
		2019.6.30 (unaudited)	2018.12.31 (audited)
Current Liabilities:			
Short-term borrowings		650,000,000	1,200,000,000
Notes payable		109,721,185	–
Accounts payable		647,796,889	653,250,386
Contract liabilities		331,737,442	320,652,852
Payroll payable		1,346,562	1,378,172
Taxes payable		4,645,299	4,559,402
Other payables		126,241,737	127,179,714
Including: Interest payable		884,681	1,716,377
Dividends payable		13,788,645	1,134,156
Non-current liabilities due within one year		88,571,232	–
Other current liabilities		618,708,116	327,752,218
Total current liabilities		2,578,768,462	2,634,772,744
Non-current Liabilities:			
Leases liabilities		517,635,318	–
Deferred income		28,437,683	25,215,578
Other non-current liabilities		800,000	5,000,000
Total non-current liabilities		546,873,001	30,215,578
TOTAL LIABILITIES		3,125,641,463	2,664,988,322
Shareholders' equity:			
Share capital		412,220,000	412,220,000
Capital reserves		615,293,521	615,293,521
Surplus reserves		129,348,659	129,348,659
Undistributed profits		396,015,810	367,699,729
TOTAL SHAREHOLDERS' EQUITY		1,552,877,990	1,524,561,909
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,678,519,453	4,189,550,231

The notes as set out from pages 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
Li Jianwen

Chief Financial Officer
Li Chunyan

Chief Accountant
Wang Panzhou

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED AT 30 JUNE 2019

Item	Notes	Currency: RMB	
		Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
I. Total operating income	(VI)35	5,884,989,733	5,726,292,192
Including: Operating income	(VI)35	5,884,989,733	5,726,292,192
II. Total operating costs		5,828,383,479	5,657,889,447
Including: Operating cost	(VI)35	4,554,499,435	4,404,951,437
Tax and surcharges	(VI)36	23,307,383	25,592,449
Selling expenses	(VI)37	987,371,437	984,201,023
Administrative expenses	(VI)38	161,958,097	153,718,096
Financial expenses	(VI)39	99,895,782	87,955,119
Add: Other Income	(VI)41	5,981,572	8,706,198
Investment income	(VI)42	1,222,315	11,891,593
Gains or losses on changes in fair value	(VI)43	15,014,288	(8,949,083)
Impairment losses on credits	(VI)40	1,351,345	1,471,323
Gains or losses on disposal of assets	(VI)44	(106,080)	(1,226,928)
III. Operating profit		78,718,349	78,824,525
Add: Non-operating income	(VI)45	10,088,129	9,710,675
Less: Non-operating expenses	(VI)46	4,979,936	9,761,353
IV. Total profit		83,826,542	78,773,847
Less: Income tax expense	(VI)47	36,297,042	31,067,302
V. Net profit		47,529,500	47,706,545
(I) Classified by business continuity			
1. Net profit from continued operations		47,529,500	47,706,545
2. Net profit from discontinued operations		–	–
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company		30,133,697	29,036,547
2. Profit or loss attributable to minority interests		17,395,803	18,669,998



CONSOLIDATED INCOME STATEMENT (Continued)

FOR THE YEAR ENDED AT 30 JUNE 2019

Item	Notes	Currency: RMB	
		Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
VI. Net value of other comprehensive income after tax		159,305	174,993
Net value of other comprehensive income attributable to shareholders of the parent company after tax		82,683	90,826
(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		82,683	90,826
1. Share in investees' other comprehensive income can be reclassified into profit or loss under equity method		–	–
2. Balancing arising from the translation of foreign currency financial statements		82,683	90,826
Net value of other comprehensive income attributable to minority interests after tax		76,622	84,167
VII. Total comprehensive income		47,688,805	47,881,538
Total comprehensive income attributable to shareholders of the parent company		30,216,380	29,127,373
Total comprehensive income attributable to minority interests		17,472,425	18,754,165
VIII. Earnings per share			
(I) Basic earnings per share	(VI)48	0.07	0.07
(II) Diluted earnings per share		–	–

The notes as set out from pages 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
Li Jianwen

Chief Financial Officer
Li Chunyan

Chief Accountant
Wang Panzhou

INCOME STATEMENT OF THE COMPANY

FOR THE YEAR ENDED AT 30 JUNE 2019

Item	Notes	Currency: RMB	
		Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
I. Operating income	(XIII)4	2,133,937,877	2,273,083,104
Less: Operating cost	(XIII)4	1,660,240,457	1,787,342,303
Tax and surcharges		10,296,511	13,627,001
Selling expenses		323,095,153	348,244,606
Administrative expenses		89,631,859	85,398,521
Financial expenses		26,731,877	22,422,220
Add: Other Income		3,790,121	5,363,809
Investment income	(XIII)5	33,160,052	24,664,372
Gains or losses on disposal of assets		26	(1,169,315)
II. Operating profit		60,892,219	44,907,319
Add: Non-operating income		9,422,855	9,423,127
Less: Non-operating expenses		261,426	827,434
III. Total profit		70,053,648	53,503,012
Less: Income tax expense		8,759,967	10,032,553
IV. Net profit		61,293,681	43,470,459
Net profit from continued operations		61,293,681	43,470,459
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. Balancing arising from the translation of foreign currency financial statements		–	–
VI. Total comprehensive income		61,293,681	43,470,459

The notes as set out from pages 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
Li Jianwen

Chief Financial Officer
Li Chunyan

Chief Accountant
Wang Panzhou



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED AT 30 JUNE 2019

Currency: RMB

Item	Notes	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
I. Cash flows from operating activities			
Cash received from selling goods and rendering services		6,500,564,805	6,717,264,289
Other cash received relating to operating activities	(VI)49	267,001,591	259,122,835
Subtotal of cash inflows from operating activities		6,767,566,396	6,976,387,124
Cash paid for purchasing goods and receiving services		5,391,834,077	5,309,649,017
Cash payments to and on behalf of employees		401,651,756	395,807,763
Taxes and surcharges paid		158,682,069	158,955,538
Other cash paid related to operating activities	(VI)49	567,632,690	643,547,576
Subtotal of cash outflows from operating activities		6,519,800,592	6,507,959,894
Net cash flow from operating activities		247,765,804	468,427,230
II. Cash flows from investing activities			
Cash received from investment income		1,222,315	1,139,237
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		949,149	3,017,783
Other cash received relating to investing activities	(VI)49	348,813,811	529,331,147
Subtotal of cash inflows from investing activities		350,985,275	533,488,167
Cash paid for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets		26,026,636	35,516,368
Other cash paid relating to investing activities	(VI)49	351,820,000	532,690,000
Subtotal of cash outflows from investing activities		377,846,636	568,206,368
Net cash flow from investing activities		(26,861,361)	(34,718,201)

CONSOLIDATED CASH FLOW STATEMENT (Continued)

FOR THE YEAR ENDED AT 30 JUNE 2019

Item	Notes	Currency: RMB	
		Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
III. Cash flows from financing activities			
Cash received from borrowings		2,166,433,983	2,276,139,773
Cash received from bond financing		300,000,000	–
Cash received from other financing activities	(VI)49	–	1,110,000,000
Subtotal of cash inflows from financing activities		2,466,433,983	3,386,139,773
Cash paid for repayments of liabilities		2,759,738,462	2,426,927,712
Cash paid for dividends, profits or interest payments		132,330,922	118,601,796
Including: Dividends and profits paid by subsidiaries to minority shareholders		54,956,273	44,548,200
Cash paid for other financing activities	(VI)49	104,639,573	1,110,000,000
Subtotal of cash outflows from financing activities		2,996,708,957	3,655,529,508
Net cash flow from financing activities		(530,274,974)	(269,389,735)
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		102,582	1,562
V. Net increase(decrease) in cash and cash equivalents		(309,267,949)	164,320,857
Add: Balance of cash and cash equivalents at the beginning of the year		1,014,227,924	929,508,883
VI. Balance of cash and cash equivalents at the end of the year		704,959,975	1,093,829,740

The notes as set out from pages 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
Li Jianwen

Chief Financial Officer
Li Chunyan

Chief Accountant
Wang Panzhou



CASH FLOW STATEMENT OF THE COMPANY

FOR THE YEAR ENDED AT 30 JUNE 2019

Item	Notes	Currency: RMB	
		Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
I. Cash flows from operating activities			
Cash received from selling goods and rendering services		2,305,762,386	2,466,366,775
Other cash received relating to operating activities		277,614,658	250,291,724
Subtotal of cash inflows from operating activities		2,583,377,044	2,716,658,499
Cash paid for purchasing goods and receiving services		1,745,872,474	2,046,994,243
Cash payments to and on behalf of employees		199,011,772	204,244,965
Taxes and surcharges paid		38,738,432	62,213,581
Other cash paid related to operating activities		316,617,937	231,339,301
Subtotal of cash outflows from operating activities		2,300,240,615	2,544,792,090
Net cash flow from operating activities		283,136,429	171,866,409
II. Cash flows from investing activities			
Cash received from investment income		12,670,123	23,943,943
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		130,673	149,450
Other cash received relating to investing activities		513,371,045	524,155,540
Subtotal of cash inflows from investing activities		526,171,841	548,248,933
Cash paid for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets		19,896,351	24,635,871
Other cash paid relating to investing activities		485,200,000	600,300,000
Subtotal of cash outflows from investing activities		505,096,351	624,935,871
Net cash flow from investing activities		21,075,490	(76,686,938)

CONSOLIDATED CASH FLOW STATEMENT (Continued)

FOR THE YEAR ENDED AT 30 JUNE 2019

Item	Notes	Currency: RMB	
		Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
III. Cash flows from financing activities			
Cash received from borrowings		300,000,000	753,000,000
Cash received from bond financing		300,000,000	–
Cash received from other financing activities		–	1,110,000,000
Subtotal of cash inflows from financing activities		600,000,000	1,863,000,000
Cash paid for repayments of liabilities		850,000,000	720,000,000
Cash paid for dividends, profits or interest payments		42,378,097	33,828,694
Cash paid for other financing activities		51,898,742	1,110,000,000
Subtotal of cash outflows from financing activities		944,276,839	1,863,828,694
Net cash flow from financing activities		(344,276,839)	(828,694)
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		75,922	226,964
V. Net increase(decrease) in cash and cash equivalents		(39,988,998)	94,577,741
Add: Balance of cash and cash equivalents at the beginning of the year		224,705,249	373,250,486
VI. Balance of cash and cash equivalents at the end of the year		184,716,251	467,828,227

The notes as set out from pages 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
Li Jianwen

Chief Financial Officer
Li Chunyan

Chief Accountant
Wang Panzhou



CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED AT 30 JUNE 2019

Currency: RMB

Item	Six months ended at 30 June 2019 (unaudited)							Total shareholders' equity
	Equity attributable to shareholders of the parent company						Minority interests	
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Undistributed profits	Subtotal		
I. Balance at the end of the prior period	412,220,000	605,043,091	82,125	153,125,894	537,907,146	1,708,378,256	468,621,449	2,176,999,705
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	605,043,091	82,125	153,125,894	537,907,146	1,708,378,256	468,621,449	2,176,999,705
III. Increase or decrease amount in the year	-	-	82,683	-	(2,843,903)	(2,761,220)	(42,716,448)	(45,477,668)
(I) Total comprehensive income	-	-	82,683	-	30,133,697	30,216,380	17,472,425	47,688,805
(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	-	-	-	-	(32,977,600)	(32,977,600)	(60,188,873)	(93,166,473)
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	(32,977,600)	(32,977,600)	(60,188,873)	(93,166,473)
4. Others	-	-	-	-	-	-	-	-
(IV) Internal transfer within shareholders' equity	-	-	-	-	-	-	-	-
1. Capital reserves transferred to capital (or shares)	-	-	-	-	-	-	-	-
2. Surplus reserves transferred to capital (or shares)	-	-	-	-	-	-	-	-
3. Surplus reserves made up for losses	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
1. Appropriation in the period	-	-	-	-	-	-	-	-
2. Usage in the period	-	-	-	-	-	-	-	-
(VI) Other	-	-	-	-	-	-	-	-
IV. Balance at the end of the year	412,220,000	605,043,091	164,808	153,125,894	535,063,243	1,705,617,036	425,905,001	2,131,522,037

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

FOR THE YEAR ENDED AT 30 JUNE 2019

Currency: RMB

Item	Six months ended at 30 June 2018 (unaudited)						Minority interests	Total shareholders' equity
	Equity attributable to shareholders of the parent company							
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Undistributed profits	Subtotal		
I. Balance at the end of the prior period	412,220,000	605,008,846	6,625,801	147,748,597	498,085,598	1,669,688,842	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	1,669,688,842	481,937,407	2,151,626,249
III. Increase or decrease amount in the year	-	-	90,826	-	4,303,347	4,394,173	(34,011,844)	(29,617,671)
(I) Total comprehensive income	-	-	90,826	-	29,036,547	29,127,373	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)	(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)	(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. 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	1,674,083,015	447,925,563	2,122,008,578

