



# 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)



## 2020 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

Da Hua Certified Public Accountants  
(Special General Partnership)  
(大華會計師事務所(特殊普通合夥))

### LEGAL ADVISERS

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

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



## INVESTORS AND MEDIA RELATION CONSULTANT

Unicorn Financial Company Limited

## PRINCIPAL BANKERS

### *AGRICULTURAL BANK OF CHINA*

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

### *BANK OF BEIJING*

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

## H SHARES REGISTRAR AND TRANSFER OFFICE

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

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

Block No. 45  
Xinyuan Street  
Chaoyang District  
Beijing, PRC

## PLACE OF BUSINESS IN HONG KONG

17th Floor  
One Island East  
Taikoo Place  
18 Westlands Road  
Quarry Bay, Hong Kong

## COMPANY WEBSITE

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

## SHAREHOLDERS' ENQUIRIES CONTACT INFORMATION OF THE COMPANY

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

## STOCK CODE

814



## FINANCIAL HIGHLIGHTS

The Group achieved the following results during the six months ended 30 June 2020 (the “**Reporting Period**”):

- Revenue amounted to approximately RMB5,770,534,248, representing an increase of approximately 8.4% compared with the last corresponding period.
- Gross profit amounted to approximately RMB796,083,751, representing an increase of approximately 2.5% compared with the last corresponding period.
- Operating profit amounted to approximately RMB84,939,733, representing an increase of approximately 1.3% compared with the last corresponding period.
- Profit attributable the owners of the parent company reached approximately RMB36,169,475, representing an increase of approximately 20% compared with the 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 2020, the overall international and domestic environment had been complex and varying. With increasing uncertainties in development, coupled with the impact of the coronavirus pandemic, the economic development had been in a relatively severe situation. Measures had been taken by the Chinese government to coordinate and promote epidemic prevention and the economic and social development. In the first half of the year, China's GDP fell by 1.6% year-on-year, and the economic performance showed an initial decline which was followed by a rise, achieving a steady recovery. As always, the Group adhered to the original mindset of "products + services". During the coronavirus pandemic, the Group committed to overcome difficulties with all sectors of the society, spared no effort to maintain supply and price. Relying on the advantages of our live and fresh produce base and our own logistics system, the Group mobilized materials and guaranteed supply to ensure the needs for "the rice bag" and "the vegetable basket" for the people in the capital city, as well as for epidemic prevention and sanitation products, are met. The Group actively responded to the "Ensure supply, Stabilize prices, and Continue operations" initiative on the retail industry jointly initiated by National Chain Store & Franchise Association under the guidance of the National Development and Reform Commission and the Ministry of Commerce to stabilize the basic livelihood needs in Beijing. Meanwhile, the Group strictly implemented various epidemic prevention and control measures, provided employees with safe workplaces and customers with safe shopping environment, and fulfilled the corporate social responsibility. In the face of the impact of the epidemic, the downward pressure of the international environment and the related trends of rationalization of consumption, the Group has demonstrated its commitment to continuous innovation and optimization of management to improve resilience. Under the epidemic, chain supermarkets with self-built logistic and distribution center and live and fresh produce base have become important carriers to stabilize prices and ensure supply and protect people's livelihood. Besides, people's demand for contactless shopping for daily necessities such as live and fresh produce, rice, wheat flour and edible oils is rapidly increasing. To seize this opportunity, the Group relied on physical stores, leveraged the online sales channels and experience accumulated in recent years, and made use of our own APP and third-party platforms to continuously enrich the variety of online products and improve the ability to fulfill orders. During the Reporting Period, the online business volume of the Group increased significantly.

## RETAIL BUSINESS

### *MAINTAINING THE STABILITY OF SUPPLY AND PRICE FOR LIVELIHOOD GOODS*

During the Reporting Period, in accordance with the needs of epidemic prevention and control, the Group went all out to strengthen the supply of epidemic prevention items such as masks, disinfectants, and hand sanitizers to ensure a continuous supply. In addition, in order to meet the surge in purchasing demand for livelihood commodities such as meat, eggs, fruits, vegetables, milk and edible oils during the epidemic, the Group continued to increase procurement from our sources. Through various methods, including increasing the stocking volume in logistics centers, increasing the frequency of delivery, and storing the goods in the base or production place in advance, we have improved the emergency reserve and supply capacity of daily necessities, and ensured that our stores have a rich variety of goods of sufficient supply and stable prices. The Group has been highly recognized by the citizens of the capital and have become a "reliable" enterprise in the hearts of the citizens.



The Group has also continued to standardize the service procedures and service standards of chain stores, and continued to improve service quality; increased the frequency of shop inspections, made in-depth understanding of the current status of store services, and carried out specialised service training targeted at various problems. As always, the Group continued to provide caring services to customers in need within the surroundings of our stores, and established a good corporate brand image of the Group.

While guaranteeing the supply of people's livelihood commodities, the Group always put its employees' safety in production and logistics support as the first priority. The Group equipped its employees with masks, hand sanitizer, disinfectant, rubber gloves, goggles and other protective equipment. The Group took steps to express its care towards its employees, so that employees could work at ease and with focus, and at the same time relieving the tension of the epidemic whilst consolidating the strength of employees.

#### *OPTIMIZING AND EXPANDING SAFE AND CONVENIENT ONLINE SHOPPING*

During the COVID-19 pandemic, online contactless shopping became more and more popular among the consumers. During the Reporting Period, for the purpose of satisfying the customers' notably increasing needs for online shopping, the Group fully exerted the advantages of online and offline integrated operations by taking advantage of the functions of its own APP, mini programs and third-party platforms, so as to continuously optimize the inventory information transmission mechanism, shorten the terms of online and offline inventory data synchronization and effectively improve the accuracy of online inventory data. Together with the extension of online business hours, the dispatch of third party platform personnel for full-time pick-up, and the optimisation of pick-up process to enhance the efficiency of stores so as to improve the fulfilment capabilities of orders, the online shopping needs of consumers have been satisfied to the largest extent, and in turn improved the customers' experience. During the Reporting Period, the Group's online business traffic, average transaction value, sales and percentage of sales all increased significantly.

#### *CONTINUOUSLY PROMOTING MARKETING TO RESUME CONSUMPTION VITALITY*

During the Reporting Period, in the face of the consumption environment and the changes in the market affected by the epidemic, the Group proactively adjusted marketing methods and channels, and launched promotional activities such as the Jingkelong Consumption Reward Season, the Jingkelong Beauty Spring Make-up Festival, and the Jingkelong Leisure Food Festival, steadily promoted the recovery of consumption. The Group also proactively participated in the consumption stimulation activities in Beijing to revive the people's enthusiasm for consumption. The Group carried out online and offline linkage promotions in due course by taking advantage of the 26th anniversary of the establishment of the Group, to promote the release of consumption potential, and also launched promotional activities such as "Help Hubei" and "Spring Peach in Hubei", uniting consumers in Beijing and the people of Hubei to fight the epidemic together and practically supporting the economic recovery of Hubei.

### *PAYING HIGH ATTENTION ON SAFETY MANAGEMENT*

A high-standard and normalized safety management is the most important focus area of the Group. The Group continued to implement the management of commodity circulation and safety guarantees throughout different steps of the operative chain, from the source procurement to intermediate transportation till final sales, strengthened the inspection and assessment of implementation of all steps involving food safety, and set up the a tracing system to enforce accountability and to ensure the health and hygiene of the commodities sold to the consumers. During the epidemic, the Group carried out multiple trainings through cloud training, issuing food safety management guidance and etc., covering the entire cold chain management of foods, shelf life management of commodities, inspection records of purchase, etc., to improve employees' quality and safety awareness. In accordance with the requirements for the normalization of epidemic prevention and control, the Group formulated various work procedures and contingency plans in a timely manner in response to the epidemic, and successively formulated the "Guarantee Procedures for Necessities", the "Contingency Plan for Epidemic Prevention and Control" and the "Contingency Plan for Limitation of Staff of Stores" to guide the operations of stores. During the epidemic, the Group strictly implemented various prevention and control measures, including adjusting business hours and strengthening on-site disinfection, adhering to measuring the body temperature of employees and customers entering the stores, improving the ventilation of stores, setting up one-meter line and isolation areas, etc., to provide customers with a safety shopping environment.

### *STRENGTHENING AND OPTIMIZING LOGISTICS RESOURCES*

During the Reporting Period, the normal temperature logistics center continued to optimize the disassembling of auto-sorting and automatic sorting system operating procedures to shorten the operation time of the sorting system and improve the work efficiency; the live and fresh produce logistics center strictly controlled the temperature of the produce delivered and the temperature of vehicles during the transportation, and ensured that fresh commodities being delivered to the stores were made strictly in accordance with the standards. With the support of strong logistics system, the Group continued to improve its logistics efficiency and service supporting system for stores, and optimized a sound communication mechanism covering operation, procurement and logistics, which further consolidated and enhanced the logistics service ability of the logistic center to serve the chain stores.

### *PRUDENTLY ADJUSTING THE RETAIL NETWORK*

During the Reporting Period, the Group focused on improving the operational capability of its stores and prudently adjusted the development scale of the stores. During the Reporting Period, two convenience stores were opened. Due to reasons including the expiration of tenancy and adjustment made in respect of the loss-making stores, 12 convenience stores, including five directly-operated convenience stores and seven franchise-operated convenience stores, were closed during the Reporting Period. In addition, the Group renovated and upgraded a supermarket.





The Group had 168 retail outlets as at 30 June 2020, including 148 directly-operated outlets and 20 franchise-operated outlets, with total net operating area of 257,482 square metres. The following table sets out the number and net operating area of the Group's retail outlets as at 30 June 2020:

	Department stores	Hypermarkets	Supermarkets	Convenience stores	Total
Number of retail outlets:					
Directly-operated	1	11	57	79	148
Franchise-operated	–	–	1	19	20
<b>Total</b>	<b>1</b>	<b>11</b>	<b>58</b>	<b>98</b>	<b>168</b>
Net operating area (square metres):					
Directly-operated	27,800	78,817	127,736	16,355	250,708
Franchise-operated	–	–	880	5,894	6,774
<b>Total</b>	<b>27,800</b>	<b>78,817</b>	<b>128,616</b>	<b>22,249</b>	<b>257,482</b>

## RETAIL OPERATING RESULTS

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

	For the six months ended 30 June		
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	Variance
<b>Directly-operated retail outlets:</b>			
Hypermarkets	678,533	596,935	13.7%
Supermarkets	1,610,331	1,319,044	22.1%
Convenience stores	218,116	179,047	21.8%
Department stores (including commissions)	5,482	14,579	(62.4%)
	3,872	11,952	(67.6%)
<b>Total retail principal operating income</b>	<b>2,512,462</b>	2,109,605	19.1%
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	17.0	16.9	0.1p.p



During the Reporting Period, the retail principal operating income of the Group increased by approximately 19.1% compared to the last corresponding period mainly due to the following reasons: during the Reporting Period, impacted by the coronavirus pandemic, consumers mostly cooked at home instead of eating out, resulting in a significant increase of the sales of the rigid demand commodities such as vegetables, fruits, pork, beef and mutton, poultry, eggs, grain and edible oil. The strategy of facilitating online and offline integrated development met the sudden increase of the online consumption needs, and the quantity of online orders and the amount of per customer transaction have been significantly increased. The above two factors contributed to a same store sales growth of 20.41% as compared to the last corresponding period. With the epidemic being brought under control and the resumption of work, production, operation and business being continuously promoted, catering services have, in particular, returned to normal, resulting in a drop of the same-store sales in the second quarter from 31% in the first quarter to 7.1%.

During the Reporting Period, gross profit margin of the directly-operated retail business (excluding department stores) was 17%, which basically maintained the same level as compared to the last corresponding period of 16.9%.

## WHOLESALE BUSINESS

### *CONTINUOUSLY STRENGTHENING THE CONSTRUCTION OF SUPPLY CHAIN*

The Group continued to try to extend the supply chain. In the process of optimizing internal organizational structure and functions, the Group gradually strengthened strategic synergy with upstream suppliers, downstream customers, and jointly explored to reduce logistics costs and improve logistics service level. The Group continued to focus on strengthening the in-depth cooperation with mainstream e-commerce platforms, promote the expansion of its self-owned brands, international business and distribution network in other cities, consolidate and improve market share of the wholesale business, so as to enhance the overall competitiveness of the Group.

### *FURTHER IMPROVING LOGISTICS OPERATION CAPABILITY*

During the Reporting Period, the Group withstood the logistics and transportation pressure in the epidemic, focused on “ensuring people’s livelihood, stabilizing goods supply, keeping transportation flow”, effectively strengthened the allocation and distribution of emergency supplies, formulated and implemented epidemic prevention measures, taking multiple measures to effectively ensure market supply. Meanwhile, through data monitoring and analysis, the Group dynamically adjusted warehousing resources to improve the effective allocation of logistics resources. The Group added six refrigerating machines in constant temperature warehouse and set up an independent area to provide the necessary cooling condition for the development of new low-temperature businesses. With the continuous improvement of the cold chain logistics development environment and conditions as well as introducing the vehicle temperature control monitoring system, the Group has realized the full-process monitoring of cold chain, providing development space for the expansion of cold chain logistics service and the competitiveness of the distribution business. The Group carried forward the construction of intelligent logistics project located in Fangshan District, Beijing, and aiming at improving the overall logistics operation capability.