The notes as set out from pages 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
Li Jianwen

Chief Financial Officer
Li Chunyan

Chief Accountant
Wang Panzhou



STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

FOR THE YEAR ENDED AT 30 JUNE 2019

Currency: RMB

Item	Six months ended at 30 June 2019 (unaudited)				Total shareholders' equity
	Capital share	Capital reserves	Surplus reserves	Undistributed profits	
I. Balance at the end of last year	412,220,000	615,293,521	129,348,659	367,699,729	1,524,561,909
Add: Changes in accounting policies	-	-	-	-	-
Correction of prior errors	-	-	-	-	-
Others	-	-	-	-	-
II. Balance at the beginning of the year	412,220,000	615,293,521	129,348,659	367,699,729	1,524,561,909
III. Increase or decrease amount in the year	-	-	-	28,316,081	28,316,081
(I) Total comprehensive income	-	-	-	61,293,681	61,293,681
(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	-	-	-	(32,977,600)	(32,977,600)
1. Appropriation to surplus reserves	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-
3. Distribution to shareholders	-	-	-	(32,977,600)	(32,977,600)
4. Others	-	-	-	-	-
(IV) Internal transfer within shareholders' equity	-	-	-	-	-
1. Capital reserves transferred to capital (or shares)	-	-	-	-	-
2. Surplus reserves transferred to capital (or shares)	-	-	-	-	-
3. Surplus reserves made up for losses	-	-	-	-	-
4. Others	-	-	-	-	-
(V) Special 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	129,348,659	396,015,810	1,552,877,990

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

FOR THE YEAR ENDED AT 30 JUNE 2019

Currency: RMB

Item	For the year ended at 30 June 2018 (unaudited)				
	Share capital	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					
(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. 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	123,971,362	362,771,159	1,514,256,042

The notes as set out from pages 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
Li Jianwen

Chief Financial Officer
Li Chunyan

Chief Accountant
Wang Panzhou



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT 30 JUNE 2019

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 2019.

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 23 August 2019.

II. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The financial statements are presented on a going concern basis. The financial statements are prepared based on the actual transactions and events and in accordance with “Accounting Standards for Business Enterprises-Basic Standard” (issued by Ministry of Finance No.33 and revised by Ministry of Finance No.76), 42 specific accounting standards, implementation guidelines and explanations of enterprise accounting standards and other relevant provisions issued on 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 2019 and the operating results, cash flows and other relevant information of the Company for the 6 months ended at 30 June 2019. In addition, the Company has also disclosed relevant financial information required by the Company Ordinance of Hong Kong and the Listing Rules of the Stock Exchange of Hong Kong Limited.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting period

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

2. Business period

The normal business period refers to the period from the purchase of assets until its realization of cash or cash equivalents. The Group uses 12 months as a business period and as a criterion for liquidity of assets and liabilities.

3. 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.

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

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

4.1 *Business Combinations under Common Control*

A business combination under common control is a transaction in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the transaction. The party that obtains control over other participating parties on the combination date is the combining party, and the other parties participating in the combination are the combined parties. The date of the combination refers to the date on which the combining party actually obtains control of the combined party.

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amount in the combined party on the combining date. The difference between the carrying amount of the net assets of the combined party and the carrying amount of the consideration paid (or the total par value of the shares issued), adjust the capital reserve (share premium); if the capital reserve (share premium) is insufficient to offset, then adjust the retain earnings.

The direct costs incurred by the combining party for the business combination are recognized in profit or loss in the period when they are arise.

4.2 *Business combinations under different control*

A business combination under different control is a transaction in which all of the combining entities or businesses are not ultimately controlled by the same party or parties both before and after the transaction. The party that obtains control over other participating entities on the purchase date is the acquirer, and the other entities participating in the combination are the acquiree. The date of the acquisition refers to the date on which the acquirer actually obtains the control on the acquisition.



For business combinations under the different control, the combination cost includes the assets paid, incurred or assumed by the purchaser in order to obtain control of the purchased party on the purchase date and fair value of equity securities issued. All relevant intermediary fees and other administrative expenses incurred to the acquirer for the business combination such as auditing, legal and consulting shall be recognized into the profit and loss when it occurred. The transaction fee of the equity securities or debt securities issued by the acquirer as a combination consideration is included in the initial recognition amount of equity securities or debt securities. The contingent consideration shall be included into the combination costs on its fair value at the date of acquires, if there is future evidence showing that combination costs should be adjusted within 12 months after the date of the acquisition, then combination costs must be adjusted, and goodwill shall be adjusted accordingly as well. The combination cost and net identifiable assets acquired in the combination shall be measured at the fair value at the date of the acquisition. The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as goodwill. The acquirer shall recognize the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as profit and loss.

If the acquirer obtains the deductible temporary difference from acquiree but fail to recognized the deferred tax assets because it does not meet the term of deferred tax assets, if new or further information is obtained indicating that the relevant date of the purchase date already exists within 12 months after the purchase date, and if it is expected that the economic benefits of the temporary difference can be realized by the purchaser on the purchase date, the relevant deferred income tax assets will be recognized, at the same time, the goodwill is reduced, if the goodwill is insufficiently reduced, then the difference is recognized as the current profit and loss; Except for the above, the deferred income tax assets related to the business combination are recognized in profit or loss for the current period.

For business combination not under the same control, which is realized step by step through multiple transactions, according to Notice of the Ministry of Finance on Printing and Distributing Enterprise Accounting Standards Interpretation No. 5 (CaiKuai [2012] No. 19) and "Accounting Standards for Business Enterprises No.-Consolidate No.51", Business combination under different control realized by multiple transactions should determine whether the multiple transactions belong to a "package deal". For the "package deal", refer to the descriptions in the preceding paragraphs of this section and the accounting treatment in Note IV.11 "Long-term equity investment"; if it is not "package deal", separate the individual financial statements and consolidated financial statements for relevant accounting treatment:

For the individual financial statements, initial investment cost is the amount of carrying amount value of the equity investment held by the acquirer before the date of the acquisition and the new investment cost on the purchase date. If the equity investment involves other comprehensive income, the other comprehensive income related to the investment will be accounted for on the same basis as the directly disposed related assets or liabilities of the acquirer.

For the consolidated financial statements, the equity of the acquirer held before the date of acquisition should be re-measured by the fair value on the date of acquisition. The difference between the fair value and the carrying amount should into profit and loss, the other comprehensive income related to the investment before the date of acquisition will be accounted for on the same basis as the directly disposed related assets or liabilities of the acquirer.

5. Preparation of consolidated financial statements

5.1 *Principles for determining the scope 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. The scope of consolidation financial statements includes the Company and all subsidiaries. The subsidiaries refer to the entity controlled by the Company.

The company will conduct a reassessment, once control related elements involved in the definition involved in the above cause the relevant facts and circumstances have changed.

5.2 *Method of preparing consolidated financial statements*

From the date of obtaining the net assets of the subsidiary and the actual control of the production and operation decision, the Group began to include it in the scope of consolidation; the inclusion of the scope of consolidation is suspended from the date of loss of actual control. For the disposed subsidiaries, the operating results and cash flows before the disposal date have been properly included in the consolidated income statement and consolidated cash flow statement; Subsidiaries disposed of in the current period do not adjust the opening balance of the consolidated balance sheet. For subsidiaries that are not consolidated under the same control, the operating results and cash flows of the future purchases have been properly included in the consolidated income statement and consolidated cash flow statement, and the opening and closing figures of the consolidated financial statements are not adjusted. Subsidiaries that have increased business combinations under the same control and those that have been merged under the merger, the operating results and cash flows from the beginning of the current period to the date of consolidation have been properly included in the consolidated income statement and consolidated cash flow statement, and adjust the comparison of consolidated financial statements at the same time.

In the preparation of the consolidated financial statements, if the accounting policies or accounting periods adopted by the subsidiaries and the company are inconsistent, the necessary adjustments shall be made to the financial statements of the subsidiaries in accordance with the accounting policies and accounting periods of the company. For subsidiaries acquired from business combinations not under the same control, the financial statements are adjusted based on the fair value of identifiable net assets at the acquisition date.

All major current balances, transactions and unrealized profits in the company are offset when the consolidated financial statements are prepared.

The shareholder's equity of the subsidiary and the portion of the current net profit or loss that is not owned by the Company are separately presented as minority shareholders' equity and minority shareholders' gains and losses in the consolidated financial statements under shareholders' equity and net profit. The portion of the subsidiary's current net profit or loss that belongs to minority shareholders' equity is presented as "minority shareholder gains and losses" under the net profit item in the consolidated income statement. The loss of a subsidiary shared by a minority shareholder exceeds the share of the minority shareholder's equity at the beginning of the subsidiary, and it still reduces the minority shareholders' equity.



When the control of the original subsidiary is lost due to the disposal of part of the equity investment or other reasons, the remaining equity is re-measured according to its fair value on the date of loss of control. The sum of the consideration for the disposal of the equity and the fair value of the remaining equity, less the difference between the share of the original shareholding and the share of the net assets that the original subsidiary has continued to calculate from the date of purchase, which is included in investment income of loss of control in the current period. Other comprehensive income related to the original subsidiary's equity investment shall be treated on the same basis as the directly disposed of the relevant assets or liabilities of the purchased party when the control is lost. That is, in addition to the re-measurement of changes in the net liabilities or net assets of the defined benefit plan in the original subsidiary, the rest will be converted into current investment income. Thereafter, the remaining equity of the part is subsequently measured in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investment" or "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments". For details, refers to Note IV., 11 "long-term equity investment" or this Note IV. 8 "financial instruments".

If the Company disposes of the equity investment in the subsidiary through multiple transactions until it loses control, it shall distinguish whether the transactions dealing with the equity investment of the subsidiary until the loss of control are a package transaction. The terms, conditions, and economic impact of each transaction for the disposal of equity investments in subsidiaries are consistent with one or more of the following conditions, and generally indicate that multiple transactions should be accounted for as a package transaction: ①These transactions are concluded at the same time or with consideration of each other's influence; ②These transactions as a whole can achieve a complete business result; ③The occurrence of a transaction depends on the occurrence of at least one other transaction; ④A transaction alone is not economical, but it is economical when considered together with other transactions. If it is not a package transaction, each of the transactions shall be partially disposed of in the long-term equity of the subsidiary in accordance with "without loss of control" (refers to Note IV, 11, and (2) 4). The accounting principle is applied to the principle that "the control of the original subsidiary is lost due to the disposal of part of the equity investment or other reasons" (mentioned in the previous paragraph). Disposal of the equity investment in a subsidiary until the loss of control is a package transaction, and the transactions are treated as a transaction that disposes of the subsidiary and loses control; However, the difference between the disposal price and the disposal investment before the loss of control and the share of the net assets of the subsidiary is recognized as other comprehensive income in the consolidated financial statements, and it is transferred to the current profit and loss of loss of control when the control is lost.

6. Recognition criteria of cash and cash equivalents

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

7. Foreign currency transactions

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

8. Financial instruments

A financial asset or financial liability is recognized when the Group becomes a party to a financial instrument contract.

8.1 *Classification, confirmation and measurement of financial assets*

The Group classifies financial assets according to the business model of managing financial assets and the contractual cash flow characteristics of financial assets: Financial assets measured at amortized cost; financial assets measured at fair value through other comprehensive income; financial assets measured at fair value through profit or loss.

Financial assets are measured at fair value on initial recognition. For financial assets measured at fair value through profit or loss, the related transaction expense is directly recognized in profit or loss; for other categories of financial assets, the related transaction costs are included in the initial recognition amount. For the accounts receivable or notes receivable arising from the sale of products or the provision of labor services that do not contain or consider the significant financing components, the Group determines the amount of the consideration to be received as the initial recognition amount.

8.1.1 *Financial assets measured at amortized cost*

The business model of the Group's management of financial assets measured at amortized cost is to collect contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements, that is, the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. The Group's financial assets are subsequently measured at amortized cost using the effective interest method. The gains or losses arising from amortization or impairment are recognized in profit or loss.

8.1.2 *Financial assets measured at fair value through other comprehensive income*

The Group's business model for managing such financial assets is to target both the collection of contractual cash flows and the sale, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. The Group's financial assets are measured at fair value through profit or loss. The impairment losses or gains, exchange gains and losses, and interest income calculated using the effective interest method are recognized in profit or loss.

In addition, the Group designates certain non-tradable equity instrument investments as financial assets measured at fair value through other comprehensive income. The Group's related dividend income of such financial assets is included in the current profit and loss, and changes in fair value are included in other comprehensive income. When the financial assets are derecognized, the accumulated gains or losses previously recognized in other comprehensive income are transferred from other comprehensive income to retained earnings, which are not recognized in profit or loss.

8.1.3 *Financial assets measured at fair value through profit or loss*

The Group classifies financial assets that are measured at fair value through profit or loss. In addition, in the initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Group designates certain financial assets as financial assets measured at fair value through profit or loss. For such financial assets, the Group adopts fair value for subsequent measurement, and changes in fair value are included in profit or loss for the current period.



8.2 Classification, confirmation and measurement of financial liabilities

Financial liabilities are classified as financial liabilities and other financial liabilities at fair value through profit or loss. For financial liabilities measured at fair value through profit or loss, the related transaction expense is directly recognized in profit or loss. The related transaction expense of other financial liabilities is included in the initial recognition amount.

8.2.1 Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss, including financial liabilities (including derivatives that are financial liabilities) and financial liabilities that are designated at fair value through profit or loss.

Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value. In addition to related to hedge accounting, changes in fair value are recognized in profit or loss.

Financial liabilities designated as at fair value through profit or loss, the change in fair value of the liability caused by changes in the Company's own credit risk is included in other comprehensive income. When this financial liabilities is derecognition, the accumulated changes in fair value arising from changes in its own credit risk, which are included in other comprehensive income, are transferred to retained earnings. The remaining changes in fair value are included in the current profit and loss. If adopted the method mentioned before, the impact of changes in the financial liabilities' own credit risk will cause or expand the accounting mismatch in profit and loss, and the Group accounts for the entire gain or loss of the financial liability (including the impact of changes in the company's own credit risk) to the current profit and loss.

8.2.2 Other financial liabilities

Financial liabilities classified as financial liabilities measured at amortised cost, except for financial assets transferred to financial assets and financial liabilities, Gains or losses arising from derecognition or amortisation are recognised in profit or loss. The recognition and measurement of transfer of financial assets

8.3 The recognition and measurement 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.

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.

8.4 *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 (borrower) enters into an agreement with the lender to replace the original financial liabilities in the form of new financial liabilities, and the new financial liabilities are substantially different from the original financial liabilities, and the original financial liabilities are derecognition and a new financial liability is recognized. The Group 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.

8.5 *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.



8.6 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.

8.7 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 recognize changes in fair value of equity instruments.

9. Impairment of financial assets

The financial assets that the Group needs to recognize impairment loss are financial assets measured at amortized cost, debt instrument investments measured at fair value and whose changes are included in other comprehensive income, lease receivables, which mainly includes notes receivable, accounts receivable, other receivables, debt investment, other debt investment, and long-term receivables. In addition, for contract assets and parts of financial guarantee contracts, impairment provision should also be made and credit impairment losses recognized in accordance with the accounting policies described in this section.

9.1 *Recognized method for impairment provision*

Based on the expected credit losses, the Group makes provision for impairment and recognizes credit impairment losses for each of the above items in accordance with its applicable expected credit loss measurement method (general method or simplified method).

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).

General approach for the measurement of expected credit losses refers that the Group assesses whether the credit risk of financial assets (including other applicable items such as contract assets, the same below) has increased significantly since the initial recognition on each balance sheet date. If the credit risk has increased significantly since the initial recognition, the Group measures the loss preparation according to the amount equivalent to the expected credit loss during the entire life period; if the credit risk has not increased significantly since the initial recognition, the Group measures the loss provision based on the amount of 12-month expected credit losses. The Group considers all reasonable and evidenced information, including forward-looking information, when assessing expected credit losses.

For financial instruments with lower credit risk on the balance sheet date, the Group assumes that its credit risk has not increased significantly since the initial recognition, it choose to measure loss based on 12-month expected credit losses.

9.2 *Judgment criteria for whether credit risk has increased significantly since initial recognition*

If the probability of default of a financial asset on the estimated duration of the balance sheet is significantly higher than the probability of default during the estimated duration of the initial recognition, the credit risk of the financial asset is significantly increased. Except for special circumstances, the Group uses the change in default risk occurring within the next 12 months as a reasonable estimate of the change in default risk throughout the life period to determine whether the credit risk has increased significantly since the initial recognition.

9.3 *Combined method for assessing expected credit risk based on portfolio*

The Group evaluates credit risk individually for financial assets with significantly different credit risks, such as: receivables from related parties; and has disputes with the other party or receivables involving litigation or arbitration; there are clear indications that the debtor is likely to be unable to meet the repayment obligations of the receivables.

In addition to individual financial assets that assess credit risk, the Group classifies financial assets into different groups based on common risk characteristics and evaluates credit risk on a portfolio basis.



9.4 Accounting treatment of financial assets impairment

At the end of the period, the Group calculates the expected credit losses of various financial assets. If the estimated credit loss is greater than the carrying amount of its current impairment provision, the difference is recognized as the impairment loss; if it is less than the carrying amount of the current impairment provision, the difference is recognized as the impairment gain.

9.5 Method for determining the credit losses of accounts receivable and other receivables

9.5.1 Accounts receivable

For receivables that do not contain significant financing components, the Company measures loss provision based on the amount of expected credit losses equivalent to the entire duration of the life.

For receivables with significant financing components, the Company chooses to always measure the loss provision based on the amount of expected credit losses during the lifetime.

In addition to individual accounts receivable for assessing credit risk, they are classified into different combinations based on their credit risk characteristics:

Item	Determine the basis for the combination
Aging of accounts receivable portfolio	This combination is based on the age of receivables as a credit risk feature.

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

9.5.2 Other receivable

The Group measures the impairment loss based on the amount of expected credit losses in the next 12 months or the entire duration, based on whether the credit risk of other receivables has increased significantly since the initial recognition. In addition to other receivables that assess credit risk individually, they are classified into different combinations based on their credit risk characteristics:

Item	Determine the basis for the combination
Aging of other receivable portfolio	This combination is based on the age of other receivables as a credit risk feature.

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

Aging	Other 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

10. Inventories

10.1 Classification of inventories

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

10.2 The measurement of inventories received and issued

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

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

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value of the inventory is lower than the cost, a provision for decline in value of inventories is recognized. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The 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.



10.4 The stock count system for inventories is the perpetual inventory system.

10.5 Amortization methods of low-value consumables and packaging materials

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

11. Long-term equity investments

A long-term equity investment is the long-term equity investment of the 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.

11.1 Determination of investment cost

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

11.2 Subsequent measurement and recognition of profit or loss

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

11.2.1 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

11.2.2 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.

11.2.3 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.

11.2.4 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.

12. 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.

13. Fixed assets

13.1 Recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production of goods or supply of services, for rental to others, or for administrative purposes and have a useful life of more than one accounting year. Fixed assets are only recognized when the related economic benefits probably flow to the 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.

13.2 Method for depreciation of different fixed assets

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

Category	Useful life (year)	Residual value (%)	Annual depreciation (%)
Buildings	20-35	3-4	2.74-4.85
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.

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

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

13.4 Other explanations

Subsequent expenditures incurred for a fixed asset are recognized in the cost of fixed assets when the associated economic benefits will probably flow to the 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.

14. Construction in progress

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

15. Borrowing costs

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

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the 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.

16. Intangible assets

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

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

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

17. Long-term prepaid expenses

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



18. Long-term assets impairment

For non-current and non-financial assets such as fixed assets, work in progress, intangible assets with a finite useful life, investment properties measured at cost, long-term equity investment of joint ventures and associated enterprises and leases right-of-use asset 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.

19. Employee benefits

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

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

All post-employment benefits of the 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.

20. 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.

20.1 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.

As for the business that selling goods with award credits for customers, when selling the goods, the Group will apportion the purchase price or the receivables of the goods between the income from the sale of the goods and the individual sales price determined by the award credits, and the amount of the purchase price or the receivables minus the bonus points shall be recognized as revenue. The award credits shall be 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.

20.2 Revenue from rendering of services

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

20.3 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.

21. 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.

22. Deferred tax assets and deferred tax liabilities

22.1 Current income taxes

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

22.2 Deferred tax assets and deferred tax liabilities

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

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

22.3 Income tax

Income tax comprises current and deferred tax.

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



22.4 Offsetting of income taxes

When the 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.

23. Lease

Leases are defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

23.1 The Group as a lessee

At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability, except for short-term leases that simplify processing and low-value asset leases.

The right-of-use asset measured initially at cost, the cost of the right-of-use asset shall comprise:① the amount of the initial measurement of the lease liability;② any lease payments made at or before the commencement date, less any lease incentives received;③ any initial direct costs incurred by the lessee;④ an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Group depreciates the right-of-use assets with reference to the depreciation regulations of "Accounting Standards for Business Enterprises No. 4 – Fixed Assets" (refer to Note IV 12 "fixed assets"); and the Group determines whether the right-of-use asset is impaired in accordance with the "Accounting Standards for Business Enterprises No. 8 – Impairment of Assets" and accounts for the recognized impairment losses (refer to Note IV. 17 "Long-term asset impairment").

A lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. Lease payments is the payments made by a lessee to a lessor relating to the right to use an underlying asset during the lease term, comprising the following: ① fixed payments (including in-substance fixed payments), less any lease incentives; ② variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; ③ the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and ④ payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.⑤ amounts expected to be payable by the lessee under residual value guarantees. The Group calculates the interest expense of the lease liability for each period of the lease term according to a fixed periodic interest rate, and it is included in the current profit or loss or capitalized into the value of the relevant assets.

The variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss or related asset costs in the period in which they are incurred.

For short-term leases and low-value assets leases, the Group has chosen to simplify the processing and to include the relevant asset costs or current profits and losses in a straight-line method or other systematically reasonable method during each period of the lease term.

When the lease scope, lease consideration, and lease term change other than the original contract terms occur, the Group will treat the lease change as a separate lease or as a separate lease for accounting treatment. When it is not a separate lease, the company re-measures the lease liability based on the present value of the lease payment and the revised discount rate on the effective date of the lease change, and adjusts the book value of the right-of-use asset accordingly. The book value of the right-of-use asset has been reduced to zero. However, if the lease liability still needs to be further reduced, the Company will include the remaining amount in the current profit and loss.

23.2 The Group as a lessor

23.2.1 The classification of leases

A lessor shall classify each of its leases as either a finance lease or an operating lease, based on the substance of the transaction at the commencement date. A finance lease refers to that a lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is the other lease that except a finance lease.

23.2.2 Operating leases

A lessor shall recognise lease payments from operating leases as rental income for each period of the lease term on either a straight-line basis or another systematic basis. The initial direct costs related to operating leases are capitalized as incurred, and it is included in the current profit and loss in the same period as the confirmed rental income, during the entire lease period. The variable lease payments that are not included in the lease payments related to the operating leases are recognised in profit or loss when incurred.

23.2.3 Finance leases

At the commencement date, the Group confirms the financing lease receivable and terminates the recognition of the finance lease assets.

The finance lease receivables are initially measured at the sum of the un-guaranteed residual value and the lease receivables that have not been received on the lease beginning date, based on the sum of the present value of the leased interest rate, which comprises the following: A. fixed payments and in-substance fixed payments, less any lease incentives payable; B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; C. the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; D. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease; E. any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

The variable lease payments received by the Group that are not included in the measurement of the net amount of the leased investment are recognised in profit or loss in the period in which they are incurred.



24. Changes in significant accounting policies and accounting estimates

24.1 Changes in accounting policies

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

On 7 December 2018, Ministry of finance promulgated 'NO. 21 of Accounting Standards for Business Enterprises-leases (Revised at 2018)' (CAIKUAI NO. [2018] 35, hereinafter referred to "new lease guidelines"), and it is required that enterprises listed at the same time both domestically and overseas, as well as enterprises that are listed overseas and use IFRS or corporate accounting standards to prepare financial statements. The implementation of the financial statements will take effect on 1 January 2019.

The Group begins to implement the new accounting standards mentioned before, when the ministry of finance required at 1 January 2019 (the date is hereinafter referred to as the "First Implementation Day" in this section), and change the relevant accounting policies in accordance with the new lease guidelines.

According to new lease guidelines, for contracts that existed before the first implementation date, the Group chose not to reassess whether it is a lease or includes a lease on the first execution date. Lease contract for the Group as a lessee, The Group chose to adjust only the cumulative impact of lease contracts that were not completed on 1 January 2019. The cumulative impact amount adjustment for the first time is executed for the first time. The retained earnings at the beginning of the current period (such as 1 January 2019) and other related items in the financial statements are not adjusted for the comparable period information. The details are as follows:

For the financial leases on the first execution date, the Group's lease liability is measured based on the present value of the remaining lease payments at the incremental borrowing rate on the first execution date; the unpaid rent payable on accrual basis under the original lease standard is included in the remaining lease payments.

The Group selects the right to use assets according to one of the following depending on each lease:

- i. Assume that the book value of the new lease criteria is adopted from the start date of the lease period (using the incremental borrowing rate on the first execution date as the discount rate);
- ii. The amount equal to the lease liability and the necessary adjustments based on the prepaid rent.

On the first implementation date, the Group conducted impairment test on the right-of-use assets in accordance with the "Accounting Standards for Business Enterprises No. 8 – Impairment of Assets" and conducted corresponding accounting treatment.