## 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
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	
Principal operating income recognized by Chaopi Group*	3,498,022	3,424,698	2.1%
Less: Intersegment Sales	(243,519)	(226,813)	7.4%
Sales to franchisees	1,657	1,438	15.2%
<b>Consolidated Wholesale principal operating income</b>	<b>3,256,160</b>	<b>3,199,323</b>	<b>1.8%</b>
<b>Gross profit margin **(%)</b>	<b>10.6</b>	<b>11.8</b>	<b>(1.2p.p)</b>

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

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

During the Reporting Period, the wholesale principal operating income increased by 1.8%, which was mainly due to the following reasons: (i) the sales contribution from increased sales to the new sales channels and sales from newly-introduced commodities with new brands during the period; and (ii) the increased sales of the rigid demand commodities, such as grain and edible oil, non-staple food and food seasonings due to the epidemic.

During the Reporting Period, the gross profit margin of Chaopi Group was 10.6%, representing a slight drop from that of the last corresponding period of 11.8%, mainly because of: the sales of the rigid demand commodities such as grain and edible oil, non-staple food and food seasonings increased, whilst the sales of the high gross profit margin products such as liquor, beverage, and gift boxes dropped. The change of commodities mix led to the adjustment of gross profit margins.

## FINANCIAL RESULTS

	For the six months ended 30 June		Variance
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	
Principal operating income	5,770,534	5,324,902	8.4%
Gross profit	796,084	776,454	2.5%
Gross profit margin (%)	13.8%	14.6%	(0.8p.p)
Earnings before interest and tax	176,833	182,597	(3.2%)
Net profit	49,243	47,530	3.6%
Net profit margin (%)	0.9%	0.9%	–
Net profit attributable to shareholders of the parent company	36,169	30,134	20.0%
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 8.4%, of which retail principal operating income increased by approximately 19.1%, and wholesale principal operating income increased by approximately 1.8%.

## GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group increased by approximately 2.5% compared with the last corresponding period. During the Reporting Period, the gross profit margin was 13.8% (last corresponding period: 14.6%).

## 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 20% compared with the last corresponding period. The earnings before interest and tax amounted to approximately RMB176,833,296, representing a decrease of RMB5,763,354 compared with the last corresponding period, and the net profit attributable to shareholders of the parent company increased from RMB30,133,697 of the last corresponding period to RMB36,169,475.

## 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 2020, the Group had non-current assets of RMB3,267,729,922 (comprising mainly fixed assets, investment property, and land use right for a total of RMB1,305,639,153), and non-current liabilities of RMB1,426,448,346 (comprising of bonds payable of RMB410,114,998).

As at 30 June 2020, the Group had current assets of RMB4,913,810,882. Current assets mainly comprised of cash and cash equivalents of RMB849,415,077, inventories of RMB1,313,278,700, notes receivable and accounts receivable of RMB1,307,219,516 and prepayments and other receivables of RMB1,190,197,759. The Group had current liabilities of RMB4,604,767,717. Current liabilities mainly comprised of notes payable and accounts payable of RMB1,381,455,763, short term bank loans of RMB2,240,137,716, non-current liabilities due within one year of RMB219,202,069 and contract liabilities of RMB282,510,804.

## INDEBTEDNESS AND PLEDGE OF ASSETS

As at 30 June 2020, the Group had bank loans of RMB2,240,137,716, which consisted of accounts receivable factored bank loans of RMB44,294,206 and unsecured bank loans of RMB2,186,198,116. The pledged loans involved a pledge guarantee granted by Beijing Chaopi Maolisheng Trading Co., Ltd., a subsidiary of Chaopi Trading, in favour of Bank of Beijing Co., Ltd. Shanghai Branch, over a fixed deposit certificate of RMB8,000,000, and the principal loan amount was USD1,000,000 (equivalent to RMB7,079,500 based on a USD to RMB exchange rate of 1: 7.0795 on 30 June 2020), and interest accrued but not due amounted to RMB2,565,894. All the Group's bank loans bear interest rates ranging from 2.90% to 5.10% per annum.

Certain of the Group's margin deposit of RMB102,170,653 were pledged for notes payable of RMB421,304,859 as at 30 June 2020.

The Group's gearing ratio\* was approximately 73.7% as at 30 June 2020, which was slightly lower than approximately 74.2% 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 2020, the Group employed 5,417 employees domestically (as at 30 June 2019: 5,831 employees). The total staffing costs (including directors' and supervisors' remunerations) of the Group for Reporting Period amounted to RMB376,417,985 (corresponding period of 2019: RMB401,697,284). 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.

## SPECIAL MATTERS

Jinan Chaopi Linda Trading Co., Ltd. (the "Jinan Chaopi Company") is a second-level subsidiary of the Group. Since its establishment, Jinan Chaopi Company's financial statements have been included in the Group's consolidation scope.

There is an unresolved dispute between the minority shareholders of Jinan Chaopi Company (formerly the general manager of Jinan Chaopi Company) and the major shareholder, Chaopi Trading, which is a first-level subsidiary of the Group. Since November 2019, the minority shareholders refused to hand over the items and materials such as the company's business license, bank account opening permit, company seal, financial seal, financial books and vouchers, etc.

The completeness and accuracy of the data related to Jinan Chaopi Company in the Group's 2019 consolidated financial statements cannot be guaranteed due to the above actions of the minority shareholders. In addition, such dispute has resulted in the inability to perform some of the audit procedures that are related to Jinan Chaopi Company, such as issuance of letter of verification and inspection of vouchers, which are necessary for the issue of audit opinion on the Group's 2019 financial statements. Thus, the auditor had issued a qualified audit report on the Group's 2019 consolidated financial statements on this matter. Please refer to the auditor's report contained in the annual report of the Company for the year ended 31 December 2019 for details of such qualified opinion.

As at the date of this report, the minority shareholders of Jinan Chaopi Company continued to misappropriate Jinan Chaopi Company's business license, company seal and other items and materials, and the legal proceedings brought by Chaopi Trading to require the minority shareholders to return the above-mentioned misappropriated items and materials are still in progress.

According to the financial statements for the six months ended 30 June 2020 provided by Jinan Chaopi Company, the total assets and net assets of Jinan Chaopi Company consolidated into the Group's consolidated financial statements were for the six months ended 30 June 2020 RMB92.2619 million and RMB1.3732 million respectively, which accounted for 1.13% and 0.06% of Group's total assets and net assets in the consolidated balance sheet on 30 June 2020, respectively; the operating income and net profit for the six months ended 30 June 2020 were RMB17.0518 million and RMB-4.0945 million, respectively, which accounted for 0.27% and -8.31% of the Group's operating income and net profit in the consolidated income statement for the six month ended 30 June 2020, respectively.



Since the qualified opinion of the Group's 2019 annual report and their impact have not been eliminated, the control of the financial information of Jinan Chaopi Company is still in the hands of minority shareholders, and in relation to the interim report in 2020, the minority shareholders still refused to cooperate with the review and provide relevant information, restrictions on the scope of the auditor's review of the Group's consolidated financial statements for the Reporting Period continued to persist. Thus, the auditor continued to issue a qualified opinion in its review report concerning the Group's financial statements for the Reporting Period.

The legal proceedings for Chaopi Trading, the subsidiary of the Company, to request the minority shareholders of Jinan Chaopi Company to return the company's business license, company seal and other misappropriated items and materials are in progress. In order to safeguard the interests of the Group and the shareholders of the Company, the Group has strived to resolve the disputes and has taken various steps and measures, including seeking advice from its legal advisers ("PRC Legal Advisers") as to the laws of the People's Republic of China (the "PRC"), collecting and handling the relevant evidence in support of the legal proceedings together with the PRC Legal Advisers, and considering other legal remedies. The management of the Company included the financial statements for the six months ended 30 June 2020 provided by Jinan Chaopi Company in the Group's consolidated financial statements, and after the said consolidation, the amounts of the total assets, net assets, the operating income and net profit of the Jinan Chaopi Company were small when compared to the corresponding amounts in the Company's consolidated balance sheet and consolidated income statement, respectively. The audit committee of the Company confirmed that it has reviewed and agreed with the management's position and the accounting treatment of the Company set out above.

## CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities.

## REPAYMENT OF SHORT-TERM FINANCING BONDS

Approved by the China Association of Banking Market Dealers (CPI No. [2018] CP153), on 21 March 2019, the Group completed the public issuance of short-term financing bonds in the value of RMB300 million and a term of one year in China. The issuance interest rate is 3.90%, the value date is 25 March 2019, and the interest payment date is 24 March 2020. The lead underwriter is Bank of Beijing Co., Ltd.

As of 24 March 2020, the above-mentioned short-term financing bond value of RMB300 million and interest expenses of RMB11.668 million had been paid by through the settlement account at the Clearing House Financial Markets Co., Ltd. and were fully settled.



## OUTLOOK

In the second half of 2020, the Political Bureau meeting of the Central Committee clearly stated that it is necessary to accelerate the formation of a new development pattern with the domestic cycle as the core and with both international and domestic dual cycles promoting each other. The Group will conduct in-depth analysis of internal and external environmental changes and consumption trends, take high-quality “goods + services” as the core foundation coupled with modern smart technology, and proceed with consumer demand as the starting point to improve management ability and market competitiveness. In terms of retail business, the Group will continue to speed up the introduction and marketing of new products, expand the development categories of self-owned brand and customized products, and improve customers’ recognition of the Group’s own-branded products by establishing a solid supply chain system; continue to strengthen the construction of fresh produce bases and continue to adhere to “simplicity, standardization and specialization”, the principle of management and administration, from planting to transportation and sales; develop new vegetable bases to achieve a seamless connection from the place of origin to the table; and continue to increase the upgrading and transformation of existing stores, optimize the commodities mix in the stores and the operating capability of online and offline integrated, in order to further refine and deepen the Group’s community commercial sphere service to remain attractive to its customer base. In terms of wholesale business, based on the established supply chain platform, the Group will establish strategic synergy with partners to jointly reduce logistics costs and improve logistics service levels, continue the construction of the Fangshan automated three-dimensional warehouse logistics project, complete the second phase of warehouse area planning and the system upgrading, and strive to build a modern logistics base based on the full-warehouse operation model and supported by technological innovation. With the high-quality products and services and strong logistics support, the Group will continuously improve its long-term stable competitiveness and enhance its ability to serve customers.

## EVENTS AFTER THE REPORTING PERIOD

The Group did not have any important events after the Reporting Period.



## 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 aforementioned provision of the Corporate Governance Code.

### DIRECTOR’S SECURITIES TRANSACTIONS

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

### AUDIT COMMITTEE

The Audit Committee together with the management of the Company and the independent auditor have considered and reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting, including the review of the Group’s 2020 unaudited interim consolidated results. The Audit Committee considered that the interim financial report for the six months ended 30 June 2020 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 2020, 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*

<b>Name</b>	<b>Capacity</b>	<b>Number of domestic shares held</b>	<b>Approximate percentage of total issued domestic shares (%)</b>	<b>Approximate percentage of total issued shares (%)</b>
Li Jianwen	Personal	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 2020, 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 2020, 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 Chaofu State-owned Assets Administration Company Limited*	Beneficial owner	167,409,808	72.77	40.61

\* Formerly known as "Beijing Chaoyang Auxiliary Food Company".

### 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



*Note:*

1. These 18,080,000 H shares were held by China Galaxy International Asset Management (Hong Kong) Co., Limited in its capacity as an investment manager.
2. These 16,690,000 H shares were held by China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) in its capacity as an investment manager.

Save as disclosed above, as far as is known to the directors, supervisors or chief executive of the Company, as at 30 June 2020, 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.



# REPORT ON REVIEW OF COMPANY'S AND CONSOLIDATED FINANCIAL STATEMENTS

DaHua He Zi [2020] No. 007357

TO THE SHAREHOLDERS OF BEIJING JINGKELONG COMPANY LIMITED:

We have reviewed the accompanying interim financial statements of Beijing Jingkelong Company Limited (the "Jingkelong Company"), which comprise the consolidated balance sheets and the balance sheets of the Company as at 30 June 2020, and the consolidated income statement and the income statement of the Company, the consolidated statement of changes in shareholders' equity and the consolidated cash flow statement 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.

As stated in the Note "XII. Other important matters 5. Matters of Jinan Chaopi Linda Trading Co., Ltd.", 'there is an unresolved dispute between the minority shareholder of Jinan Chaopi Linda Trading Co., Ltd. ("Jinan Chaopi Company") (formerly the general manager of Jinan Chaopi Company) and the major shareholder, Beijing Chaopi Trading Co., Ltd., (a subsidiary of Jingkelong Company, "Chaopi Trading"). Since November 2019, the minority shareholder has refused to hand over items and materials such as the company's business license, bank account opening permit, company seal, special financial seal, financial account book and vouchers that they originally controlled.' Therefore, the accountant who audited Jingkelong Company's financial statements for 2019 issued a qualified audit opinion. As of the date of this review report, the legal proceedings for Chaopi Trading to request the minority share holders to return the misappropriated items and materials are in progress.