The impact of the implementation of the new leasing guidelines on the Group is as follows:

changes	item	2019.1.1 Amount (After change)	2018.12.31 Amount (Before change)
The right-of-use assets and lease liabilities are recognized in accordance with the new lease standards.	Prepayments	750,889,914	750,913,496
	Other receivable	167,185,383	175,508,371
	Other current assets	163,272,996	177,117,099
	Long-term prepaid expenses	381,346,700	400,087,980
	Right-of-use assets	1,195,010,098	–
	Leases liabilities	1,199,230,146	–
	Other current liabilities	341,405,205	356,977,042
	Other non-current liabilities	800,000	30,380,164

The weighted average of the incremental borrowing rates used by the Group in the lease liability that is included in the balance sheet on the first execution date is 4.93%.

The present value of the unpaid minimum lease payments for the significant operating leases at the end of 2018 disclosed in the Group's 2018 annual financial statements is RMB1,194,010,775 discounted at the initial implementation date of the incremental borrowing rate of 4.93%, and the difference from the lease liability on the first execution date is RMB10,352,467.

24.1.2 On 9 May 2019, Ministry of finance promulgated 'NO. 7 of Accounting Standards for Business Enterprises-Non-monetary assets exchange (Revised at 2019)' (CAIKUAI NO. [2019] 8,), and began to implement at 10 June 2019; On 16 May 2019, Ministry of finance promulgated 'NO. 12 of Accounting Standards for Business Enterprises- Debt reorganization (Revised at 2019)' (CAIKUAI NO. [2019] 9,), and began to implement at 17 June 2019.

The Group implements the two new revised standards as required by the Ministry of Finance and changes the relevant accounting policies in accordance with the provisions of the new revised standards.

24.2 Changes in accounting estimates

None.



V. TAXATION

Major taxes and tax rates

Tax types	Tax basis	Tax rate
Value-added tax	Note 1	16%/13%/10%/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%
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.

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 2019 to 30 June 2019 and the prior period was from 1 January 2018 to 30 June 2018. UNLESS OTHERWISE STATED.

1. Cash and bank balances

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Cash on hand	9,010,858	13,627,854
Cash in bank	695,949,117	1,000,600,070
Other cash and cash equivalents (Note 1)	104,890,669	132,682,283
Total	809,850,644	1,146,910,207
Including: Overseas deposits (Note 2)	3,103,781	4,383,236

Note 1: As at 30 June 2019, the Group's margin deposits with use restrictions was RMB104,890,669 (31 December 2018: RMB132,682,283) and details were referred to Note (VI) 18. Notes payable.

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

2. Accounts receivable

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Accounts receivable	1,316,816,263	1,490,822,972
Total	1,316,816,263	1,490,822,972



① **Presentation of accounts receivable by category:**

Category	2019.6.30 (unaudited)				
	Carrying amount		Bad debt provision		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
Receivables that are individually significant and for which bad debt provision is assessed individually	-	-	-	-	-
Receivables for which bad debt provision is assessed by groups according to credit risk characteristics	1,330,973,784	100	14,157,521	1	1,316,816,263
Total	1,330,973,784	100	14,157,521	1	1,316,816,263

Category	2018.12.31 (audited)				
	Carrying amount		Bad debt provision		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
Receivables that are individually significant and for which bad debt provision is assessed individually	-	-	-	-	-
Receivables for which bad debt provision is assessed by groups according to credit risk characteristics	1,503,836,117	100	13,013,145	1	1,490,822,972
Total	1,503,836,117	100	13,013,145	1	1,490,822,972

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

Aging	2019.6.30 (unaudited)			
	Carrying amount	Proportion%	Bad debt provision	Net book value
Within 1 year	1,243,168,793	93	-	1,243,168,793
1-2 years	33,005,113	2	990,153	32,014,960
2-3 years	29,210,597	2	2,921,060	26,289,537
3-4 years	11,487,745	1	2,871,937	8,615,808
4-5 years	13,454,330	1	6,727,165	6,727,165
Over 5 years	647,206	1	647,206	-
Total	1,330,973,784	100	14,157,521	1,316,816,263

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

Aging	2019.6.30 (unaudited)		
	Carrying amount	Bad debt provision	Proportion%
Within 1 year	1,243,168,793	–	0
1-2 years	33,005,113	990,153	3
2-3 years	29,210,597	2,921,060	10
3-4 years	11,487,745	2,871,937	25
4-5 years	13,454,330	6,727,165	50
Over 5 years	647,206	647,206	100
Total	1,330,973,784	14,157,521	

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.

On 30 June 2019, 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 RMB299,632,673 (31 December 2018: RMB407,663,837) were limited by being factored to secure certain bank loans of the Group.

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

Since factored accounts receivable is on full recourse basis, the Group has not transferred the significant risks and rewards relating of these receivables, it continues to recognize the receivables and has recognized the cash received from the bank as accounts receivable secured loan (See Note (VI) 17).

	Factoring accounts receivable on full recourse basis	
	2019.6.30 (unaudited)	2018.12.31 (audited)
Carrying amount of transferred assets	299,632,673	407,663,837
Carrying amount of related liabilities	98,558,196	155,555,585
Net book value	201,074,477	252,108,252



3. Prepayments

Presentation of prepayments according to aging analysis

Aging	2019.6.30 (unaudited)		2018.12.31 (audited)	
	Amount	Proportion(%)	Amount	Proportion(%)
Within 1 year	972,468,801	100	750,913,496	100
Total	972,468,801	100	750,913,496	100

On 30 June 2019 and 31 December 2018, there was no prepayment from shareholders who held voting shares of more than 5% (including 5%).

4. Other receivables

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Other receivables	228,304,906	175,508,371
Interest receivables	–	–
Dividend receivables	–	–
Total	228,304,906	175,508,371

Details of other receivables

(1) Presentation of other receivables by category

Category	2019.6.30 (unaudited)				Net book value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Rate (%)	
Other receivables that are individually significant and for which bad debt provision is assessed individually	5,087,250	2	4,224,750	83	862,500
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	227,806,269	98	363,863	–	227,442,406
Total	232,893,519	100	4,588,613	2	228,304,906

Category	2018.12.31 (audited)				Net book value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Rate (%)	
Other receivables that are individually significant and for which bad debt provision is assessed individually	5,087,250	3	4,224,750	83	862,500
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	174,802,765	97	156,894	–	174,645,871
Total	179,890,015	100	4,381,644	2	175,508,371

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

Aging	2019.6.30 (unaudited)			
	Carrying amount	Proportion%	Bad debt provision	Net book value
Within 1 year	217,279,734	93	–	217,279,734
1-2 years	9,839,864	5	295,196	9,544,668
2-3 years	686,671	–	68,667	618,004
3-4 years	–	–	–	–
4-5 years	–	–	–	–
Over 5 years	5,087,250	2	4,224,750	862,500
Total	232,893,519	100	4,588,613	228,304,906

(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.	5,087,250	4,224,750	83	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	2019.6.30 (unaudited)		
	Other receivables	Bad debt provision	Proportion%
Within 1 year	217,279,734	–	0
1-2 years	9,839,864	295,196	3
2-3 years	686,671	68,667	10
3-4 years	–	–	25
4-5 years	–	–	50
Over 5 years	–	–	100
Total	227,806,269	363,863	



5. Inventories

Presentation of Inventories by category

Item	2019.6.30 (unaudited)		Net book value
	Carrying amount	Impairment	
Merchandise inventory	1,461,707,079	–	1,461,707,079
Raw material	10,002,642	–	10,002,642
Goods in process	2,101,325	–	2,101,325
Low-value consumables	–	–	–
Total	1,473,811,046	–	1,473,811,046

Item	2018.12.31 (audited)		Net book value
	Carrying amount	Impairment	
Merchandise inventory	1,650,270,986	–	1,650,270,986
Raw material	18,159,997	–	18,159,997
Goods in process	490,791	–	490,791
Low-value consumables	1,837	–	1,837
Total	1,668,923,611	–	1,668,923,611

6. Other current assets

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Short-term investments (Note 1)	3,170,000	–
Deductible input value-added tax	104,233,362	122,864,461
Prepaid lease expenses	2,372,006	32,241,612
Prepaid heating expenses	–	3,566,527
Other prepaid expenses (Note 2)	8,519,401	1,251,741
Receivable return cost	15,041,539	17,192,758
Total	133,336,308	177,117,099

Note 1: Short-term investments are mainly the purchase of wealth management products.

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

7. Other non-current financial assets

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Classified Financial Assets at Fair Value Through Profit or Loss	29,597,934	14,583,646
Including: Debt Instrument Investments	–	–
Equity Instrument Investments (Note 1)	29,597,934	14,583,646
Subtotal	29,597,934	14,583,646
Less: Current Portion That Matures Within One Year	–	–
Total	29,597,934	14,583,646

Note 1: Chaopi Trading, the subsidiary of the Company, subscribed for the enjoyment of Wuliangye No. 1 fund products by monetary funds with a fund share of 11,638,983.05 with RMB11,670,000 in April 2018.

8. Investment properties

Investment properties under the cost method

Item	Buildings	Land use rights	Total
I. Original carrying amount			
1. 2018.12.31 (audited)	139,248,884	122,900,708	262,149,592
2. Increase in the period	–	–	–
(1) Revised carrying amount by the company	–	–	–
(2) Business mergers increased	–	–	–
3. Decrease in the period	–	–	–
(1) Transferred to the fixed assets	–	–	–
(2) Transferred to the intangible assets	–	–	–
4. 2019.6.30 (unaudited)	139,248,884	122,900,708	262,149,592
II. Accumulated depreciation and amortization			
1. 2018.12.31 (audited)	54,770,944	19,772,294	74,543,238
2. Increase in the period	2,629,635	1,716,601	4,346,236
(1) Accrual or amortization	2,629,635	1,716,601	4,346,236
(2) Transferred from the fixed assets	–	–	–
(3) Business mergers increased	–	–	–
3. Decrease in the period	–	–	–
(1) Transferred to the fixed assets	–	–	–
(2) Transferred to the intangible assets	–	–	–
4. 2019.6.30 (unaudited)	57,400,579	21,488,895	78,889,474
III. Net book value			
1. Net book value as at 30 June 2019 (unaudited)	81,848,305	101,411,813	183,260,118
2. Net book value as at 31 December 2018 (audited)	84,477,940	103,128,414	187,606,354

As at 30 June 2019 and 31 December 2018, there was no investment properties that were pledged to secure certain of the Group's long-term bank loans.

As at 30 June 2019 and 31 December 2018, all land use rights in the investment properties of the Group are medium-term lease.



9. Fixed assets

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Fixed assets	917,187,933	976,125,343
Disposal on fixed assets	17,773,366	–
Total	934,961,299	976,125,343

(1) Details of fixed assets

Item	Buildings	Machinery and equipment	Electronic devices and others	Transportation vehicles	Total
I. Original carrying amount					
1. 2018.12.31 (audited)	1,066,476,737	874,952,818	179,239,587	58,851,271	2,179,520,413
2. Increase in the period	83,652	2,287,202	9,348,727	3,495,419	15,215,000
(1) Purchase	83,652	944,507	9,027,799	2,622,919	12,678,877
(2) Transferred from the construction in process	–	1,342,695	320,928	872,500	2,536,123
(3) Transferred from the investment properties	–	–	–	–	–
(4) Business mergers increased	–	–	–	–	–
3. Decrease in the period	20,220,623	1,802,404	2,585,136	3,822,291	28,430,454
(1) Disposal or retirement	20,220,623	1,802,404	2,585,136	3,822,291	28,430,454
(2) Transferred to the investment properties	–	–	–	–	–
4. 2019.6.30 (unaudited)	1,046,339,766	875,437,616	186,003,178	58,524,399	2,166,304,959
II. Accumulative depreciation					
1. 2018.12.31 (audited)	396,608,529	635,641,492	132,989,809	38,155,240	1,203,395,070
2. Increase in the period	18,027,540	20,734,462	7,250,685	7,714,144	53,726,831
(1) Accrual	18,027,540	20,734,462	7,250,685	7,714,144	53,726,831
(2) Transferred from the investment properties	–	–	–	–	–
(3) Business mergers increased	–	–	–	–	–
3. Decrease in the period	2,614,930	1,050,812	2,181,087	2,158,046	8,004,875
(1) Disposal or Scrap	2,614,930	1,050,812	2,181,087	2,158,046	8,004,875
(2) Transferred to investment properties	–	–	–	–	–
4. 2019.6.30 (unaudited)	412,021,139	655,325,142	138,059,407	43,711,338	1,249,117,026
III. Net book value					
1. Net book value as at 30 June 2019 (unaudited)	634,318,627	220,112,474	47,943,771	14,813,061	917,187,933
2. Net book value as at 31 December 2018 (audited)	669,868,208	239,311,326	46,249,778	20,696,031	976,125,343