As Jingkelong Company's qualified opinions in the 2019 annual report and its impact have not been eliminated, Jinan Chaopi Company's financial information control is still in the hands of the minority shareholder. Its refusal to accept review and provide relevant information has caused our scope of review of Jingkelong Company's financial statements from January to June 2020 to be restricted.

If the scope of the aforementioned review is not limited, we may find matters that need to be adjusted in the financial statements and matters that need to be disclosed but not disclosed.



Based on our review, except the impact caused by the above-mentioned approval of Jinan Chaopi Company, 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, Beijing Jingkelong Company Limited’s financial position results of operations and cash flows.

*Da Hua Certified Public Accountants  
(Special General Partnership)*

*Chinese Certified Public Accountants : Liu Xuechuan*

*Chinese Certified Public Accountants : Zhang Junyi*

Beijing, China

28 August 2020

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



## CONSOLIDATED BALANCE SHEETS

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Amount unit: RMB

Item	Notes	2020.6.30 (Unaudited)	2019.12.31 (Audited)
<b>Current Assets:</b>			
Cash and bank balances	(VI)1	964,255,730	949,420,994
Notes receivable	(VI)2	1,481,000	–
Accounts receivable	(VI)3	1,305,738,516	1,197,382,479
Prepayments	(VI)4	932,960,869	1,124,980,836
Other receivables	(VI)5	257,236,890	191,243,003
Inventories	(VI)6	1,313,278,700	1,564,435,396
Other current assets	(VI)7	138,859,177	135,917,567
<b>Total current assets</b>		<b>4,913,810,882</b>	<b>5,163,380,275</b>
<b>Non-current Assets:</b>			
Other non-current financial assets	(VI)8	65,818,449	42,272,786
Investment properties	(VI)9	174,568,917	178,914,199
Fixed assets	(VI)10	880,542,885	922,254,233
Construction in progress	(VI)11	140,203,730	141,980,011
Right-of-use assets	(VI)12	1,120,276,475	1,137,662,287
Intangible assets	(VI)13	288,537,794	289,748,102
Goodwill	(VI)14	86,673,788	86,673,788
Long-term prepaid expenses	(VI)15	305,563,574	331,353,470
Deferred tax assets	(VI)16	23,243,830	10,523,930
Other non-current assets	(VI)17	182,300,480	196,794,890
<b>Total non-current assets</b>		<b>3,267,729,922</b>	<b>3,338,177,696</b>
<b>TOTAL ASSETS</b>		<b>8,181,540,804</b>	<b>8,501,557,971</b>



## CONSOLIDATED BALANCE SHEETS (Continued)

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Amount unit: RMB

Item	Notes	2020.6.30 (Unaudited)	2019.12.31 (Audited)
<b>Current Liabilities:</b>			
Short-term borrowings	(VI)18	2,240,137,716	2,232,003,496
Notes payable	(VI)19	421,304,859	433,117,591
Accounts payable	(VI)20	960,150,904	907,047,722
Contract liabilities	(VI)21	282,510,804	428,557,184
Payroll payable	(VI)22	12,101,256	1,735,030
Taxes payable	(VI)23	92,285,380	101,920,932
Other payables	(VI)24	321,076,407	264,174,840
Including: Interest payable	(VI)24	–	2,859,433
Dividends payable	(VI)24	44,544,400	5,251,507
Non-current liabilities due within one year	(VI)25	219,202,069	196,274,668
Other current liabilities	(VI)26	55,998,322	328,520,621
<b>Total current liabilities</b>		<b>4,604,767,717</b>	<b>4,893,352,084</b>
<b>Non-current Liabilities:</b>			
Bonds payable	(VI)27	410,114,998	402,326,607
Leases liabilities	(VI)28	965,340,783	977,428,757
Deferred income	(VI)30	36,785,270	35,950,018
Deferred tax liabilities	(VI)16	14,207,295	8,142,767
<b>Total non-current liabilities</b>		<b>1,426,448,346</b>	<b>1,423,848,149</b>
<b>TOTAL LIABILITIES</b>		<b>6,031,216,063</b>	<b>6,317,200,233</b>
<b>Shareholders' equity:</b>			
Share capital	(VI)31	412,220,000	412,220,000
Capital reserves	(VI)32	605,043,091	605,043,091
Other comprehensive income	(VI)33	309,414	309,414
Surplus reserves	(VI)34	160,727,215	160,727,215
Undistributed profits	(VI)35	553,455,536	550,263,661
Total equity attributable to shareholders of the parent company		1,731,755,256	1,728,563,381
Minority interests		418,569,485	455,794,357
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,150,324,741</b>	<b>2,184,357,738</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>8,181,540,804</b>	<b>8,501,557,971</b>

The notes as set out from page 36 to 112 form an integral part of the financial statements.

The financial statements as set out from page 21 to 35 have been signed by

Legal Representative:  
**Li Jianwen**

Chief Financial Officer:  
**Li Chunyan**

Chief Accountant:  
**Wang Panzhou**



## BALANCE SHEETS OF THE COMPANY

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Amount unit: RMB

Item	Notes	2020.6.30 (Unaudited)	2019.12.31 (Audited)
<b>Current Assets:</b>			
Cash and bank balances		265,554,503	186,411,639
Accounts receivable	(XIII)1	69,201,843	79,981,805
Prepayments		987,159	1,705,589
Other receivables	(XIII)2	551,354,040	550,830,771
Inventories		271,409,547	292,264,291
Other current assets		564,654,869	569,098,951
<b>Total current assets</b>		<b>1,723,161,961</b>	1,680,293,046
<b>Non-current Assets:</b>			
Long-term equity investment	(XIII)3	1,246,991,571	1,246,991,571
Investment properties		45,694,856	47,313,072
Fixed assets		644,883,574	672,527,910
Construction in progress		107,946,285	103,874,334
Right-of-use assets		566,910,616	566,751,247
Intangible assets		78,798,315	81,465,430
Long-term prepaid expenses		217,355,338	243,386,592
Deferred tax assets		10,643,478	3,299,953
Other non-current assets		3,894,547	4,076,924
<b>Total non-current assets</b>		<b>2,923,118,580</b>	2,969,687,033
<b>TOTAL ASSETS</b>		<b>4,646,280,541</b>	4,649,980,079





## BALANCE SHEETS OF THE COMPANY (Continued)

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Amount unit: RMB

Item	Notes	2020.6.30 (Unaudited)	2019.12.31 (Audited)
<b>Current Liabilities:</b>			
Short-term borrowings		890,686,039	650,000,000
Accounts payable		658,329,406	650,139,694
Contract liabilities		290,967,950	340,636,812
Payroll payable		2,775,446	1,307,163
Taxes payable		8,532,055	871,536
Other payables		162,113,814	122,134,371
Including: Interest payable		–	612,425
Dividends payable		32,977,600	18,907
Non-current liabilities due within one year		101,191,744	94,696,356
Other current liabilities		31,576,644	315,053,032
<b>Total current liabilities</b>		<b>2,146,173,098</b>	<b>2,174,838,964</b>
<b>Non-current Liabilities:</b>			
Bonds payable		410,114,998	402,326,607
Leases liabilities		488,611,894	478,351,796
Deferred income		28,837,036	26,865,191
<b>Total non-current liabilities</b>		<b>927,563,928</b>	<b>907,543,594</b>
<b>TOTAL LIABILITIES</b>		<b>3,073,737,026</b>	<b>3,082,382,558</b>
<b>Shareholders' equity:</b>			
Share capital		412,220,000	412,220,000
Capital reserves		615,293,521	615,293,521
Surplus reserves		136,949,981	136,949,981
Undistributed profits		408,080,013	403,134,019
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,572,543,515</b>	<b>1,567,597,521</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4,646,280,541</b>	<b>4,649,980,079</b>

The notes as set out from page 36 to 112 form an integral part of the financial statements.

The financial statements as set out from page 21 to 35 have been signed by

Legal Representative:  
**Li Jianwen**

Chief Financial Officer:  
**Li Chunyan**

Chief Accountant:  
**Wang Panzhou**



## CONSOLIDATED INCOME STATEMENT

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Amount unit: RMB

Item	Notes	2020.1.1- 2020.6.30 (Unaudited)	2019.1.1- 2019.6.30 (Unaudited)
<b>I. Total operating income</b>		<b>6,209,873,235</b>	5,884,989,733
Including: Operating income	(VI)36	<b>6,209,873,235</b>	5,884,989,733
<b>II. Total operating costs</b>		<b>6,150,599,227</b>	5,827,032,134
Including: Operating cost	(VI)36	<b>4,980,372,453</b>	4,554,499,435
Taxes and surcharges	(VI)37	<b>24,040,864</b>	23,307,383
Selling expenses	(VI)38	<b>927,405,503</b>	987,371,437
Administrative expenses	(VI)39	<b>126,634,713</b>	161,958,097
Financial expenses	(VI)40	<b>92,145,694</b>	99,895,782
Add: Other Income	(VI)41	<b>8,415,934</b>	5,981,572
Investment income	(VI)42	<b>33,984</b>	1,222,315
Gains or losses on changes in fair value	(VI)43	<b>23,545,663</b>	15,014,288
Impairment losses on credits	(VI)44	<b>(6,799,051)</b>	(1,351,345)
Gains on disposal of assets	(VI)45	<b>(78,929)</b>	(106,080)
<b>III. Operating profit</b>		<b>84,391,609</b>	78,718,349
Add: Non-operating income	(VI)46	<b>3,609,652</b>	10,088,129
Less: Non-operating expenses	(VI)47	<b>3,061,528</b>	4,979,936
<b>IV. Total profit</b>		<b>84,939,733</b>	83,826,542
Less: Income tax expense	(VI)48	<b>35,696,776</b>	36,297,042
<b>V. Net profit</b>		<b>49,242,957</b>	47,529,500
(I) Classified by business continuity			
1. Net profit from continued operations		<b>49,242,957</b>	47,529,500
2. Net profit from discontinued operations		-	-
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company		<b>36,169,475</b>	30,133,697
2. Profit or loss attributable to minority interests		<b>13,073,482</b>	17,395,803



## CONSOLIDATED INCOME STATEMENT (Continued)

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Item	Notes	Amount unit: RMB	
		2020.1.1- 2020.6.30 (Unaudited)	2019.1.1- 2019.6.30 (Unaudited)
<b>VI. Net value of other comprehensive income after tax</b>		–	159,305
(I) Net value of other comprehensive income attributable to shareholders of the parent company after tax		–	82,683
1. 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		–	–
2. Other comprehensive income which can be reclassified into profit or loss subsequently		–	82,683
(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
(II) Net value of other comprehensive income attributable to minority interests after tax		–	76,622
<b>VII. Total comprehensive income</b>		<b>49,242,957</b>	47,688,805
(I) Total comprehensive income attributable to shareholders of the parent company		<b>36,169,475</b>	30,216,380
(II) Total comprehensive income attributable to minority interests		<b>13,073,482</b>	17,472,425
<b>VIII. Earnings per share</b>			
(I) Basic earnings per share	VI49	<b>0.09</b>	0.07
(II) Diluted earnings per share		–	–

The notes as set out from page 36 to 112 form an integral part of the financial statements.

The financial statements as set out from page 21 to 35 have been signed by

Legal Representative:  
**Li Jianwen**

Chief Financial Officer:  
**Li Chunyan**

Chief Accountant:  
**Wang Panzhou**



# INCOME STATEMENT OF THE COMPANY

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Amount unit: RMB

Item	Notes	2020.1.1- 2020.6.30 (Unaudited)	2019.1.1- 2019.6.30 (Unaudited)
<b>I. Total operating income</b>	(XIII)4	<b>2,468,717,180</b>	2,133,937,877
Less: Operating cost	(XIII)4	<b>1,981,176,427</b>	1,660,240,457
Taxes and surcharges		<b>11,729,530</b>	10,296,511
Selling expenses		<b>339,208,058</b>	323,095,153
Administrative expenses		<b>70,701,689</b>	89,631,859
Financial expenses		<b>22,044,684</b>	26,731,877
Add: Other Income		<b>5,920,819</b>	3,790,121
Investment income	(XIII)5	–	33,160,052
Gains on disposal of assets		–	26
<b>II. Operating profit</b>		<b>49,777,611</b>	60,892,219
Add: Non-operating income		<b>1,740,496</b>	9,422,855
Less: Non-operating expenses		<b>855,973</b>	261,426
<b>III. Total profit</b>		<b>50,662,134</b>	70,053,648
Less: Income tax expense		<b>12,738,540</b>	8,759,967
<b>IV. Net profit</b>		<b>37,923,594</b>	61,293,681
1. Net profit from continued operations		<b>37,923,594</b>	61,293,681
2. Net profit from discontinued operations		–	–
<b>V. Net value of other comprehensive income after tax</b>		–	–
(I) Other comprehensive income which cannot be reclassified into profit or loss subsequently		–	–
1. Remeasurement of changes in net defined benefit liabilities or assets		–	–
2. Share in investees' other comprehensive income cannot be reclassified into profit or loss under equity method		–	–
(II) Other comprehensive income which can be reclassified into profit or loss subsequently		–	–
1. Share in investees' other comprehensive income can be reclassified into profit or loss under equity method		–	–
2. Foreign currency financial statement translation difference		–	–
<b>VI. Total comprehensive income</b>		<b>37,923,594</b>	61,293,681

The notes as set out from page 36 to 112 form an integral part of the financial statements.

The financial statements as set out from page 21 to 35 have been signed by

Legal Representative:  
**Li Jianwen**

Chief Financial Officer:  
**Li Chunyan**

Chief Accountant:  
**Wang Panzhou**



# CONSOLIDATED CASH FLOW STATEMENT

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Amount unit: RMB

Item	Notes	2020.1.1- 2020.6.30 (Unaudited)	2019.1.1- 2019.6.30 (Unaudited)
<b>I. Cash flows from operating activities</b>			
Cash received from selling goods and rendering services		<b>6,659,534,503</b>	6,500,564,805
Other cash received relating to operating activities	(V)50	<b>101,303,009</b>	133,482,188
<b>Subtotal of cash inflows from operating activities</b>		<b>6,760,837,512</b>	6,634,046,993
Cash paid for purchasing goods and receiving services		<b>5,273,389,401</b>	5,391,834,077
Cash payments to and on behalf of employees		<b>366,051,760</b>	401,651,756
Taxes and surcharges paid		<b>166,380,948</b>	158,682,069
Other cash paid related to operating activities	(V)50	<b>460,203,623</b>	461,904,901
<b>Subtotal of cash outflows from operating activities</b>		<b>6,266,025,732</b>	6,414,072,803
<b>Net cash flow from operating activities</b>		<b>494,811,780</b>	219,974,190
<b>II. Cash flows from investing activities</b>			
Cash received from investment		<b>22,500,000</b>	348,696,641
Cash received from investment income		<b>2,171,960</b>	1,339,485
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>406,584</b>	949,149
Other cash received relating to investing activities	(V)50	<b>41,362,851</b>	133,519,403
<b>Subtotal of cash inflows from investing activities</b>		<b>66,441,395</b>	484,504,678
Cash paid for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets		<b>15,231,953</b>	26,026,636
Net cash paid for investment in subsidiaries and other business units and other business units		<b>22,500,000</b>	351,820,000
Other cash paid relating to investing activities	(V)50	<b>36,385,238</b>	105,727,789
<b>Subtotal of cash outflows from investing activities</b>		<b>74,117,191</b>	483,574,425
<b>Net cash flow from investing activities</b>		<b>(7,675,796)</b>	930,253



## CONSOLIDATED CASH FLOW STATEMENT (Continued)

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Item	Notes	Amount unit: RMB	
		2020.1.1- 2020.6.30 (Unaudited)	2019.1.1- 2019.6.30 (Unaudited)
<b>III. Cash flows from financing activities</b>			
Cash received from borrowings		<b>2,091,672,250</b>	2,166,433,983
Cash received from other financing activities	(VI)50	–	300,000,000
<b>Subtotal of cash inflows from financing activities</b>		<b>2,091,672,250</b>	2,466,433,983
Cash paid for repayments of liabilities		<b>2,086,103,923</b>	2,759,738,462
Cash paid for dividends, profits or interest payments		<b>83,362,790</b>	132,330,922
Including: Dividends and profits paid by subsidiaries to minority shareholders		–	54,956,273
Cash paid for other financing activities	(VI)50	<b>424,725,694</b>	104,639,573
<b>Subtotal of cash outflows from financing activities</b>		<b>2,594,192,407</b>	2,996,708,957
<b>Net cash flow from financing activities</b>		<b>(502,520,157)</b>	(530,274,974)
<b>IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate</b>		<b>(50,555)</b>	102,582
<b>V. Net increase(decrease) in cash and cash equivalents</b>		<b>(15,434,728)</b>	(309,267,949)
Add: Balance of cash and cash equivalents at the beginning of the year		<b>864,849,805</b>	1,014,227,924
<b>VI. Balance of cash and cash equivalents at the end of the year</b>		<b>849,415,077</b>	704,959,975

The notes as set out from page 36 to 112 form an integral part of the financial statements.

The financial statements as set out from page 21 to 35 have been signed by

Legal Representative:  
**Li Jianwen**

Chief Financial Officer:  
**Li Chunyan**

Chief Accountant:  
**Wang Panzhou**



## CASH FLOW STATEMENT OF THE COMPANY

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Amount unit: RMB

Item	Notes	2020.1.1- 2020.6.30 (Unaudited)	2019.1.1- 2019.6.30 (Unaudited)
<b>I. Cash flows from operating activities</b>			
Cash received from selling goods and rendering services		2,659,232,942	2,305,762,386
Other cash received relating to operating activities		52,743,651	277,614,658
<b>Subtotal of cash inflows from operating activities</b>		<b>2,711,976,593</b>	2,583,377,044
Cash paid for purchasing goods and receiving services		2,151,342,717	1,745,872,474
Cash payments to and on behalf of employees		190,351,444	199,011,772
Taxes and surcharges paid		52,501,986	38,738,432
Other cash paid related to operating activities		113,430,840	316,617,937
<b>Subtotal of cash outflows from operating activities</b>		<b>2,507,626,987</b>	2,300,240,615
<b>Net cash flow from operating activities</b>		<b>204,349,606</b>	283,136,429
<b>II. Cash flows from investing activities</b>			
Cash received from investment		300,000,000	480,200,000
Cash received from investment income		23,135,657	45,723,998
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		96,658	130,673
Other cash received relating to investing activities		195,589,150	117,170
<b>Subtotal of cash inflows from investing activities</b>		<b>518,821,465</b>	526,171,841
Cash paid for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets		12,231,876	19,896,351
Cash paid for investment		-	185,200,000
Other cash paid relating to investing activities		490,000,000	300,000,000
<b>Subtotal of cash outflows from investing activities</b>		<b>502,231,876</b>	505,096,351
<b>Net cash flow from investing activities</b>		<b>16,589,589</b>	21,075,490



## CASH FLOW STATEMENT OF THE COMPANY (Continued)

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Item	Notes	Amount unit: RMB	
		2020.1.1- 2020.6.30 (Unaudited)	2019.1.1- 2019.6.30 (Unaudited)
<b>III. Cash flows from financing activities</b>			
Cash received from borrowings		689,783,548	300,000,000
Cash received from other financing activities		–	300,000,000
<b>Subtotal of cash inflows from financing activities</b>		<b>689,783,548</b>	600,000,000
Cash paid for repayments of liabilities		450,000,000	850,000,000
Cash paid for dividends, profits or interest payments		28,826,013	42,378,097
Cash paid for other financing activities		352,753,900	51,898,742
<b>Subtotal of cash outflows from financing activities</b>		<b>831,579,913</b>	944,276,839
<b>Net cash flow from financing activities</b>		<b>(141,796,365)</b>	(344,276,839)
<b>IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate</b>		<b>34</b>	75,922
<b>V. Net increase(decrease) in cash and cash equivalents</b>		<b>79,142,864</b>	(39,988,998)
Add: Balance of cash and cash equivalents at the beginning of the year		186,411,639	224,705,249
<b>VI. Balance of cash and cash equivalents at the end of the year</b>		<b>265,554,503</b>	184,716,251

The notes as set out from page 36 to 112 form an integral part of the financial statements.

The financial statements as set out from page 21 to 35 have been signed by

Legal Representative:  
**Li Jianwen**

Chief Financial Officer:  
**Li Chunyan**

Chief Accountant:  
**Wang Panzhou**





# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Amount unit: RMB

Item	Six months ended at 30 June 2020 (unaudited)							
	Equity attributable to shareholders of the parent company						Minority interests	Total shareholders' equity
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Undistributed profits	Subtotal		
<b>I. Balance at the end of the prior period</b>	412,220,000	605,043,091	309,414	160,727,215	550,263,661	1,728,563,381	455,794,357	2,184,357,738
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Correction of prior errors	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
<b>II. Balance at the beginning of the period</b>	412,220,000	605,043,091	309,414	160,727,215	550,263,661	1,728,563,381	455,794,357	2,184,357,738
<b>III. Increase or decrease amount in the year</b>	-	-	-	-	3,191,875	3,191,875	(37,224,872)	(34,032,997)
(I) Total comprehensive income	-	-	-	-	36,169,475	36,169,475	13,073,482	49,242,957
(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)	(50,298,354)	(83,275,954)
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	(32,977,600)	(32,977,600)	(50,298,354)	(83,275,954)
4. Others	-	-	-	-	-	-	-	-
(IV) Internal transfer within shareholders' equity	-	-	-	-	-	-	-	-
1. Capital reserves transferred to capital (or shares)	-	-	-	-	-	-	-	-
2. Surplus reserves transferred to capital (or shares)	-	-	-	-	-	-	-	-
3. Surplus reserves made up for losses	-	-	-	-	-	-	-	-
4. Changes in defined benefit plans carried forward to retained earnings	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
1. Appropriation in the period	-	-	-	-	-	-	-	-
2. Usage in the period	-	-	-	-	-	-	-	-
(VI) Other	-	-	-	-	-	-	-	-
<b>IV. Balance at the end of the year</b>	412,220,000	605,043,091	309,414	160,727,215	553,455,536	1,731,755,256	418,569,485	2,150,324,741



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

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Amount unit: RMB

Item	Six months ended at 30 June 2019 (unaudited)								
	Equity attributable to shareholders of the parent company							Minority interests	Total shareholders' equity
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Undistributed profits	Subtotal			
<b>I. Balance at the end of the prior period</b>	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	-	-	-	-	-	-	-	-	
<b>II. Balance at the beginning of the period</b>	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	
<b>III. Increase or decrease amount in the year</b>	-	-	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. Changes in defined benefit plans carried forward to retained earnings	-	-	-	-	-	-	-	-	
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-	
6. Other	-	-	-	-	-	-	-	-	
(V) Special reserve	-	-	-	-	-	-	-	-	
1. Appropriation in the period	-	-	-	-	-	-	-	-	
2. Usage in the period	-	-	-	-	-	-	-	-	
(VI) Other	-	-	-	-	-	-	-	-	
<b>IV. Balance at the end of the year</b>	412,220,000	605,043,091	164,808	153,125,894	535,063,243	1,705,617,036	425,905,001	2,131,522,037	

The notes as set out from page 36 to 112 form an integral part of the financial statements.

The financial statements as set out from page 21 to 35 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

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Amount unit: RMB

Item	Six months ended at 30 June 2020 (unaudited)					
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Undistributed profits	Total shareholders' equity
<b>I. Balance at the end of the prior period</b>	412,220,000	615,293,521	-	136,949,981	403,134,019	1,567,597,521
Add: Changes in accounting policies	-	-	-	-	-	-
Correction of prior errors	-	-	-	-	-	-
Others	-	-	-	-	-	-
<b>II. Balance at the beginning of the period</b>	412,220,000	615,293,521	-	136,949,981	403,134,019	1,567,597,521
<b>III. Increase or decrease amount in the year</b>	-	-	-	-	4,945,994	4,945,994
(I) Total comprehensive income	-	-	-	-	37,923,594	37,923,594
(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. Changes in defined benefit plans carried forward to retained earnings	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-
6. Other	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-
1. Appropriation in the period	-	-	-	-	-	-
2. Usage in the period	-	-	-	-	-	-
(VI) Other	-	-	-	-	-	-
<b>IV. Balance at the end of the year</b>	412,220,000	615,293,521	-	136,949,981	408,080,013	1,572,543,515



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

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Amount unit: RMB

Item	Six months ended at 30 June 2019 (unaudited)					
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Undistributed profits	Total shareholders' equity
<b>I. Balance at the end of the prior period</b>	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	-	-	-	-	-	-
<b>II. Balance at the beginning of the period</b>	412,220,000	615,293,521	-	129,348,659	367,699,729	1,524,561,909
<b>III. Increase or decrease amount in the year</b>	-	-	-	-	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. Changes in defined benefit plans carried forward to retained earnings	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-
6. Other	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-
1. Appropriation in the period	-	-	-	-	-	-
2. Usage in the period	-	-	-	-	-	-
(VI) Other	-	-	-	-	-	-
<b>IV. Balance at the end of the year</b>	412,220,000	615,293,521	-	129,348,659	396,015,810	1,552,877,990

The notes as set out from page 36 to 112 form an integral part of the financial statements.

The financial statements as set out from page 21 to 35 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 SIX MONTHS ENDED AT 30 JUNE 2020

(Unless otherwise specified, the unit of amount is RMB)

## 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 2020.

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 28 August 2020.

## 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 2020 and the operating results, cash flows and other relevant information of the Company for the 6 months ended at 30 June 2020. 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 operating cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents. The Group regards 12 months as an operating cycle and uses it as the standard for dividing the 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 Accounting treatment method for business combination under the common control and not under the common control

Business combination refers to a transaction or event in which two or more separate enterprises are combined to form a reporting entity. Business combinations are divided into business combinations under common control and business combinations not under common control.

#### 4.1 Business combination under the common control

The enterprises participating in the merger are ultimately controlled by the same party or the same multiple parties before and after the merger, and the control is not temporary. It is a business combination under the common control. In a business combination under the common control, the party that obtains control of other participating companies on the combining date is the combining party, and the other participating companies are the combined party. The merger date refers to the date on which the combining party actually obtains control of the combined party.