(2) Disposal on fixed assets

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Sale	17,605,693	–
Scrap	167,673	–
Total	17,773,366	–

10. Construction in progress

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Construction in progress	126,718,033	114,152,339
Engineer material	–	–
Total	126,718,033	114,152,339

(1) Details of construction in progress

Item	2019.6.30 (unaudited)			2018.12.31 (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	43,758,178	–	43,758,178
Pingfang Refrigeratory Project	9,617,821	–	9,617,821	9,617,821	–	9,617,821
Logistics Center Reconstruction Project	4,196,830	–	4,196,830	–	–	–
System Software Project	16,505,271	–	16,505,271	8,688,671	–	8,688,671
Airport store Reconstruction Project	–	–	–	1,193,428	–	1,193,428
Zhenzhi road store reconstruction Project	603,156	–	603,156	603,156	–	603,156
Other	1,804,124	–	1,804,124	58,432	–	58,432
Total	126,718,033	–	126,718,033	114,152,339	–	114,152,339

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

Item	Budget amount	2018.12.31 (audited)	Increase in the period	Transferred to fixed assets, intangible assets or long-term prepaid expenses	Other deduction	2019.6.30 (unaudited)
Shuangqiao Project	108,988,036	50,232,653	–	–	–	50,232,653
Pingfang Project	73,655,986	43,758,178	–	–	–	43,758,178
Pingfang Refrigeratory Project	35,047,286	9,617,821	–	–	–	9,617,821
Airport store Reconstruction Project	5,701,018	1,193,428	168,211	1,193,428	168,211	–
Logistics Center Reconstruction Project	5,000,000	–	4,196,830	–	–	4,196,830
System Software Project	17,961,076	8,688,671	9,347,974	1,531,374	–	16,505,271
Others	16,177,246	661,588	2,199,822	–	454,130	2,407,280
Total	262,530,648	114,152,339	15,912,837	2,724,802	622,341	126,718,033



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	28	28	-	-	-	Own funds and bank loans
Airport Store-transform	24	24	-	-	-	Own funds and bank loans
Logistics Center Reconstruction Project	84	84	-	-	-	Own funds and bank loans
System Software Project	100	100	-	-	-	Own funds and bank loans
Others	56	56	-	-	-	Own funds and bank loans
Total	397	397	3,425,988	-	-	

11. The right-of-use asset

Item	Buildings	Total
I. Original carrying amount		
1. 2018.12.31 (audited)	-	-
2. Increase in the period	1,197,306,594	1,197,306,594
Asset lease	1,197,306,594	1,197,306,594
3. Decrease in the period	-	-
Early termination of asset lease	-	-
4. 2019.6.30 (unaudited)	1,197,306,594	1,197,306,594
II. Accumulative depreciation		
1. 2018.12.31 (audited)	-	-
2. Increase in the period	86,587,688	86,587,688
Accrual	86,587,688	86,587,688
3. Decrease in the period	-	-
Termination of asset lease	-	-
4. 2019.6.30 (unaudited)	86,587,688	86,587,688
III. Net book value		
1. Net book value as at 30 June 2019 (unaudited)	1,110,718,906	1,110,718,906
2. Net book value as at 31 December 2018 (audited)	-	-

Note: The Group begins to implement the new leases standards from 1 January 2019, according to the relevant provisions of the new leasing standards, and lease contract signed by the Group as a lessee, which used to calculate the right-of-use assets and lease liabilities. In addition, the cumulative impact amount adjustment for the first execution is the first implementation of the retained earnings at the beginning of the current period (1 January 2019) and other related items in the financial statements, and the information for the comparable period is not adjusted.

12. Intangible assets

Item	Land use rights	Software	Operation rights of distribution network	Total
I. Original carrying amount				
1. 2018.12.31 (audited)	322,868,516	54,436,463	34,254,633	411,559,612
2. Increase in the period	–	524,483	–	524,483
(1) Purchase	–	335,804	–	335,804
(2) Transferred from the construction in process	–	188,679	–	188,679
(3) Transferred from the investment properties	–	–	–	–
(4) Business mergers increase	–	–	–	–
3. Decrease in the period	–	–	–	–
4. 2019.6.30 (unaudited)	322,868,516	54,960,946	34,254,633	412,084,095
II. Accumulated amortization				
1. 2018.12.31 (audited)	58,773,407	23,825,078	23,324,300	105,922,785
2. Increase in the period	4,522,586	2,359,470	1,499,092	8,381,148
(1) Accrual	4,522,586	2,359,470	1,499,092	8,381,148
(2) Transferred from the investment properties	–	–	–	–
(3) Business mergers increase	–	–	–	–
3. Decrease in the period	–	–	–	–
4. 2019.6.30 (unaudited)	63,295,993	26,184,548	24,823,392	114,303,933
III. Net book value				
1. Net book value as at 30 June 2019 (unaudited)	259,572,523	28,776,398	9,431,241	297,780,162
2. Net book value as at 31 December 2018 (audited)	264,095,109	30,611,385	10,930,333	305,636,827

13. Goodwill

Original carrying amount of goodwill

Name of the investee or item resulting in goodwill	2018.12.31 (audited)	Increase in the period		Decrease in the period		2019.6.30 (unaudited)
		Business combination	Others	Disposal	Others	
Acquisition of Shouchao Group	86,673,788	–	–	–	–	86,673,788
Total	86,673,788	–	–	–	–	86,673,788

On 30 June 2019 and 31 December 2018, 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% (2018: 11%). The growth rate used to extrapolate the cash flows of the subsidiary beyond the five-year period was 3% (2018: 3%).

As at 30 June 2019, and 31 December 2018, 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	2018.12.31 (audited)	Increase in the period	Amortization in the period	Other deduction	2019.6.30 (unaudited)	Other reduces reasons
Transferred from construction in progress to leasehold improvements	381,346,700	12,474,767	37,452,716	-	356,368,751	
Rent	18,741,280	-	-	18,741,280	-	Reduce conversion to right-of-use assets
Total	400,087,980	12,474,767	37,452,716	18,741,280	356,368,751	

15. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets without offset

Item	2019.6.30 (unaudited)		2018.12.31 (audited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax asset
Deductible losses	49,568,760	12,392,190	53,139,085	13,284,771
Taxable government grants	39,349,784	9,837,446	43,781,259	10,945,315
Total	88,918,544	22,229,636	96,920,344	24,230,086

(2) Deferred tax liabilities without offset

Item	2019.6.30 (unaudited)		2018.12.31 (audited)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value adjustment of assets arising from non-monetary asset exchange	12,006,171	3,001,543	12,539,390	3,134,848
Changes on the fair value of available-for-sale financial assets	17,927,934	4,481,983	2,913,646	728,411
Capitalized interest adjustment of borrowing costs	2,700,772	675,193	3,475,782	868,946
Difference between the fair value and the carrying amount of subsidiary merger and acquisition	2,644,095	661,024	2,740,842	685,210
Total	35,278,972	8,819,743	21,669,660	5,417,415

(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 2019.6.30 (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 in the beginning of year 2018.12.31 (audited)
Deferred tax assets	3,676,736	18,552,900	4,003,793	20,226,293
Deferred tax liabilities	3,676,736	5,143,007	4,003,793	1,413,622

16. Other non-current assets

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Long-term receivables due from Shoulian Group (Note 1)	135,600,000	135,600,000
Security deposit	41,075,385	36,861,502
Prepaid construction fees	1,164,291	50,000
Total	177,839,676	172,511,502

Note 1: As at 30 June 2019, 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

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Accounts receivable secured loan (Note 1)	98,558,196	155,555,585
Guaranteed loan (Note 2)	1,655,786,795	1,719,593,884
Unsecured loan (Note 3)	410,000,000	882,500,000
Total	2,164,344,991	2,757,649,469

As at 30 June 2019, and 31 December 2018, the short-term borrowings above bore annual interest rates ranging from 4.31% to 5.22% and 4.35% to 5.99% respectively without any due but unsettled ones.

Note 1: As at 30 June 2019, such short-term loan was obtained by several accounts receivable factoring of the Company totaling to RMB299,632,673 (31 December 2018: RMB407,663,837), and details were referred to Note (VI) 2.

Note 2: As at 30 June 2019, such short-term loans include RMB674,721,150, which was borrowed by Chaopi Trading, a subsidiary of the company, with a surety provided by the Company; RMB53,000,000, which was borrowed by a subsidiary of Chaopi Trading with a surety offered by the Company, and RMB628,065,645 was borrowed by a subsidiary of Chaopi Trading upon a surety provided by Chaopi Trading; and another RMB300,000,000 was borrowed by the Company with the surety provided by Chaopi Trading.

As at 31 December 2018, among such short-term bank loans, RMB413,693,884 was borrowed by the Company's subsidiary Chaopi Trading upon a surety provided by the Company; RMB74,900,000 was borrowed by a subsidiary of Chaopi Trading upon a surety provided by the Company; and RMB681,000,000 was borrowed by a subsidiary of Chaopi Trading upon a surety provided by Chaopi Trading; RMB550,000,000 was borrowed by the Company upon a surety provided by Chaopi Trading.

Note 3: As at 30 June 2019, the credit loans included RMB50,000,000, RMB150,000,000 and RMB150,000,000 respectively granted by Mizuho Bank (China), Ltd. Beijing Branch, Industrial and Commercial Bank of China Co., Ltd Beijing Chaoyang Sub-branch and Bank of Communications Co., Ltd. Sanyuan Bridge Branch on an unsecured basis. RMB60,000,000 borrowed by the Company's subsidiary Chaopi Trading granted by China Everbright Bank Co., Ltd. Fucheng Road Branch on an unsecured basis.

As at 31 December 2018, the credit loans included RMB50,000,000, RMB300,000,000 and RMB300,000,000 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 RMB110,000,000, and RMB100,000,000 respectively granted by China Everbright Bank Co., Ltd. Fucheng Road Sub-branch and Baoshang Bank Co., Ltd. Beijing Branch on an unsecured basis. The credit loans included RMB22,500,000 borrowed by the Company's subsidiary Chaopi Trading that granted by HSBC Bank (China) Co., Ltd. Beijing Branch on an unsecured basis.

18. Notes payable

Category	2019.6.30 (unaudited)	2018.12.31 (audited)
Bank acceptances	529,667,363	631,264,431
Total	529,667,363	631,264,431

As at 30 June 2019, security deposit for the issuance of bank acceptances above amounted to RMB104,890,669 (31 December 2018: RMB132,682,283).

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

19. Accounts payable

Accounts payable are presented by nature as follows:

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Purchase price	918,058,736	1,001,433,347
Total	918,058,736	1,001,433,347

20. Contract Liability

Details of Contract liability

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Procurements received in advance	341,065,125	371,087,396
Total	341,065,125	371,087,396

21. Payroll payable

(1) Details of payroll payable

Item	2018.12.31 (audited)	Increase in the period	Decrease in the period	2019.6.30 (unaudited)
1. Short-term remuneration	1,741,169	362,561,383	362,539,376	1,763,176
2. Post-employment benefits-defined contribution plans (Note 1)	–	36,183,345	36,159,823	23,522
3. Dismissal compensation	–	2,952,556	2,952,556	–
4. Other welfare due within one year	–	–	–	–
Total	1,741,169	401,697,284	401,651,755	1,786,698



(2) Short-term remuneration

Item	2018.12.31 (audited)	Increase in the period	Decrease in the period	2019.6.30 (unaudited)
1) Wages or salaries, bonus, allowance, subsidies	-	301,539,080	301,539,080	-
2) Staff welfare	-	12,534,310	12,534,310	-
3) Social security	-	25,074,991	25,057,983	17,008
Including: Medical insurance	-	22,472,551	22,457,311	15,240
Work injury insurance	-	871,003	870,454	549
Maternity insurance	-	1,731,437	1,730,218	1,219
4) Housing funds	-	16,985,878	16,985,878	-
5) Labor union expenses and employees' education expenses	1,741,169	6,427,124	6,422,125	1,746,168
Total	1,741,169	362,561,383	362,539,376	1,763,176

(3) Details of defined contribution plan

Item	2018.12.31 (audited)	Increase in the period	Decrease in the period	2019.6.30 (unaudited)
1) Basic retirement insurance	-	34,680,603	34,658,082	22,521
2) Unemployment insurance	-	1,502,742	1,501,741	1,001
3) Annuity	-	-	-	-
Total	-	36,183,345	36,159,823	23,522

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 RMB34,680,603 and RMB1,502,742 to retirement insurance and unemployment insurance accordingly.

22. Taxes payable

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Value-added tax	94,580,533	59,910,065
Corporate income tax	13,105,683	27,579,073
Personal income tax	10,526,321	846,833
City construction and maintenance tax	859,300	812,739
Education surcharge	372,130	355,419
Stamp duty	279,803	289,259
Local education surcharge	296,069	224,545
Consumption tax	110,100	142,532
Total	120,129,939	90,160,465

23. Other payables

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

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Other payables	214,366,018	225,876,605
Interest payables	3,029,983	3,939,352
Dividend payables	22,463,745	4,576,656
Total	239,859,746	234,392,613

(2) Details of other payables

Presentation of other payables by nature of accounts

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Construction fees payable	34,426,674	64,361,389
Deposit	62,772,232	66,557,134
Rent received in advance	10,494,393	19,502,772
Others	106,672,719	75,455,310
Total	214,366,018	225,876,605

(3) Details of interest payables

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Short-term debts interest payables	3,029,983	3,939,352
Total	3,029,983	3,939,352

(4) Details of dividend payables

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Ordinary shares dividend (domestic-owned shares)	13,392,785	1,134,156
Other minority shareholders' dividend	9,070,960	3,442,500
Total	22,463,745	4,576,656

24. Non-current liabilities due within one year

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Leases liability	178,979,399	–
Total	178,979,399	–



25. Other current liabilities

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Short-term financing bond (Note 1)	600,000,000	300,000,000
Refund payable	17,502,450	19,594,656
Accrued expenses	20,689,889	28,368,199
Deferred income due within one year	–	9,014,187
Total	638,192,339	356,977,042

(1) Accrued expenses

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Accrued interest expenses	14,294,000	3,823,750
Accrued rent expenses	–	15,571,837
Accrued audit expenses	–	1,226,415
Others	6,395,889	7,746,197
Total	20,689,889	28,368,199

(2) Deferred income due with one year

Item	Notes	2019.6.30 (unaudited)	2018.12.31 (audited)
Asset-related government grants due within one year	Note 2	–	9,014,187
Total		–	9,014,187

Note 1: On 27 September 2018, the Group completed the issuance of corporate bonds with a value of RMB300 million and a term of one year in China, which approved by the China Association of Banking Market Dealers (CPI No. [2018] CP153). The issuance rate of the corporate bonds was 4.83% and the lead underwriter was Bank of China Limited; On 21 March 2019, the Group completed the issuance of corporate bonds with a value of RMB300 million and a term of one year in China. The issuance rate of the corporate bonds was 3.90% and the lead underwriter was Bank of Beijing Limited.

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) 28.

26. Lease liability

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Lease payments	1,384,781,993	-
Unconfirmed financing charges	(257,042,223)	-
Reclassification to the amount of non-current liabilities due within one year	(178,979,399)	-
Net lease payments	948,760,371	-

Note: For details of the changes to the implementation of the new lease criteria, see Note VI.11 The right-of-use assets.

27. Government grants

Details of government grants

Classification	Amount	Presentation project	Amount included in current profit and loss
Ease the employment pressure	582,634	Other income	582,634
Government grants related to assets are amortized this year	4,564,808	Other income	4,564,808
Other	834,130	Other income	834,130
Compensation for house demolition	4,950,000	Non-operating income	4,950,000
Total	10,931,572		10,931,572



28. Deferred income

Item	2018.12.31 (audited)	Increase in the period	Decrease in the period	2019.6.30 (unaudited)	Reasons
Government grants	34,300,405	9,014,187	4,564,808	38,749,784	-
Total	34,300,405	9,014,187	4,564,808	38,749,784	-

Including, the project related to Government grants:

Item	2018.12.31 (audited)	Increase in the period	Included non- operating income	Included other income	Other change	2019.6.30 (unaudited)	Related to assets/income
Agricultural Super Matchmaking Pilot Project	3,581,633	1,050,066	-	525,033	-	3,056,600	Related to assets
Chaoyang District Finance Bureau life service industry development guidance funds	3,158,865	421,182	-	210,591	-	2,948,274	Related to assets
Central Finance promotes the development of special funds for the service industry	3,054,499	840,706	-	420,353	-	2,634,146	Related to assets
Logistics standardization pilot project in 2017	2,807,364	398,797	-	199,399	-	2,607,965	Related to assets
Energy-saving and emission reduction technology transformation project	2,699,767	368,150	-	184,075	-	2,515,692	Related to assets
Logistics standardization pilot project in 2015	2,667,871	913,961	-	456,981	-	2,210,890	Related to assets
Other	16,330,406	5,021,325	-	2,568,376	-	22,776,217	Related to assets
Total	34,300,405	9,014,187	-	4,564,808	-	38,749,784	

Government grants includes:

- (1) Deferred income was the government grants totaling RMB 4,000,000 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 RMB 3,753,000 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 RMB 14,186,700 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 RMB 8,820,000 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 RMB 3,000,000 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 RMB 5,000,000 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 RMB 8,310,000 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 RMB 5,865,700 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 RMB 2,080,000 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 RMB 8,730,000 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 RMB 3,000,000 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 RMB 12,647,900 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 RMB 3,140,000 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 RMB 4,011,200 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.
- (15) In 2017, the Company received government grants totaling RMB 1,199,000 from Beijing Municipal Development and Reform Commission as a special funds for Jingkelong Commercial convenience service investment 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 (7 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (16) In 2018, the Company received government grants totaling RMB 1,155,200 from Beijing Municipal Development and Reform Commission as a special funds for Jingkelong Store renovation 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.

- (17) In 2018, the Company received government grants totaling RMB 3,681,500 from Beijing Municipal Development and Reform Commission as a special funds for Energy-saving technical transformation 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 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (18) In 2018, the Company received government grants totaling RMB4,211,820 from Beijing Municipal Commission of Commerce and Beijing Finance Bureau and as a special funding for Life service industry development guidance 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 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (19) In 2018, the Company received government grants totaling RMB 1,471,800 from Beijing Municipal Development and Reform Commission as a special funds for Energy saving carbon reduction 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 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.

29. Other non-current liabilities

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Long-term rent payable	-	29,580,164
Special payable	800,000	800,000
Total	800,000	30,380,164

30. Share capital

Item	2018.12.31 (audited)	New issue of shares	Changes in the period			Subtotal	2019.6.30 (unaudited)
			Bonus issue	Capitalization of surplus reserves	Others		
1. State-owned legal person shares							
Chaoyang Auxiliary	167,409,808	-	-	-	-	-	167,409,808
Subtotal of state-owned legal person shares	167,409,808	-	-	-	-	-	167,409,808
2. Other domestic-owned shares							
Shares held by domestic non-state owned legal person	5,210,428	-	-	-	-	-	5,210,428
Domestic individual shareholders	57,439,764	-	-	-	-	-	57,439,764
3. Foreign listed shares denominated in RMB	182,160,000	-	-	-	-	-	182,160,000
Total shares	412,220,000	-	-	-	-	-	412,220,000



31. Capital reserves

Item	2018.12.31 (audited)	Increase in the period	Decrease in the period	2019.6.30 (unaudited)
Capital premium	609,790,884	-	-	609,790,884
Equity transaction with minority shareholders of subsidiaries	(10,443,286)	-	-	(10,443,286)
Other capital reserves	5,695,493	-	-	5,695,493
Total	605,043,091	-	-	605,043,091

32. Other comprehensive income

Item	2018.12.31 (audited)	Changes in the period					2019.6.30 (unaudited)
		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 shareholders of parent company after tax	Attributable to minority shareholder after tax	
Other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-
Differences of foreign currency financial statements convert	82,125	159,304	-	-	82,683	76,621	164,808
Total	82,125	159,304	-	-	82,683	76,621	164,808

33. Surplus reserves

Item	2018.12.31 (audited)	Increase in the period	Decrease in the period	2019.6.30 (unaudited)
Statutory surplus reserve	153,125,894	-	-	153,125,894
Total	153,125,894	-	-	153,125,894

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 2019 (unaudited)		Six months ended at 30 June 2018 (unaudited)	
	Income	Cost	Income	Cost
Undistributed profits at the beginning of year				
		537,907,146		504,701,969
Add: Net profit attributable to the shareholders of the parent company for the year		30,133,697		29,036,547
Less: Appropriation to statutory surplus reserve		–		–
Ordinary shares' dividends payable		32,977,600		24,733,200
Other		–		–
Undistributed profits at the end of the year		535,063,243		509,005,316

Dividend

A final dividend of RMB0.08 per share, in respect of year ended at 31 December 2018 (the previous corresponding period: RMB0.06 per share in respect of the year ended at 31 December 2017) was declared and paid to the shareholders of the Company. The aggregated amount of the final dividend declared and paid was RMB32,977,600 (Prior period: RMB24,733,200).

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

Item	Six months ended at 30 June 2019 (unaudited)		Six months ended at 30 June 2018 (unaudited)	
	Income	Cost	Income	Cost
Principal operating	5,324,902,003	4,548,447,560	5,137,604,291	4,399,629,238
Other operating	560,087,730	6,051,875	588,687,901	5,322,199
Total	5,884,989,733	4,554,499,435	5,726,292,192	4,404,951,437

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

Item	Six months ended at 30 June 2019 (unaudited)		Six months ended at 30 June 2018 (unaudited)	
	Principal operating income	Principal operating costs	Principal operating income	Principal operating costs
Retail	2,109,605,255	1,743,041,618	2,242,625,542	1,866,386,559
Wholesale	3,199,323,115	2,794,091,820	2,875,400,409	2,518,176,084
Others	15,973,633	11,314,122	19,578,340	15,066,595
Total	5,324,902,003	4,548,447,560	5,137,604,291	4,399,629,238

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 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Consumption tax	1,061,536	1,315,086
City construction and maintenance tax	10,877,381	12,352,618
Building tax	7,640,032	7,667,608
Land tax	408,699	387,579
Vehicle and vessel use tax	190,769	225,387
Stamp tax	3,101,998	3,641,089
Others	26,968	3,082
Total	23,307,383	25,592,449

37. Selling expenses

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Wages and salaries	261,099,643	262,809,148
Promotional expenses	213,316,432	187,343,612
Depreciation and amortization expenses	179,672,464	95,275,255
Service fee	109,256,287	127,612,604
Shipping fee	97,879,243	87,691,087
Utility fee	32,160,446	37,604,811
Security fee	17,880,049	16,910,581
Lease expenses	12,659,566	101,980,663
Repair fee	11,140,419	15,855,412
Warehousing fee	10,289,422	10,123,240
Coal fee	8,286,065	7,653,230
Cleaning fee	8,112,386	7,337,191
Advertising fee	7,091,935	7,681,596
Telephone, postal and communication fees	3,295,311	3,010,406
Computer supplies	3,088,135	2,648,862
Packaging fee	2,849,223	2,461,900
Travel expenses	2,308,741	2,869,348
Property costs	1,950,121	2,067,763
Insurance	1,880,085	1,830,464
Commodity loss or loss	1,185,576	970,694
Shop opening fee	408,915	46,292
Stationery printing fee	371,399	1,339,893
Labour protection fee	330,851	439,256
Low value consumables	71,610	42,343
Meal fee	40,403	13,003
Book information fee	12,163	24,826
Others	734,547	557,543
Total	987,371,437	984,201,023

38. Administrative expenses

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Wages and salaries	140,426,898	133,199,799
Depreciation and amortization expenses	4,905,455	4,391,790
Service fee	3,075,427	3,923,858
Consulting fee	2,245,528	1,060,211
Low value consumables	1,760,100	2,732,909
Inventory count loss	1,699,920	1,223,186
Audit fees	1,547,064	1,445,333
Business hospitality	1,256,828	1,665,952
Travel expenses	942,705	273,415
Utility fee	664,352	341,745
Conference fee	582,218	329,507
Repair fee	344,577	203,336
Insurance	335,978	389,536
Telephone, postal and communication fees	199,385	214,936
Office fee	88,742	56,473
Heating costs	4,081	5,908
Others	1,878,839	2,260,202
Total	161,958,097	153,718,096

39. Financial expenses

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Interest expenses	98,777,437	85,603,075
Including: Lease liability interest expense	26,265,807	-
Less: Capitalized interest expenses	7,329	34,455
Interest income	(6,255,669)	(5,539,492)
Bank charges	7,571,353	7,706,982
Exchange losses (gains)	(190,010)	219,009
Total	99,895,782	87,955,119

40. Credit impairment losses

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Bad debt of note receivable and accounts receivable	1,144,377	1,471,323
Bad debt of other receivable	206,968	-
Total	1,351,345	1,471,323



41. Other income

(1) Details of other income

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)	The amount included in the current year non- recurring gains and losses
Government grants	5,981,572	8,706,198	5,981,572
Total	5,981,572	8,706,198	5,981,572

(2) Details of government grants

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Ease the employment pressure	582,634	2,032,992
Asset-related government grants amortization for the current year	4,564,808	4,473,145
Other	834,130	2,200,061
Total	5,981,572	8,706,198

42. Investment income

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Investment income from short-term financial products	279,557	1,011,101
Investment income from disposing financial assets measured at fair value through profit or loss	-	10,880,492
Investment income of financial assets measured at fair value through profit or loss during the holding period	942,758	-
Total	1,222,315	11,891,593