The assets and liabilities acquired by the combining party are measured at the book value of the combined party on the combining date. The difference between the book value of the net assets acquired by the merger and the book value of the combined consideration paid (or the total face value of the issued shares) is adjusted for the capital reserve (share premium); if the capital reserve (share premium) is not sufficient to offset, the retained earnings are adjusted.

The direct costs incurred by the merging party for the business combination shall be included in the current profit and loss when incurred.

#### 4.2 Business combinations not under common control

Enterprises that participate in the merger are not under the same party or the same multiple parties' ultimate control before and after the merger, which is a business combination not under the common control. For a business combination not under the common control, the party that obtains control of other participating companies on the purchase date is the purchaser, and the other companies participating in the combination are the purchased party. The purchase date refers to the date on which the purchaser actually obtains control of the purchased party.



For a business combination not under the same control, the cost of the combination includes the assets paid by the purchaser to obtain control of the purchased party, the liabilities incurred or assumed, and the fair value of the equity securities issued on the purchase date. Intermediary expenses such as audits, legal services, evaluation and consulting, and other management expenses are included in the current profit and loss when incurred. The transaction cost of equity securities or debt securities issued by the purchaser as the merger consideration is included in the initial recognition amount of equity securities or debt securities. The contingent consideration involved is included in the merger cost based on its fair value at the date of purchase. If there is new or further evidence of the existing conditions on the purchase date within 12 months of the purchase date and the adjustment or consideration is required, adjust the merger accordingly reputation. The merger costs incurred by the purchaser and the identifiable net assets obtained in the merger are measured at the fair value at the date of purchase. The difference between the merger cost and the fair value share of the identifiable net assets of the acquired party acquired on the acquisition date is recognized as goodwill. If the merger cost is less than the fair value share of the identifiable net assets of the acquired party acquired in the merger, first of all, the measured fair value of the identifiable assets, liabilities and contingent liabilities of the acquired party and the measurement of the merger cost shall be reviewed. If the merger cost is still less than the fair value share of the acquiree's identifiable net assets obtained in the merger, the difference is included in the current profit and loss.

If the purchaser obtains the deductible temporary difference of the purchased party and fails to confirm the deferred income tax asset recognition condition on the purchase date, within 12 months after the purchase date, if new or further information is obtained indicating the purchase. The relevant situation on the day already exists. If the economic benefit brought by the deductible temporary difference on the purchase date is expected to be realized, the relevant deferred income tax assets are recognized, and the goodwill is reduced, and the goodwill is not offset enough. The difference is recognized as the current profit and loss; in addition to the above, if the deferred income tax assets related to the business combination are recognized, it is included in the current profit and loss.

Business combination under different control realized step by step through multiple transactions, according to the "Notice of the Ministry of Finance on Issuing the Interpretation of Accounting Standards for Enterprises No. 5" (Caihui [2012] No. 19) and "Accounting Standards for Business Enterprises No. 33-Mergers" "Financial Statement" Article 51 on the "package deal" judgment criteria (see Note 4, 5 (2)), to determine whether the multiple transactions belong to "package deal". If it belongs to a "package deal", refer to the previous paragraphs of this part and the notes IV.11 "Long-term equity investment" for accounting treatment; if it does not belong to a "package deal", distinguish between individual financial statements and consolidated financial statements for related accounting treatment:

In the individual financial statements, the sum of the book value of the equity investment held by the purchaser before the purchase date and the new investment cost of the purchase date is taken as the initial investment cost of the investment; the equity of the purchaser held before the purchase date. If other comprehensive income is involved, the other comprehensive income related to the investment will be accounted for on the same basis as the purchaser's direct disposal of related assets or liabilities (ie, except for Except for the corresponding share in the changes caused by the net liabilities or net assets of the defined benefit plan, the rest is transferred to the current investment income).



In the consolidated financial statements, the equity of the purchased party held before the purchase date is remeasured according to the fair value of the equity at the purchase date, and the difference between the fair value and its book value is included in the current investment income; held before the purchase date If the equity of the purchased party involves other comprehensive income, the other comprehensive income related to it should be accounted for on the same basis as the purchaser 's direct disposal of related assets or liabilities (ie, except for Except for the corresponding share in the changes caused by the net liabilities or net assets of the defined benefit plan, the rest are converted into the current investment income of the purchase date).

## **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 common 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 common 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: ① These transactions are concluded at the same time or with consideration of each other's influence; ② These transactions as a whole can achieve a complete business result; ③ The occurrence of a transaction depends on the occurrence of at least one other transaction; ④ A 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 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 recognized 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 recognized 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/not choose a simplified approach, according to whether the credit risk has increased significantly since the initial confirmation, the loss is prepared based on the expected credit loss amount in the next 12 months or the whole life period.

## **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:

<b>Item</b>	<b>Determine the basis for the combination</b>
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 credit loss allowance

<b>Aging</b>	<b>Receivables accrual proportion (%)</b>
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:

<b>Item</b>	<b>Determine the basis for the combination</b>
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 credit loss allowance

<b>Aging</b>	<b>Other receivables accrual proportion (%)</b>
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*

Low-value consumables 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 divestment. 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.

The useful lives and the amortization method are as follows:

<b>Item</b>	<b>Useful lives</b>	<b>Amortization method</b>
Land use rights	33-50 years	Straight line method
Software	5-10 years	Straight line method
Operating rights of distribution network	5-10 years	Straight line method

## 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**

The operating leases of the Group as a lessor mainly include leasing, sublease of properties and counters, etc., using the straight-line method or other systematic and reasonable methods to recognize the lease receipts from operating leases as rental income during each period of the lease term. The initial direct costs related to operating leases are capitalized when incurred and included in the current profit and loss in installments on the same basis as the confirmation of rental income throughout the lease period. Obtained variable lease payments related to operating leases that are not included in the lease receipts are included in the current profit and loss when they actually occur.

## **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 straight-line method is used by the Group to withdraw depreciation of the right-of-use assets based on the lease term specified in the lease contract from the lease start date; 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. 18 "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 recognized 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.

All lease contracts of the Group, as long as they meet the scope and conditions of the "Regulations on Accounting Treatment of Rental Concessions Related to the New Coronary Pneumonia Epidemic" (Cai Kuai [2020] No. 10), that is the lease consideration after concession is reduced or basically unchanged from before the concession; the concession is only for the lease payments payable before 30 June 2021; after considering qualitative and quantitative factors, it is determined that there are no major changes in other terms and conditions of the lease, the following simplified methods will be adopted for rent reductions, deferred payment, and other rent reductions since 1 January 2020:

Continue to calculate the interest expense of the lease liability at the same discount rate as before the reduction and include it in the current profit and loss, continue to use the same method as before the reduction to withdraw depreciation and other subsequent measurement of the right-of-use asset. The Group treats the reduced or exempted rent as a variable lease payment. When the original rent payment obligation is reached, such as a reduction agreement, the cash amount is discounted at the discount rate before reduction to offset the relevant asset costs or expenses, and the lease liability is adjusted accordingly; If the payment of rent is delayed, the lease liability recognized in the previous period shall be offset when the actual payment is made.

## **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 recognized 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 unguaranteed 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 recognized in profit or loss in the period in which they are incurred.

## 24 Changes in significant accounting policies and accounting estimates

### (1) Changes in accounting policies

None.

### (2) Changes in accounting estimates

None.

## V. TAXATION

### 1. Major taxes and tax rates

<u>Tax types</u>	<u>Tax basis</u>	<u>Tax rate</u>
Value-added tax	Note 1	13%/9%/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
<u>Taxable entities</u>	<u>Tax basis</u>	<u>Tax rate of income tax</u>
Chaopi Maolisheng Hong Kong Co., Ltd.	Note 2	16.5%
Hong Kong Chaopi Asia Company Limited	Note 2	16.5%
Others		25%

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

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



## 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 2020 to 30 June 2020 and the prior period was from 1 January 2019 to 30 June 2019.

### 1. Cash and Bank balances

Item	2020.6.30 (unaudited)	2019.12.31 (audited)
Cash on hand	8,098,819	8,218,440
Cash in bank	841,316,258	856,631,364
Other cash and cash equivalents (Note 1)	114,840,653	84,571,190
Total	964,255,730	949,420,994
Including: Overseas deposits (Note 2)	690,231	7,884,922

Note 1: As at 30 June 2020, the Group's margin deposits with use restrictions was RMB102,170,653 (31 December 2019: RMB84,571,190), and details were referred to Note (VI) 19. Notes payable, the financing margin deposit was RMB4,670,000, and the pledge deposit was RMB8,000,000.

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

### 2. Notes receivable

#### Classification of notes receivable

Item	2020.6.30 (unaudited)	2019.12.31 (audited)
Bank acceptance	1,481,000.00	–
Trade acceptance	–	–
Other notes receivable	–	–
Total	1,481,000.00	–

### 3. Accounts receivable

Item	2020.6.30 (unaudited)	2019.12.31 (audited)
Accounts receivable	1,305,738,516	1,197,382,479
Total	1,305,738,516	1,197,382,479



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

Category	2020.6.30 (unaudited)				
	Carrying amount		Credit loss allowance		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
Accounts receivable with single provision for credit loss	1,655,706	1	1,655,706	100	-
Accounts receivable with credit loss provision based on portfolio	1,328,536,441	99	22,797,925	2	1,305,738,516
<b>Total</b>	<b>1,330,192,147</b>	<b>100</b>	<b>24,453,631</b>	<b>2</b>	<b>1,305,738,516</b>

Category	2019.12.31 (audited)				
	Carrying amount		Credit loss allowance		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
Accounts receivable with single provision for credit loss	-	-	-	-	-
Accounts receivable with credit loss provision based on portfolio	1,217,861,967	100	20,479,488	2	1,197,382,479
<b>Total</b>	<b>1,217,861,967</b>	<b>100</b>	<b>20,479,488</b>	<b>2</b>	<b>1,197,382,479</b>

② **Presentation of accounts receivable according to aging analysis**

Aging	2020.6.30 (unaudited)			
	Carrying amount	Proportion%	Credit loss allowance	Net book value
Within 1 year	1,235,174,848	92	-	1,235,174,848
1-2 years	33,607,961	3	1,008,239	32,599,722
2-3 years	14,863,964	1	1,486,969	13,376,995
3-4 years	26,860,242	2	6,752,159	20,108,083
4-5 years	9,111,115	1	4,632,247	4,478,868
Over 5 years	10,574,017	1	10,574,017	-
<b>Total</b>	<b>1,330,192,147</b>	<b>100</b>	<b>24,453,631</b>	<b>1,305,738,516</b>



③ **Presentation of accounts receivable according to credit loss allowance provision by aging analysis**

<b>Aging</b>	<b>2020.6.30 (unaudited)</b>		
	<b>Accounts receivable</b>	<b>Credit loss allowance</b>	<b>Proportion%</b>
Within 1 year	1,235,174,848	–	0
1-2 years	33,607,961	1,008,239	3
2-3 years	14,863,328	1,486,333	10
3-4 years	26,810,777	6,702,694	25
4-5 years	8,957,735	4,478,867	50
Over 5 years	9,121,792	9,121,792	100
<b>Total</b>	<b>1,328,536,441</b>	<b>22,797,925</b>	

④ **Accounts receivable with single provision for credit loss allowance**

<b>Company</b>	<b>2020.6.30 (unaudited)</b>			<b>Reason for provision</b>
	<b>Accounts receivable</b>	<b>Credit loss allowance</b>	<b>Proportion%</b>	
Beijing Dachu Xiaocai Hotel Co., Ltd.	49,465	49,465	100	Revoke the business license
Beijing Sanjin Fengya Catering Management Co., Ltd.	153,380	153,380	100	Revoke the business license
Beijing Flamenco Catering Co., Ltd.	1,452,861	1,452,861	100	Revoke the business license
<b>Total</b>	<b>1,655,706</b>	<b>1,655,706</b>	<b>100</b>	

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 2020, the total accounts receivable due from Wu-mart, Carrefour, Lotus, Beijing Yonghui Superstores Co. Ltd., Jingdong, Tianjin jumei.com Technology Co., Ltd, Vipshop, BHG and MeetAll amounted to RMB145,550,334 (31 December 2019: RMB280,963,340) 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) 18).

<b>Content of accounts receivable</b>	<b>Factoring accounts receivable on full recourse basis</b>	
	<b>2020.6.30 (unaudited)</b>	2019.12.31 (audited)
Carrying amount of transferred assets	<b>145,550,334</b>	280,963,340
Carrying amount of related liabilities	<b>44,294,206</b>	48,566,497
Net book value	<b>101,256,128</b>	232,396,843

#### 4. Prepayments

Presentation of prepayments according to aging analysis

<b>Aging</b>	<b>2020.6.30 (unaudited)</b>		2019.12.31 (audited)	
	<b>Amount</b>	<b>Proportion (%)</b>	Amount	Proportion (%)
Within 1 year	<b>932,960,869</b>	<b>100</b>	1,124,980,836	100
Total	<b>932,960,869</b>	<b>100</b>	1,124,980,836	100

On 30 June 2020 and 31 December 2019, there was no prepayment from shareholders who held voting shares of more than 5% (including 5%).