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 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Trading financial assets	15,014,288	(8,949,083)
Including: classified financial assets at fair values through profits or losses (exclude gains from changes in fair value of derivative instruments)	15,014,288	(8,949,083)
classified financial assets at fair values through profits or losses (gains from changes in fair value of derivative instruments)	-	-
Total	15,014,288	(8,949,083)

44. Gain on disposal of assets

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)	The amount included in the current year non-recurring gains and losses
Gain on disposal of non-current assets	(106,080)	(1,226,928)	(106,080)
Total	(106,080)	(1,226,928)	(106,080)

45. Non-operating income

(1) Details of non-operating income

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)	The amounts included in non-recurring gains and losses for the year
Total gains on spoilage and obsolescence of non-current assets	–	535	–
Including: Gains on spoilage and obsolescence of non-current assets of fixed assets	–	535	–
Government grants	4,950,000	9,200,000	4,950,000
Default compensation	1,479,348	–	1,479,348
Less payment due to tax rate adjustment	2,795,450	–	2,795,450
Disposal of waste materials	408,804	–	408,804
Others	454,527	510,140	454,527
Total	10,088,129	9,710,675	10,088,129

(2) Details of government grants

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Compensation for house demolition	4,950,000	9,200,000
Total	4,950,000	9,200,000



46. Non-operating expenses

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)	The amounts included in non- recurring gains and losses for the year
Total losses on spoilage and obsolescence of non-current assets	39,906	3,957,417	39,906
Including: Losses on spoilage and obsolescence of fixed assets	39,906	3,957,417	39,906
Fine	1,084,563	617,115	1,084,563
Others	3,855,467	5,186,821	3,855,467
Total	4,979,936	9,761,353	4,979,936

47. Income tax expenses

(1) Details of income tax expenses

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Current income tax expenses	30,894,264	32,157,363
Deferred income tax expenses	5,402,778	(1,090,061)
Total	36,297,042	31,067,302

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

Item	Six months ended at 30 June 2019 (unaudited)
Total profit	83,826,542
Income tax expenses calculated at statutory/applicable tax rate	20,956,636
Effect of subsidiary companies to adapt different tax rates	(99,267)
Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets in the period	719,327
Effect of non-taxable income	(235,689)
Effect of non-deductible costs, expenses and losses	1,302,471
Effect of deductible losses recover of previously recognized deferred tax assets	(361,996)
Effect of using deductible losses of previously unrecognized deferred tax assets	14,015,560
Total	36,297,042

48. Earnings per share

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Net profit for the period attributable to shareholders of the parent company	30,133,697	29,036,547
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 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Calculated based on the net profit attributable to ordinary shareholders of the parent company:		
Basic earnings per share	0.07	0.07

As at the reporting date, the Company has no dilutive potential ordinary shares.

49. Cash flow statement item

(1) Receive other cash related to business activities

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Note deposit	133,519,403	112,555,877
Rental income	102,924,716	105,566,498
Income of transportation fee	19,796,425	11,277,423
Income of government grants	6,366,764	17,906,198
Other income	4,394,283	11,816,839
Total	267,001,591	259,122,835

(2) Paying other cash related to business activities

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Selling expenses (excluding rent)	414,108,263	435,178,348
Administrative expenses	17,276,296	15,228,808
Note deposit	105,727,789	73,329,535
Rental fees	22,948,988	112,103,903
Bank fees	7,571,354	7,706,982
Total	567,632,690	643,547,576



(3) *Receive other cash related to investment activities*

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Financial product	348,813,811	529,331,147
Total	348,813,811	529,331,147

(4) *Paying other cash related to investment activities*

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Financial product	351,820,000	532,690,000
Total	351,820,000	532,690,000

(5) *Receive other cash related to fundraising activities*

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Chaoyang SASAC operating turnover funds	–	1,110,000,000
Total	–	1,110,000,000

(6) *Paying other cash related to fundraising activities*

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Chaoyang SASAC operating turnover funds	–	1,110,000,000
Repayment of lease liabilities principal and interest	104,639,573	–
Total	104,639,573	1,110,000,000

50. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Supplementary information	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
1. Reconciliation of net profits and cash flow from operating activities:		
Net profits	47,529,500	47,706,545
Add: Provision for impairment losses on assets	1,351,345	1,471,323
Credit impairment loss	-	-
Depreciation of fixed assets, investment property, oil and gas assets and productive biological assets.	144,660,754	57,019,883
Amortization of intangible assets	8,381,148	8,257,444
Amortization of long-term prepaid expenses	37,452,716	39,925,121
Net Losses on disposal of fixed assets, intangible assets and other long-term assets	106,080	1,226,928
Losses arising from the scrapped fixed assets	39,906	3,956,882
Losses (Gains) on Changes in fair value	(15,014,288)	8,949,083
Financial expenses(Included exchange gains and losses)	99,895,782	80,248,136
Losses arising from investments	(1,222,315)	(11,891,593)
Increase in deferred tax liabilities	3,402,327	(2,265,569)
Decrease in deferred tax assets	2,000,450	1,175,508
Decrease(Increase) in inventories	195,112,564	173,537,988
Decrease in operating receivables	(100,345,129)	(172,461,716)
Increase in operating payables	(175,585,036)	231,571,267
Net cash flows from operating activities	247,765,804	468,427,230
2. Net changes in cash and cash equivalents:		
Closing balance of cash	704,959,975	1,093,829,740
Less: Opening balance of cash	1,014,227,924	929,508,883
Net increase in cash and cash equivalents	(309,267,949)	164,320,857

(2) Cash and cash equivalents

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Cash		
Including: Cash on hand	9,010,858	17,579,603
Bank deposits on demand	695,949,117	1,076,250,137
Closing balance of cash and cash equivalents	704,959,975	1,093,829,740



VII. CHANGES IN THE CONSOLIDATION SCOPE

This year's scope of consolidation has changed due to the following:

Due to the subsidiary of the Company, Beijing Chaochao Xinyi Shangzhen Food Co., Ltd. established a wholly-owned subsidiary Tangshan Chaopi Shangzhen Food Co., Ltd. on 19 April 2019, so the company was included in the merger this year.

VIII. EQUITY IN OTHER ENTITIES

Equity in subsidiaries

Components of the Company

Subsidiary	Type	Place of incorporation	Nature of business	Registered Capital
Beijing Jingkelong (Langfang) Co., Ltd. (Jingkelong Langfang)	Limited liability company	Langfang, PRC	Retail	80,000,000
Beijing Jingkelong Supermarket Chain Co., Ltd. (Jingkelong Tongzhou)	Limited liability company	Beijing, PRC	Retail	29,000,000
Beijing Xinyang Tongli Commercial Facilities Co., Ltd. (Xinyang Tongli)	Limited liability company	Beijing, PRC	Manufacture	10,000,000
Beijing Jingkelong Shouchao Commercial Co., Ltd. (Shoulan Supermarket)	Limited liability 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
Beijing Jingkelong Fresh convenience store Company Limited(Jingkelong Fresh)	Limited liability company	Beijing, PRC	Retail	10,000,000
Beijing Chaopi Trading Co., Ltd. (Chaopi Trading)	Company limited by shares	Beijing, PRC	Wholesale	500,000,000
Beijing Chaopi Shuanglong Alcohol Sales Co.,Ltd. (Chaopi Shuanglong)*	Limited liability company	Beijing, PRC	Wholesale	110,160,000
Beijing Chaopi Huaqing Beverage Co.,Ltd. (Chaopi Huaqing)*	Limited liability company	Beijing, PRC	Wholesale	80,000,000
Beijing Chaopi Flavourings, Co.,Ltd. (Chaopi Flavouring)*	Limited liability company	Beijing, PRC	Wholesale	50,000,000
Beijing Chaopi Jinglong Oil Sales Co.,Ltd. (Chaopi Oil Sales)*	Limited liability company	Beijing, PRC	Wholesale	36,000,000
Shijiazhuang Chaopi Xinlong Trading Co.,Ltd.*	Limited liability company	Shijiazhuang, PRC	Wholesale	5,000,000
Qingdao Chaopi Jinlong Trading Co.,Ltd.*	Limited liability company	Qingdao, PRC	Wholesale	5,000,000
Beijing Chaopi Zhongde Trading Co.,Ltd. (Chaopi Zhongde)*	Limited liability company	Beijing, PRC	Wholesale	50,000,000
Beijing Chaopi Huilong Trading Co.,Ltd. (Chaopi Huilong)*	Limited liability company	Beijing, PRC	Wholesale	24,000,000
Taiyuan Chaopi Trading Co.,Ltd.(Chaopi Taiyuan)*	Limited liability company	Taiyuan, PRC	Wholesale	15,000,000
Tianjin Chaopi Trading Co.,Ltd.*	Limited liability company	Tianjin, PRC	Wholesale	15,000,000
Chaopi Yuli Trading Co.,Ltd.**	Limited liability company	Beijing, PRC	Wholesale	24,000,000
Chaopi Fangsheng Trading Co.,Ltd.**	Limited liability company	Beijing, PRC	Wholesale	20,000,000
Jinan Chaopi Linda Trading Co.,Ltd. (Chaopi Jinan)*	Limited liability company	Jinan, PRC	Wholesale	26,000,000
Beijing Chaopi Shenglong Trading Co.,Ltd. (Chaopi Shenglong)*	Limited liability company	Beijing, PRC	Wholesale	20,000,000
Beijing Chaopi Tianhua Trading Co.,Ltd. (Chaopi Tianhua)*	Limited liability company	Beijing, PRC	Wholesale	20,000,000
Datong Chaopi Beichen Trading Co.,Ltd. (Chaopi Datong)*	Limited liability company	Datong, PRC	Wholesale	26,000,000
Datong Chaopi Ant Trading Co.,Ltd. (Chaopi Ant)**	Limited liability company	Datong, PRC	Retail	5,000,000
Tangshan Chaopi Baishun Trading Co.,Ltd. (Chaopi Baishun)*	Limited liability company	Tangshan, PRC	Wholesale	30,000,000
Beijing Chaopi Maolisheng Trading Co.,Ltd. (Chaopi Maolisheng)*	Limited liability company	Beijing, PRC	Wholesale	75,000,000
Hong Kong Chaopi Asia Co.,Ltd. (Chaopi Hong Kong)**	Limited liability company	Hong Kong, PRC	Wholesale	HKD10,000
Beijing Qumeiba Information Technology Company Limit ted (Qumeiba)*	Limited liability company	Beijing, PRC	Wholesale	1,000,000
Beijing Chaopi Shengshi Trading Co.,Ltd. (Chaopi Shengshi)*	Limited liability company	Beijing, PRC	Wholesale	25,000,000

Subsidiary	Type	Place of incorporation	Nature of business	Registered Capital
Beijing Chaopi Zhaoyang E-commerce Co., Ltd. (Chaopi Zhaoyang)*	Limited liability company	Beijing, PRC	Wholesale	20,000,000
Beijing Chaopi Xinyishangzhen Food Co., Ltd.(Xinyishangzhen)*	Limited liability company	Beijing, PRC	Wholesale	40,000,000
Beijing Shangzhen Food Co., Ltd. (Shangzhen Food)**	Limited liability company	Beijing, PRC	Wholesale	5,000,000
Tangshan Chaopi Shangzhen Food Co., Ltd. (*Tangshan Shangzhen**) **	Limited liability company	Tangshan, PRC	Manufacturing	4,000,000
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 Jiushengmingjin 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, Wujinjaodian, such as needle textiles	100	100	Yes	
Beijing Jingkelong Fresh convenience store Company Limited (Jingkelong Fresh)	Wholesale of food	100	100	No	Note 4
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	



Subsidiary	Scope of business	Proportion of ownership interests (%)	Proportion of voting power (%)	Whether Consolidated or not	Notes
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	
Taiyuan Chaopi Trading Co.,Ltd. (Chaopi Taiyuan)*	Wholesale of general merchandise	79.85	100	Yes	
Tianjin Chaopi Trading Co.,Ltd.*	Wholesale of general merchandise	79.85	100	Yes	
Chaopi Yuli Trading Co.,Ltd.(Chaopi Yuli)**	Wholesale of general merchandise	30.31	70	Yes	
Chaopi Fangsheng Trading Co.,Ltd.(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	65.12	81.55	Yes	Note 5
Beijing Chaopi Maolisheng Trading Co.,Ltd. (Chaopi Maolisheng)*	Wholesale of general merchandise	51.90	65	Yes	
Hong Kong Chaopi Asia Co.,Ltd. (Chaopi Hong Kong)**	Merchandise trading	42.03	100	Yes	
Beijing Qumeiba Information Technology Company Limit ted (Qumeiba)*	Wholesale of cosmetics	51.90	65	Yes	
Beijing Chaopi Shengshi Trading Co.,Ltd. (Chaopi Shengshi)*	Wholesale of cosmetics	51.90	65	Yes	
Beijing Chaopi Zhaoyang E-commerce Co.,Ltd. (Chaopi Zhaoyang)*	Wholesale of general merchandise	79.85	100	Yes	
Beijing Chaopi Xinyishangzhen Food Co., Ltd. (Xinyishanghen)*	Wholesale of food, packed food and dairy product	47.91	60	Yes	

Subsidiary	Scope of business	Proportion of ownership interests (%)	Proportion of voting power (%)	Whether Consolidated or not	Notes
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	
Tangshan Chaopi Shangzhen Food Co., Ltd. ("Tangshan Shangzhen")**	Fruit and nut, vegetable processing; convenient food manufacturing, food sales; conference services; exhibition and display services; design, production, roads, general cargo transportation, etc.	47.91	100	Yes	Note 1
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 2
Beijing Chaopi Jiushengmingpin Trading Co., Ltd.(Chaopi Jiusheng) *	Wholesale of general merchandise	79.85	100	Yes	Note 3
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:

- * 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 19 April 2019, the subsidiary of the Company's subsidiary Chaopi Trading, Xinyi Shagnzhen, established Tangshan Shangzhen as a wholly-owned subsidiary, with registered capital of RMB4,000,000. Tangshan Shanzhen has obtained business license with NO. 91130229MA0DG50L1E. On 7 May and 21 May 2019, Xinyi Shangzhen has been paid fully.

Note 2: 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 3: 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 4: On 27 July 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 5: On 30 November 2018, according to 'Reply to the approval of the company by the Chaoyang Company to approve the partial shareholding of the natural person shareholder of Baishun Trading Co., Ltd.' (JKLBZ[2018]No.50), Chaopi Trading purchased 11.55% equity of Tangshan Baishun hold by the natural people, who is Kong yushun. After equity acquisition Chaopi Trading directly hold 81.55% equity of Tangshan Baishun, that is, the Company indirectly hold 65.12% equity of Tangshan Baishun through Chaopi Trading.

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

Name of the parent company	Type	Place of incorporation	Legal representative	Nature of business	Registered capital(10 thousand yuan)	Proportion of the entity's ownership interests held by the parent (%)	Proportion of the entity's voting power held by the parent (%)	The ultimate controlling party of the Company	Uniform social credit code
Chaoyang Auxiliary	State-owned	Beijing	Mr. Wang Weilin	Sales of food and oil products	21,306.10	40.61	40.61	Chaoyang Auxiliary	9111000010163706X9

2. Subsidiaries of the Company

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

3. Related party transaction

(1) Related party's lease transaction

Lessor	Lessee	Type of lease	Pricing basis of related party transaction	Notes	Six months ended at 30 June 2019 (unaudited) Amount	Six months ended at 30 June 2018 (unaudited) Amount
Chaoyang Auxiliary	The Company	Rental expenses	Price negotiated	Note 1	683,068	683,068

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 respectively.



On 1 July 2011, the Company entered into lease contracts with Hongchao Weiye to renew the leasing of properties under the original contractual terms at annual rent of RMB7,344,499 effecting from 1 July 2011. On 1 July 2012, the Company entered into supplemental agreement to the aforesaid lease contracts with Hongchao Weiye, pursuant to which the annual rents for such properties were adjusted to RMB26,997,108 effecting from the same day with incremental by 3% every five years.

On 1 July 2011, the subsidiary of the Company Chaopi Trading entered into lease contracts with Hongchao Weiye to renew the leasing of properties under the original contractual terms at annual rent of RMB920,853 effecting from 1 July 2011. On 1 July 2012, the subsidiary of the Company Chaopi Trading entered into supplemental agreements to the aforesaid lease contracts with Hongchao Weiye, pursuant to which the annual rents for such properties were adjusted to RMB2,808,259 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 2019 (unaudited)
Compensation for key management:	6,927,986	3,988,378

4. Receivables and payables of related parties

The Group had no receivables or payables balance with related parties at 30 June 2019 and 31 December 2018.

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	2019.6.30 (unaudited)	2018.12.31 (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	1,376,381	1,366,135
Subsequent periods	2,100,432	2,793,746
Total	6,209,083	6,892,151

X. COMMITMENTS

1. Significant commitments

(1) Capital commitments

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Acquisition of fixed assets		
Authorized but not contracted	352,985,388	336,830,011
Contracted but not provided	212,514,035	202,213,145
Total	565,499,423	539,043,156



(2) Operating lease commitments

As at 30 June 2019 and 31 December 2018, the Group had the following commitments in respect of non-cancellable operating leases:

As the lessor

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Minimum lease receivables under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	118,552,915	83,298,668
2nd year subsequent to the balance sheet date	73,837,526	65,603,879
3rd year subsequent to the balance sheet date	52,803,519	49,788,097
4th year subsequent to the balance sheet date	34,983,030	29,481,509
5th year subsequent to the balance sheet date	20,354,068	20,489,720
Subsequent periods	33,840,076	41,581,100
Total	334,371,134	290,242,973

XI. SIGNIFICANTE SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

The issuance of bonds

Pursuant to the "Approval on Issuance of Corporate Bonds of Beijing Jingkelong Company Limited" (Zheng Jian Xu Ke [2019] No. 303) issued by the CSRC, on 6 March 2019, which approved the company to publicly issue corporate bonds with a total par value of no more than RMB800 million to qualified investors. The lead underwriter and the bond trustee of the public issuing of corporate bonds is Zhong De Securities Company Limited

The Company has officially launched the issuance of this corporate bond, as at the report date, the publicly issued corporate bonds (Phase I) in 2019 have announced the prospectus and abstract, the issuance announcement, the rating report, coupon rate announcement etc. on the website of the Shanghai Stock Exchange. In addition, the rest of the work is progressing as planned and it will be completed in early September 2019.

XII. OTHER SIGNIFICANTE EVENTS

1. Disclosure of fair value

On 30 June 2019, The Group, using the assets at fair value, subscribed the fund products of Junxiang Wuliangye No.1 for subsidiary Chaopi Trading:

1.1 Assets measured at fair value

Item	2nd year subsequent to the balance sheet date			Total
	First level fair value measurement	Second level fair value measurement	Third level fair value measurement	
Continuous fair value measurement				
Other non-current financial assets	29,597,934	-	-	29,597,934
Total assets consistently measured at fair value	29,597,934	-	-	29,597,934

1.2 Basis for determining the market price of continuous and non-sustainable first-level fair value measurement projects

The market price of the project is determined based on the transaction statement provided by the securities company.

2. Segment reporting

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

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

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

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

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

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



Six months ended at 30 June 2019 (unaudited)

Item	Retailing	Wholesaling	Others	Inter-segment offset	Total
Operating income					
External revenue	2,310,086,263	3,555,693,490	19,209,980	-	5,884,989,733
Inter-segment revenue	15,497,691	226,813,563	4,893,967	(247,205,221)	-
Total	2,325,583,954	3,782,507,053	24,103,947	(247,205,221)	5,884,989,733
Total profit	42,724,483	39,178,099	1,923,960	-	83,826,542
Income tax expenses	11,189,418	24,401,780	705,844	-	36,297,042
Net profit	31,535,065	14,776,319	1,218,116	-	47,529,500
Supplementary information:					
Depreciation and amortization expenses	85,228,941	13,732,357	4,673,709	-	103,635,007
Impairment losses on credits	16,492	1,334,853	-	-	1,351,345
Capital expenditures	26,736,395	14,652,896	12,994	-	41,402,285

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 (loss)	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

2019.6.30 (unaudited)

Item	Retailing	Wholesale	Others	Inter-segment offset	Total
Total assets	4,149,056,592	4,884,057,160	331,864,509	(1,107,918,726)	8,257,059,535
Total liabilities	3,269,119,194	3,926,149,657	38,187,373	(1,107,918,726)	6,125,537,498

2018.12.31 (audited)

Item	Retailing	Wholesale	Others	Inter-segment offset	Total
Total assets	3,553,667,353	4,898,429,845	330,806,559	(1,095,103,929)	7,687,799,828
Total liabilities	2,705,349,570	3,864,206,943	36,347,539	(1,095,103,929)	5,510,800,123

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

Net current assets

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Current assets	4,934,587,968	5,410,195,756
Less: Current liabilities	5,132,084,336	5,444,705,932
Net current assets	(197,496,368)	(34,510,176)

Total assets less current liabilities

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Total assets	8,257,059,535	7,687,799,828
Less: Current liabilities	5,132,084,336	5,444,705,932
Total assets less current liabilities	3,124,975,199	2,243,093,896

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

1. Accounts receivable

Presentation of accounts receivable by category

Category	2019.6.30 (unaudited)				
	Carrying amount Amount	Proportion (%)	Bad debt provision 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	84,590,084	100	-	-	84,590,084
Total	84,590,084	100	-	-	84,590,084

Category	2018.12.31 (audited)				
	Carrying amount Amount	Proportion (%)	Bad debt provision 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	74,528,897	100	-	-	74,528,897
Total	74,528,897	100	-	-	74,528,897



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

Aging	2019.6.30 (unaudited)			Net book value
	Carrying amount	Proportion (%)	Bad debt provision	
Within 1 year	84,590,084	100	–	84,590,084
1-2 years	–	–	–	–
2-3 years	–	–	–	–
3-4 years	–	–	–	–
4-5 years	–	–	–	–
Over 5 years	–	–	–	–
Total	84,590,084	100	–	84,590,084

Accounting receivable according to bad debt provision by aging analysis

Aging	2019.6.30 (unaudited)		Proportion (%)
	Accounting receivable	Bad debt provision	
Within 1 year	84,590,084	–	0
1-2 years	–	–	3
2-3 years	–	–	10
3-4 years	–	–	25
4-5 years	–	–	50
Over 5 years	–	–	100
Total	84,590,084	–	

2. Other receivables

Item	2019.6.30 (unaudited)	2018.12.31 (audited)
Other receivables	568,555,461	556,335,826
Interest receivables	–	–
Dividend receivables	–	–
Total	568,555,461	556,335,826

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

Category	2019.6.30 (unaudited)				Net book value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Rate (%)	
Other receivables that are individually significant and for which bad debt provision is assessed individually	5,087,250	1	4,224,750	83	862,500
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	567,692,961	99	-	-	567,692,961
Total	572,780,211	100	4,224,750	-	568,555,461

Category	2018.12.31 (audited)				Net book value
	Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Rate (%)	
Other receivables that are individually significant and for which bad debt provision is assessed individually	5,087,250	1	4,224,750	83	862,500
Other receivables for which bad debt provision is assessed by groups according to credit risk characteristics	555,473,326	99	-	-	555,473,326
Total	560,560,576	100	4,224,750	-	556,335,826



Aging analysis of other receivables is as follows

Aging	2019.6.30 (unaudited)			Net book value
	Carrying amount	Proportion%	Bad debt provision	
Within 1 year	567,692,961	99	–	567,692,961
1-2 years	–	–	–	–
2-3 years	–	–	–	–
3-4 years	–	–	–	–
4-5 years	–	–	–	–
Over 5 years	5,087,250	1	4,224,750	862,500
Total	572,780,211	100	4,224,750	568,555,461

Other receivables that are not individually significant but for which the bad debt provision is assessed individually as at 30 June 2019:

Content of other receivables	Carrying amount	bad debt provision	Rate (%)	Reason
Beijing Guanyuan Wholesale Market Company Limited	5,087,250	4,224,750	83	Full bad debt provision for the part unrecovered, according to the agreement

Other receivables according to bad debt provision by aging analysis

Aging	2019.6.30 (unaudited)		
	Other receivables	bad debt provision	Proportion%
Within 1 year	567,692,961	–	0
1-2 years	–	–	3
2-3 years	–	–	10
3-4 years	–	–	25
4-5 years	–	–	50
Over 5 years	–	–	100
Total	567,692,961	–	

3. Long-term equity investment

(1) Classification of long-term equity investments

Item	2019.6.30 (unaudited)			2018.12.31 (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	2018.12.31 (audited)	Increase in the period	Decrease in the period	2019.6.30 (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 Supermarket	422,484,500	-	-	422,484,500	-	-
Jingkelong Tongzhou	29,000,000	-	-	29,000,000	-	-
Training School	500,000	-	-	500,000	-	-
Lianchao Limited	268,955,702	-	-	268,955,702	-	-
Total	1,246,991,571	-	-	1,246,991,571	-	-

4. Operating income and operating cost

Item	Six months ended at 30 June 2019 (unaudited)		Six months ended at 30 June 2018 (unaudited)	
	Income	Cost	Income	Cost
Principal operating	1,954,114,776	1,655,601,462	2,085,881,515	1,782,570,896
Other operating	179,823,101	4,638,995	187,201,589	4,771,407
Total	2,133,937,877	1,660,240,457	2,273,083,104	1,787,342,303

5. Investment income

Item	Six months ended at 30 June 2019 (unaudited)	Six months ended at 30 June 2018 (unaudited)
Investment income from distributed dividend of subsidiaries.	33,053,875	23,955,540
Investment gain from buying short-term financial products	106,177	708,832
Total	33,160,052	24,664,372