## 5. Other receivables

Item	2020.6.30 (unaudited)	2019.12.31 (audited)
Other receivables	257,236,890	191,243,003
Interest receivables	–	–
Dividend receivables	–	–
Total	257,236,890	191,243,003

Details of other receivables

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

Category	2020.6.30 (unaudited)				Net book value
	Carrying amount		Credit loss allowance		
	Amount	Proportion (%)	Amount	Rate (%)	
Other receivables with single provision for credit loss	6,722,725	3	6,111,338	91	611,387
Other receivables with credit loss provision based on portfolio	258,466,929	97	1,841,426	1	256,625,503
Total	265,189,654	100	7,952,764	3	257,236,890

Category	2019.12.31 (audited)				Net book value
	Carrying amount		Credit loss allowance		
	Amount	Proportion (%)	Amount	Rate (%)	
Other receivables with single provision for credit loss	5,051,377	3	4,224,750	84	826,627
Other receivables with credit loss provision based on portfolio	191,249,750	97	833,374	1	190,416,376
Total	196,301,127	100	5,058,124	3	191,243,003

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

Aging	2020.6.30 (unaudited)			Net book value
	Carrying amount	Proportion%	Credit loss allowance	
Within 1 year	206,318,380	78	1,886,588	204,431,792
1-2 years	51,271,235	19	1,538,137	49,733,098
2-3 years	2,584,573	1	258,457	2,326,116
3-4 years	179,329	–	44,832	134,497
4-5 years	–	–	–	–
Over 5 years	4,836,137	2	4,224,750	611,387
Total	265,189,654	100	7,952,764	257,236,890



(3) *Other receivables that credit loss allowance has been assessed individually*

<b>Content of other receivables</b>	<b>Carrying amount</b>	<b>Credit loss allowance</b>	<b>Rate%</b>	<b>Reason</b>
Beijing Guanyuan Wholesale Market Co., Ltd.	4,836,137	4,224,750	87	Full bad debt provision for the part unrecovered, according to the agreement
Beijing Flamenco Catering Co., Ltd.	1,883,838	1,883,838	100	Revoke the business license
Beijing Dachu Xiaocai Hotel Co., Ltd.	2,750	2,750	100	Revoke the business license
<b>Total</b>	<b>6,722,725</b>	<b>6,111,338</b>		

(4) *Presentation of other receivable according to credit loss allowance by aging analysis*

<b>Aging</b>	<b>2020.6.30 (unaudited)</b>		
	<b>Other receivables</b>	<b>Credit loss allowance</b>	<b>Proportion%</b>
Within 1 year	<b>204,431,792</b>	–	<b>0</b>
1-2 years	<b>51,271,235</b>	<b>1,538,137</b>	<b>3</b>
2-3 years	<b>2,584,573</b>	<b>258,457</b>	<b>10</b>
3-4 years	<b>179,329</b>	<b>44,832</b>	<b>25</b>
4-5 years	–	–	<b>50</b>
Over 5 years	–	–	<b>100</b>
<b>Total</b>	<b>258,466,929</b>	<b>1,841,426</b>	



## 6. Inventories

### Presentation of Inventories by category

Item	2020.6.30 (unaudited)		
	Carrying amount	Impairment	Net book value
Merchandise inventory	1,306,948,709	–	1,306,948,709
Raw material	6,325,735	–	6,325,735
Goods in process	4,256	–	4,256
Low-value consumables	–	–	–
<b>Total</b>	<b>1,313,278,700</b>		<b>1,313,278,700</b>

Item	2019.12.31 (audited)		
	Carrying amount	Impairment	Net book value
Merchandise inventory	1,553,777,817	–	1,553,777,817
Raw material	10,456,299	–	10,456,299
Goods in process	201,280	–	201,280
Low-value consumables	–	–	–
<b>Total</b>	<b>1,564,435,396</b>		<b>1,564,435,396</b>

## 7. Other current assets

Item	2020.6.30 (unaudited)	2019.12.31 (audited)
Deductible input value-added tax	115,879,445	118,208,231
Prepaid lease expenses	2,227,755	1,707,767
Prepaid heating expenses	–	4,144,498
Other prepaid expenses (Note 1)	2,786,911	1,722,756
Receivable return cost	17,965,066	10,134,315
<b>Total</b>	<b>138,859,177</b>	<b>135,917,567</b>

Note 1: Prepaid cooling fees, property fees, cleaning fees and security fees, etc. are the primary expenses of other prepaid expenses.

## 8. Other non-current financial assets

Item	2020.6.30 (unaudited)	2019.12.31 (audited)
Classified financial assets at fair value through profit or loss	65,818,449	42,272,786
Including: debt instrument investments	–	–
equity instrument investments (Note 1)	65,818,449	42,272,786
Subtotal	65,818,449	42,272,786
Less: current portion that matures within one year	–	–
<b>Total</b>	<b>65,818,449</b>	<b>42,272,786</b>

Note 1: Chaopi Trading, the subsidiary of the Company, subscribed for the enjoyment of Wuliangye No. 1 fund products by monetary funds RMB11.67 million with a fund share of 11,638,983.05 in April 2018.



## 9. Investment properties

### *Investment properties under the cost method*

Item	Buildings	Land use rights	Total
<b>I. Original carrying amount</b>			
1. 2019.12.31 (audited)	139,248,884	122,900,708	262,149,592
2. Increase in the period	–	–	–
(1) Transferred from fixed assets	–	–	–
(2) Increase in business combination	–	–	–
3. Decrease in the period	–	–	–
(1) Transferred to fixed assets	–	–	–
(2) Transferred to intangible assets	–	–	–
4. 2020.6.30 (unaudited)	139,248,884	122,900,708	262,149,592
<b>II. Accumulated depreciation and amortization</b>			
1. 2019.12.31 (audited)	60,029,897	23,205,496	83,235,393
2. Increase in the period	2,628,681	1,716,601	4,345,282
(1) Accrual or amortization	2,628,681	1,716,601	4,345,282
(2) Transferred from fixed assets	–	–	–
(3) Increase in business combination	–	–	–
3. Decrease in the period	–	–	–
(1) Transferred to fixed assets	–	–	–
(2) Transferred to intangible assets	–	–	–
4. 2020.6.30 (unaudited)	62,658,578	24,922,097	87,580,675
<b>III. Net book value</b>			
1. 2020.6.30 (unaudited)	76,590,306	97,978,611	174,568,917
2. 2019.12.31 (audited)	79,218,987	99,695,212	178,914,199

As at 30 June 2020 and 31 December 2019, there was no investment properties that were pledged to secure certain of the Group's long-term bank loans.

As at 30 June 2020 and 31 December 2019, all land use rights in the investment properties of the Group are medium-term lease.

## 10. Fixed assets

Item	2020.6.30 (unaudited)	2019.12.31 (audited)
Fixed assets	<b>862,074,741</b>	904,648,539
Disposal on fixed assets	<b>18,468,144</b>	17,605,694
Total	<b>880,542,885</b>	922,254,233



**(1) Details of fixed assets**

Item	Buildings	Machinery and equipment	Electronic devices and others	Transportation vehicles	Total
<b>I. Original carrying amount</b>					
1. 2019.12.31 (audited)	1,056,215,236	864,850,461	188,986,400	49,633,861	2,159,685,958
2. Increase in the period	-	4,139,516	6,002,879	85,342	10,227,737
(1) Purchase	-	3,284,780	5,855,976	85,342	9,226,098
(2) Transferred from the construction in process	-	854,736	146,903	-	1,001,639
(3) Transferred from the investment properties	-	-	-	-	-
(4) Business mergers increased	-	-	-	-	-
3. Decrease in the period	-	16,195,424	8,513,196	2,690,991	27,399,611
(1) Disposal or retirement	-	16,195,424	8,513,196	2,690,991	27,399,611
(2) Transferred to the investment properties	-	-	-	-	-
4. 2020.6.30 (unaudited)	1,056,215,236	852,794,553	186,476,083	47,028,212	2,142,514,084
<b>II. Accumulative depreciation</b>					
1. 2019.12.31 (audited)	429,862,978	650,493,113	137,786,473	36,894,855	1,255,037,419
2. Increase in the period	18,219,464	18,809,923	7,621,594	5,560,971	50,211,952
(1) Accrual	18,219,464	18,809,923	7,621,594	5,560,971	50,211,952
(2) Transferred from the investment properties	-	-	-	-	-
(3) Business mergers increased	-	-	-	-	-
3. Decrease in the period	-	12,496,837	6,984,144	5,329,047	24,810,028
(1) Disposal or scrap in the period	-	12,496,837	6,984,144	5,329,047	24,810,028
(2) Transferred to investment properties	-	-	-	-	-
4. 2020.6.30 (unaudited)	448,082,442	656,806,199	138,423,923	37,126,779	1,280,439,343
<b>III. Net book value</b>					
1. 2020.6.30 (unaudited)	608,132,794	195,988,354	48,052,160	9,901,433	862,074,741
2. 2019.12.31 (audited)	626,352,258	214,357,348	51,199,927	12,739,006	904,648,539

**(2) Disposal on fixed assets**

Item	2020.6.30 (unaudited)	2019.12.31 (audited)
Housing warehouse	17,605,694	17,605,694
Equipment	862,450	-
Total	18,468,144	17,605,694



## 11. Construction in progress

Item	2020.6.30 (unaudited)	2019.12.31 (audited)
Construction in progress	140,203,730	141,980,011
Engineer material	–	–
Total	140,203,730	141,980,011

### (1) Details of construction in progress

Item	2020.6.30 (unaudited)			2019.12.31 (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	43,859,815	–	43,859,815	43,853,852	–	43,853,852
Pingfang Refrigeratory Project	9,617,821	–	9,617,821	9,617,821	–	9,617,821
Logistics center renovation	3,170,908	–	3,170,908	6,079,348	–	6,079,348
System Software Project	28,527,157	–	28,527,157	31,857,631	–	31,857,631
Other	4,795,376	–	4,795,376	338,706	–	338,706
Total	140,203,730	–	140,203,730	141,980,011	–	141,980,011

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

Item	Budget amount	2019.12.31 (audited)	Increase in the period	Transferred to fixed assets, intangible assets or long-term prepaid expenses	Other deduction	2020.6.30 (unaudited)
Shuangqiao Project	108,988,036	50,232,653	–	–	–	50,232,653
Pingfang Project	73,655,986	43,853,852	5,963	–	–	43,859,815
Pingfang Refrigeratory Project	35,047,286	9,617,821	–	–	–	9,617,821
Logistics center renovation	9,609,720	6,079,348	2,397,728	5,306,168	–	3,170,908
System Software Project	83,827,651	31,857,631	4,123,894	7,454,368	–	28,527,157
Others	43,637,137	338,706	5,801,441	854,736	490,035	4,795,376
Total	354,765,816	141,980,011	12,329,026	13,615,272	490,035	140,203,730



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	46.09	46.09	3,000,000	-	-	Own funds and bank loans
Pingfang Project	59.55	59.55	425,988	-	-	Own funds and bank loans
Pingfang Refrigeratory Project	27.44	27.44	-	-	-	Own funds and bank loans
Logistics center renovation	88.21	88.21	-	-	-	Own funds and bank loans
System Software Project	42.92	42.92	-	-	-	Own funds and bank loans
Others	14.07	14.07	-	-	-	Own funds and bank loans
Total			3,425,988			

## 12. The right-of-use asset

Item	Buildings	Total
<b>I. Original carrying amount</b>		
1. 2019.12.31 (audited)	1,312,314,066	1,312,314,066
2. Increase in the period	83,479,372	83,479,372
Asset lease	83,479,372	83,479,372
3. Decrease in the period	3,642,055	3,642,055
Early termination of asset lease	3,642,055	3,642,055
4. 2020.6.30 (unaudited)	1,392,151,383	1,392,151,383
<b>II. Accumulative depreciation</b>		
1. 2019.12.31 (audited)	174,651,779	174,651,779
2. Increase in the period	98,837,777	98,837,777
Accrual	98,837,777	98,837,777
3. Decrease in the period	1,614,648	1,614,648
Termination of asset lease	1,614,648	1,614,648
4. 2020.6.30 (unaudited)	271,874,908	271,874,908
<b>III. Net book value</b>		
1. 2020.6.30 (unaudited)	1,120,276,475	1,120,276,475
2. 2019.12.31 (audited)	1,137,662,287	1,137,662,287



### 13. Intangible assets

Item	Land use rights	Software	Operation rights of distribution network	Total
<b>I. Original carrying amount</b>				
1. 2019.12.31 (audited)	322,868,516	55,318,468	34,254,633	412,441,617
2. Increase in the period	–	7,249,820	–	7,249,820
(1) Purchase	–	1,709,877	–	1,709,877
(2) Transferred from the construction in process	–	5,539,943	–	5,539,943
(3) Transferred from the investment properties	–	–	–	–
(4) Business mergers increase	–	–	–	–
3. Decrease in the period	–	–	–	–
4. 2020.6.30 (unaudited)	322,868,516	62,568,288	34,254,633	419,691,437
<b>II. Accumulated amortization</b>				
1. 2019.12.31 (audited)	67,818,579	28,552,452	26,322,484	122,693,515
2. Increase in the period	4,522,586	2,813,450	1,124,092	8,460,128
(1) Accrual	4,522,586	2,813,450	1,124,092	8,460,128
(2) Transferred from the investment properties	–	–	–	–
(3) Business mergers increase	–	–	–	–
3. Decrease in the period	–	–	–	–
4. 2020.6.30 (unaudited)	72,341,165	31,365,902	27,446,576	131,153,643
<b>III. Net book value</b>				
1. 2020.6.30 (unaudited)	250,527,351	31,202,386	6,808,057	288,537,794
2. 2019.12.31 (audited)	255,049,937	26,766,016	7,932,149	289,748,102

### 14. Goodwill

#### Original carrying amount of goodwill

Name of the investee or item resulting in goodwill	2019.12.31 (audited)	Increase in the period		Decrease in the period		2020.6.30 (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 2020 and 31 December 2019, 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% (2019: 11%). The growth rate used to extrapolate the cash flows of the subsidiary beyond the five-year period was 3% (2019: 3%).

As at 30 June 2020 and 31 December 2019, 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

#### 15. Long-term prepaid expenses

Item	2019.12.31 (audited)	Increase in the period	Amortization in the period	Other deduction	2020.6.30 (unaudited)	Other reduces reasons
Transferred from construction in progress to leasehold improvements	331,353,470	9,249,327	35,039,223	-	305,563,574	-
Total	331,353,470	9,249,327	35,039,223	-	305,563,574	-

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

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

Item	2020.6.30 (unaudited)		2019.12.31 (audited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax asset
Deductible losses	17,342,770	4,335,693	17,342,770	4,335,692
Taxable government grants	36,651,936	9,162,984	35,683,351	8,920,838
Unrealized profits from internal transactions	4,969,581	1,242,395	2,468,310	617,078
Implementation of the new lease standard	46,101,511	11,525,379	-	-
Total	105,065,798	26,266,451	55,494,431	13,873,608



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

Item	2020.6.30 (unaudited)		2019.12.31 (audited)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value adjustment of assets arising from non-monetary asset exchange	10,939,732	2,734,933	11,472,952	2,868,238
Changes on the fair value of available-for-sale financial assets	54,148,449	13,537,112	30,602,786	7,650,697
Capitalized interest adjustment of borrowing costs	1,150,750	287,687	1,925,761	481,440
Difference between the fair value and the carrying amount of subsidiary merger and acquisition	2,680,730	670,184	1,968,280	492,070
Total	68,919,661	17,229,916	45,969,779	11,492,445

**(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 2020.6.30 (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 2019.12.31 (audited)
Deferred tax assets	3,022,621	23,243,830	3,349,678	10,523,930
Deferred tax liabilities	3,022,621	14,207,295	3,349,678	8,142,767

**17. Other non-current assets**

Item	2020.6.30 (unaudited)	2019.12.31 (audited)
Long-term receivables due from Shoulian Group (Note 1)	135,600,000	135,600,000
Security deposit	46,261,453	60,771,486
Prepaid construction fees	439,027	423,404
Total	182,300,480	196,794,890

Note 1: As at 30 June 2020, such long-term receivables consist of borrowings lent by Shoulian Supermarket to Shoulian Group due on 31 December 2022 as agreed upon. The long-term receivables bear interest at 4.35% 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.



## 18. Short-term borrowings

Item	2020.6.30 (unaudited)	2019.12.31 (audited)
Accounts receivable secured loan (Note 1)	44,294,206	48,566,497
Guaranteed loan (Note 2)	1,648,638,116	1,833,436,999
Unsecured loan (Note 3)	537,560,000	350,000,000
Pledged Loan (Note 4)	7,079,500	–
Undue interest payable	2,565,894	–
Total	2,240,137,716	2,232,003,496

As at 30 June 2020 and 31 December 2019, the short-term borrowings above bore annual interest rates ranging from 2.90% to 5.10% and 3.90% to 5.39% respectively, and without any due but unsettled ones.

*Note 1:* As at 30 June 2020, such short-term loan was obtained by several accounts receivable factoring of the Company totaling to RMB145,550,334 (31 December 2019: RMB280,963,340), and details were referred to Note (VI) 3.

*Note 2:* As at 30 June 2020, such short-term loans include RMB300,430,741, which was borrowed by Chaopi Trading, a subsidiary of the Company, with a surety provided by the Company; RMB50,000,000 was borrowed by Chaopi Trading, a subsidiary of the Company, with a surety provided by a subsidiary of Chaopi Trading; RMB40,000,000 was borrowed by a subsidiary of Chaopi Trading with a surety offered by the Company; RMB768,423,827 was borrowed by a subsidiary of Chaopi Trading with a surety offered by Chaopi Trading, and another RMB489,783,548 was borrowed by the Company with the surety provided by Chaopi Trading.

As at 31 December 2019, among such short-term bank loans, RMB626,952,296 was borrowed by the Company's subsidiary Chaopi Trading upon a surety provided by the Company; RMB50,000,000 was borrowed by a subsidiary of Chaopi Trading upon a surety provided by a subsidiary of Chaopi Trading; RMB40,900,000, which was borrowed by a subsidiary of Chaopi Trading with a surety offered by the Company; and RMB815,584,703 was borrowed by a subsidiary of Chaopi Trading upon a surety provided by Chaopi Trading; RMB300,000,000 was borrowed by the Company upon a surety provided by Chaopi Trading.

*Note 3:* As at 30 June 2020, the credit loans included RMB200,000,000 and RMB200,000,000 respectively granted by China Bank of Communications Co., Ltd. Sanyuan Bridge Sub-branch and China Construction Bank Co., Ltd. Beijing Chaoyang Sub-branch on an unsecured basis. The credit loans included RMB92,150,000 and RMB45,410,000 borrowed by the Company's subsidiary Chaopi Trading that granted by China Construction Bank Co., Ltd. Beijing Chaoyang Sub-branch and Industrial Bank Co., Ltd. Beijing Chaowai Sub-branch on an unsecured basis.

As at 31 December 2019, the credit loans included RMB50,000,000, RMB150,000,000 and RMB150,000,000 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 Sub-branch on an unsecured basis.

*Note 4:* As at 30 June 2020, pledged loan is that Beijing Chaopi Maolisheng Trading Co., Ltd., a subsidiary of Chaopi Trading, provided a pledge guarantee to Bank of Beijing Co., Ltd. Shanghai Branch with a time deposit certificate of RMB8,000,000 under its name, and the loan amount obtained was USD1,000,000, which was converted into RMB7,079,500 at the exchange rate of USD to RMB7.0795 on 30 June 2020..



**19. Notes payable**

<b>Category</b>	<b>2020.6.30 (unaudited)</b>	2019.12.31 (audited)
Bank acceptances	<b>421,304,859</b>	433,117,591
Total	<b>421,304,859</b>	433,117,591

As at 30 June 2020, security deposit for the issuance of bank acceptances above amounted to RMB102,170,653 (31 December 2019: RMB84,571,190).

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

**20. Accounts payable**

Accounts payable are listed below according to the nature of the amount:

<b>Item</b>	<b>2020.6.30 (unaudited)</b>	2019.12.31 (audited)
Purchase	<b>960,150,904</b>	907,047,722
Total	<b>960,150,904</b>	907,047,722

**21. Contract liability*****Details of Contract liability***

<b>Item</b>	<b>2020.6.30 (unaudited)</b>	2019.12.31 (audited)
Procurements received in advance	<b>282,510,804</b>	428,557,184
Total	<b>282,510,804</b>	428,557,184

**22. Payroll payable*****(1) Details of payroll payable***

<b>Item</b>	2019.12.31 (audited)	<b>Increase in the period</b>	<b>Decrease in the period</b>	<b>2020.6.30 (unaudited)</b>
1. Short-term remuneration	1,735,030	356,038,348	345,684,872	12,088,506
2. Post-employment benefits-defined contribution plans (Note 1)	–	20,023,354	20,010,604	12,750
3. Dismissal compensation	–	356,283	356,283	–
4. Other welfare due within one year	–	–	–	–
Total	1,735,030	376,417,985	366,051,759	12,101,256



**(2) Short-term remuneration**

<b>Item</b>	<b>2019.12.31 (audited)</b>	<b>Increase in the period</b>	<b>Decrease in the period</b>	<b>2020.6.30 (unaudited)</b>
1) Wages or salaries, bonus, allowance, subsidies	-	301,368,462	292,603,056	<b>8,765,406</b>
2) Staff welfare	-	13,559,487	13,559,487	-
3) Social security	-	16,884,815	16,874,492	<b>10,323</b>
Including: Medical insurance	-	16,111,965	16,101,886	<b>10,079</b>
Work injury insurance	-	424,746	424,502	<b>244</b>
Maternity insurance	-	348,104	348,104	-
4) Housing funds	-	18,020,331	18,020,331	-
5) Labor union expenses and employees' education expenses	1,735,030	6,205,253	4,627,506	<b>3,312,777</b>
<b>Total</b>	<b>1,735,030</b>	<b>356,038,348</b>	<b>345,684,872</b>	<b>12,088,506</b>

**(3) Details of defined contribution plan**

<b>Item</b>	<b>2019.12.31 (audited)</b>	<b>Increase in the period</b>	<b>Decrease in the period</b>	<b>2020.6.30 (unaudited)</b>
1) Basic retirement insurance	-	19,137,338	19,125,195	<b>12,143</b>
2) Unemployment insurance	-	886,016	885,409	<b>607</b>
3) Annuity	-	-	-	-
<b>Total</b>	-	<b>20,023,354</b>	<b>20,010,604</b>	<b>12,750</b>

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

Currently, the Group will contribute RMB19,137,338 and RMB886,016 to retirement insurance and unemployment insurance accordingly.

**23. Taxes payable**

<b>Item</b>	<b>2020.6.30 (unaudited)</b>	<b>2019.12.31 (audited)</b>
Value-added tax	<b>59,581,205</b>	79,927,439
Corporate income tax	<b>17,024,875</b>	18,855,004
Personal income tax	<b>13,887,532</b>	915,905
City construction and maintenance tax	<b>803,961</b>	1,060,573
Education surcharge	<b>355,279</b>	457,032
Stamp duty	<b>315,670</b>	289,839
Local education surcharge	<b>229,588</b>	305,643
Other	<b>87,270</b>	109,497
<b>Total</b>	<b>92,285,380</b>	101,920,932



## 24. Other payables

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

<b>Item</b>	<b>2020.6.30 (unaudited)</b>	2019.12.31 (audited)
Other payables	<b>276,532,007</b>	256,063,900
Interest payables	–	2,859,433
Dividend payables	<b>44,544,400</b>	5,251,507
<b>Total</b>	<b>321,076,407</b>	264,174,840

### (2) Details of other payables

Presentation of other payables by nature of accounts

<b>Item</b>	<b>2020.6.30 (unaudited)</b>	2019.12.31 (audited)
Construction fees payable	<b>45,488,868</b>	45,296,344
Deposit	<b>65,541,552</b>	64,445,135
Rent received in advance	<b>9,075,040</b>	8,743,295
Others	<b>156,426,547</b>	137,579,126
<b>Total</b>	<b>276,532,007</b>	256,063,900

### (3) Details of interest payables

<b>Item</b>	<b>2020.6.30 (unaudited)</b>	2019.12.31 (audited)
Short-term debts interest payables	–	2,859,433
<b>Total</b>	–	2,859,433

### (4) Details of dividend payables

<b>Item</b>	<b>2020.6.30 (unaudited)</b>	2019.12.31 (audited)
Ordinary shares dividend (domestic-owned shares)	<b>28,382,419</b>	–
Other minority shareholders' dividend	<b>16,161,981</b>	5,251,507
<b>Total</b>	<b>44,544,400</b>	5,251,507

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

<b>Item</b>	<b>2020.6.30 (unaudited)</b>	2019.12.31 (audited)
Leases liability due within one year	<b>219,202,069</b>	196,274,668
<b>Total</b>	<b>219,202,069</b>	196,274,668



## 26. Other current liabilities

Item	2020.6.30 (unaudited)	2019.12.31 (audited)
Short-term financing bond	–	300,000,000
Refund payable	20,049,044	11,654,063
Accrued expenses	9,461,537	16,866,558
Output tax to be transferred	26,487,741	–
Total	55,998,322	328,520,621

### Accrued expenses

Item	2020.6.30 (unaudited)	2019.12.31 (audited)
Accrued interest expenses	–	9,165,000
Accrued rent expenses	1,257,964	34,268
Accrued audit expenses	–	1,341,455
Others	8,203,573	6,325,835
Total	9,461,537	16,866,558

## 27. Bonds payable

### (1) Bonds payable

Item	2020.6.30 (unaudited)	2019.12.31 (audited)
Corporate bonds (2019.8.26 – 2024.8.25)	410,114,998	402,326,607
Total	410,114,998	402,326,607

### (2) Changes in the bonds payable

Bonds	Par value	Issue date	Term of the bond	Issue amount	2019.12.31 (audited)	Issue in the period
Corporate bonds	400,000,000	2019.8.23	5 years	400,000,000	402,326,607	–
Total	400,000,000			400,000,000	402,326,607	–

Bonds	Accrued interest for the period	Bond discount/premium amortization	Paid during the period	2020.6.30 (unaudited)
Corporate bonds	15,080,000	10,114,998	–	410,114,998
Total	15,080,000	10,114,998	–	410,114,998

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 26 August 2019, the Company issued the corporate bonds aggregated to RMB400,000,000 with a term of maturity of 5 years. The corporate bonds were jointly secured by Beijing Chaoyang District National Capital Operating Management Center, a state-owned enterprise, bearing coupon rate at 3.77% per annum. The issuance expenses of RMB3,150,943 had been included in bonds payable.



## 28. Lease liability

Item	2019.12.31 (audited)	Increase in the period			Decrease in the period	2020.6.30 (unaudited)
		New lease	Interest in the period	Other		
Assets leased	1,173,722,592	83,305,775	28,026,707	283,522	100,096,892	1,185,241,704
Less: Lease liabilities due within one year	196,293,835	61,727,254	24,170,011	66,265,180	128,555,359	219,900,921
<b>Total</b>	<b>977,428,757</b>	<b>21,578,521</b>	<b>3,856,696</b>	<b>(65,981,658)</b>	<b>(28,458,467)</b>	<b>965,340,783</b>

Note: For details of the changes to the implementation of the new lease criteria, see Note VI. 12 The right-of-use assets.

## 29. Government grants

### Details of government grants

Classification	Amount	Presentation project	Amount included in current profit and loss
Ease the employment pressure	3,291,598	Other income	3,291,598
Government grants related to assets are amortized this year	4,730,948	Other income	4,730,948
Other	393,388	Other income	393,388
<b>Total</b>	<b>8,415,934</b>		<b>8,415,934</b>

## 30. Deferred income

Item	2019.12.31 (audited)	Increase in the period	Decrease in the period	2020.6.30 (unaudited)	Reasons
Government grants	35,950,018	5,566,200	4,730,948	36,785,270	-
<b>Total</b>	<b>35,950,018</b>	<b>5,566,200</b>	<b>4,730,948</b>	<b>36,785,270</b>	





Including, the project related to government grants:

Item	2019.12.31 (audited)	Increase in the period	Included non- operating income	Included other income	Other change	2020.6.30 (unaudited)	Related to assets/income
Agricultural Super Matchmaking Pilot Project	3,581,633	-	-	525,033	-	<b>3,056,600</b>	Related to assets
Chaoyang District Finance Bureau life service industry development guidance funds	3,158,865	-	-	210,591	-	<b>2,948,274</b>	Related to assets
Central Finance promotes the development of special funds for the service industry (2015.01-2023.12)	3,054,499	-	-	420,353	-	<b>2,634,146</b>	Related to assets
Logistics standardization pilot project in 2017	2,807,364	-	-	199,399	-	<b>2,607,965</b>	Related to assets
Logistics standardization pilot project in 2015	2,667,871	-	-	366,300	-	<b>2,301,571</b>	Related to assets
Other	20,679,786	5,566,200	-	3,009,272	-	<b>23,236,714</b>	Related to assets
<b>Total</b>	<b>35,950,018</b>	<b>5,566,200</b>	<b>-</b>	<b>4,730,948</b>	<b>-</b>	<b>36,785,270</b>	

Government grants include:

- (1) In 2005, deferred income was the government grants totaling RMB4,000,000 received 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 2014, the Company received government grants totaling RMB14,186,700 from Beijing Municipal Commission of Commerce and Beijing Finance Bureau as a special funding for agriculture-supermarket jointing program. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (11 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (3) In 2014, the Company received government grants totaling RMB8,820,000 from Beijing Municipal Commission of Commerce and Beijing Finance Bureau and as a special funding for service development program. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (11 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.



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



- (10) In 2017, Chaopi Trading, a subsidiary of the Company, received government grants totaling RMB12,647,900 from Beijing Municipal Commission of Commerce as a special funding for logistics standardization project. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by the initial entry value of assets, and deferred income would be evenly amortized in the estimated useful life (8 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (11) In 2017, the Company received government grants totaling RMB3,140,000 from Beijing Municipal Development and Reform Commission as a special funds for Jingkelong energy-saving emission reduction technology innovation project. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by the initial entry value of assets, and deferred income would be evenly amortized in the estimated useful life (8 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (12) In 2017, the Company received government grants totaling RMB4,011,200 from Beijing Municipal Commission of Commerce and Beijing Finance Bureau 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.
- (13) In 2017, the Company received government grants totaling RMB1,199,000 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.
- (14) In 2018, the Company received government grants totaling RMB1,155,200 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.
- (15) In 2018, the Company received government grants totaling RMB3,681,500 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.



- (16) In 2018, the Company received government grants totaling RMB4,211,820 from Beijing Municipal Commission of Commerce and Beijing Finance Bureau 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.
- (17) In 2018, the Company received government grants totaling RMB1,471,800 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.
- (18) In 2019, the Company received government grants totaling RMB1,832,900 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.
- (19) In 2020, the Company received government grants totaling RMB2,000,000 from Logistics Service Center of Chaoyang District, Beijing as a special funds for Life Service Employment Development Guidance Project. The deferred income was 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.
- (20) In 2020, the Company received government grants totaling RMB3,566,200 from Beijing Municipal Bureau of Commerce as a special funds for promote chain operation projects. The deferred income was divided by 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.



### 31. Share capital

Item	2019.12.31 (audited)	New issue of shares	Changes in the period			Subtotal	2020.6.30 (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

### 32. Capital reserves

Item	2019.12.31 (audited)	Increase in the period	Decrease in the period	2020.6.30 (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

### 33. Other comprehensive income

Item	2019.12.31 (audited)	Changes in the period					2020.6.30 (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	309,414	-	-	-	-	-	309,414
Total	309,414	-	-	-	-	-	309,414



### 34. Surplus reserves

Item	2019.12.31 (audited)	Increase in the period	Decrease in the period	2020.6.30 (unaudited)
Statutory surplus reserve	160,727,215	–	–	<b>160,727,215</b>
Total	160,727,215	–	–	<b>160,727,215</b>

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.

### 35. Undistributed profits

Item	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)
Undistributed profits at the beginning of year	<b>550,263,661</b>	537,907,146
Add: Net profit attributable to the shareholders of the parent company for the year	<b>36,169,475</b>	30,133,697
Less: Appropriation to statutory surplus reserve	–	–
Ordinary shares' dividends payable	<b>32,977,600</b>	32,977,600
Other	–	–
Undistributed profits at the end of the year	<b>553,455,536</b>	535,063,243

#### **Dividend**

A final dividend of RMB0.08 per share, in respect of year ended at 31 December 2019 (the previous corresponding period: RMB0.08 per share in respect of the year ended at 31 December 2018) 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: RMB32,977,600).

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



### 36. Operating income and operating costs

#### (1) Operating income and operating costs

Item	Six months ended at 30 June 2020 (unaudited)		Six months ended at 30 June 2019 (unaudited)	
	Income	Cost	Income	Cost
Principal operating	5,770,534,248	4,974,450,497	5,324,902,003	4,548,447,560
Other operating	439,338,987	5,921,956	560,087,730	6,051,875
Total	6,209,873,235	4,980,372,453	5,884,989,733	4,554,499,435

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

Item	Six months ended at 30 June 2020 (unaudited)		Six months ended at 30 June 2019 (unaudited)	
	Principal operating income	Principal operating costs	Principal operating income	Principal operating costs
Retail	2,512,462,026	2,082,439,042	2,109,605,255	1,743,041,618
Wholesale	3,256,160,077	2,888,465,355	3,199,323,115	2,794,091,820
Others	1,912,145	3,546,100	15,973,633	11,314,122
Total	5,770,534,248	4,974,450,497	5,324,902,003	4,548,447,560

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

### 37. Taxes and surcharges

Item	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)
Consumption tax	302,297	1,061,536
City construction and maintenance tax	11,429,475	10,877,381
Building tax	8,348,771	7,640,032
Land tax	510,706	408,699
Vehicle and vessel use tax	85,820	190,769
Environment protect tax	3,346,226	3,101,998
Stamp tax	4,746	–
Others	12,823	26,968
Total	24,040,864	23,307,383



### 38. Selling expenses

Item	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)
Wages and salaries	<b>264,227,059</b>	261,099,643
Depreciation and amortization expenses	<b>184,544,021</b>	179,672,464
Promotional expenses	<b>164,856,051</b>	213,316,432
Service fee	<b>110,090,892</b>	109,256,287
Shipping fee	<b>90,278,504</b>	97,879,243
Utility fee	<b>31,252,126</b>	32,160,446
Security fee	<b>17,758,508</b>	17,880,049
Repair fee	<b>8,456,957</b>	11,140,419
Warehousing fee	<b>8,330,887</b>	10,289,422
Cleaning fee	<b>7,661,095</b>	8,112,386
Advertising fee	<b>7,181,140</b>	7,091,935
Coal fee	<b>6,986,915</b>	8,286,065
Telephone, postal and communication fees	<b>4,171,598</b>	3,295,311
Packaging fee	<b>4,054,140</b>	2,849,223
Lease expenses	<b>3,191,431</b>	12,659,566
Property costs	<b>2,805,606</b>	1,950,121
Computer supplies	<b>2,531,850</b>	3,088,135
Insurance fee	<b>1,667,114</b>	1,880,085
Labor protection fee	<b>1,222,894</b>	330,851
Stationery printing fee	<b>1,124,941</b>	371,399
Travel expenses	<b>905,669</b>	2,308,741
Commodity loss or loss	<b>964,966</b>	1,185,576
Shop opening fee	<b>489,804</b>	408,915
Low value consumables	<b>160,696</b>	71,610
Meal fee	<b>18,825</b>	40,403
Book information fee	<b>7,677</b>	12,163
Others	<b>2,464,137</b>	734,547
<b>Total</b>	<b>927,405,503</b>	987,371,437





### 39. Administrative expenses

Item	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)
Wages and salaries	111,517,948	140,426,898
Depreciation and amortization expenses	5,638,513	4,905,455
Inventory count loss	3,007,185	1,699,920
Low value consumables	1,268,383	1,760,100
Audit fees	1,182,135	1,547,064
Business hospitality	717,073	1,256,828
Office fee	545,577	88,742
Service fee	442,018	3,075,427
Utility fee	428,887	664,352
Insurance fee	386,598	335,978
Conference fee	325,252	582,218
Telephone, postal and communication fees	228,862	199,385
Travel expenses	165,540	942,705
Heating costs	139,528	4,081
Repair fee	93,330	344,577
Consulting fee	32,703	2,245,528
Others	515,181	1,878,839
Total	126,634,713	161,958,097

### 40. Financial expenses

Item	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)
Interest expenses	91,929,818	98,777,437
Including: Lease liability interest expense	27,516,750	26,265,807
Less: Capitalized interest expenses	36,254	7,329
Interest income	(6,841,517)	(6,255,669)
Bank charges	7,106,399	7,571,353
Exchange losses (gains)	(12,752)	(190,010)
Total	92,145,694	99,895,782

### 41. Other income

#### (1) Details of other income

Item	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)	The amount included in the current year non-recurring gains and losses
Government grants	8,415,934	5,981,572	8,415,934
Total	8,415,934	5,981,572	8,415,934



**(2) Details of government grants**

Item	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)
Ease the employment pressure	3,291,598	582,634
Asset-related government grants amortization for the current year	4,730,948	4,564,808
Other	393,388	834,130
Total	8,415,934	5,981,572

**42. Investment income**

Item	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)
Investment income from short-term financial products	33,984	279,557
Investment income from disposing financial assets measured at fair value through profit or loss	-	-
Investment income of financial assets measured at fair value through profit or loss during the holding period	-	942,758
Total	33,984	1,222,315

**43. Gains from changes in fair values**

Sources of gains from changes in fair values	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)
Trading financial assets	23,545,663	15,014,288
Including: classified financial assets at fair values through profits or losses (exclude gains from changes in fair value of derivative instruments)	23,545,663	15,014,288
classified financial assets at fair values through profits or losses (gains from changes in fair value of derivative instruments)	-	-
Total	23,545,663	15,014,288

**44. Credit impairment loss**

Item	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)
Credit loss of notes receivable and accounts receivable	(3,904,411)	(1,144,377)
Credit loss of other receivable	(2,894,640)	(206,968)
Total	(6,799,051)	(1,351,345)



#### 45. Gains on disposal of assets

Item	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)	The amount included in the current year non-recurring gains and losses
Gains on disposal of non-current assets	(78,929)	(106,080)	(78,929)
Total	(78,929)	(106,080)	(78,929)

#### 46. Non-operating income

##### (1) Details of non-operating income

Item	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)	The amounts included in non-recurring gains and losses for the year
Total gains on spoilage and obsolescence of non-current assets	–	–	–
Including: Gains on spoilage and obsolescence of non-current assets of fixed assets	–	–	–
Government grants	–	4,950,000	–
Compensation for breach of contract	1,845,583	1,479,348	1,845,583
Tax rate adjustment underpayment	–	2,795,450	–
Disposal of waste materials	371,681	408,804	371,681
Others	1,392,388	454,527	1,392,388
Total	3,609,652	10,088,129	3,609,652

##### (2) Details of government grants

Item	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)
Compensation for house demolition (Note)	–	4,950,000
Total	–	4,950,000

Note: According to Chao guozhiwen[2019] No.97, "Approval of the Appropriation of State-owned Capital Operation Budget Funds in 2019", the company received RMB4,950,000 of subsidies for remediation and improvement of safe production environment.



#### 47. Non-operating expenses

Item	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)	The amounts included in non- recurring gains and losses for the year
Total losses on spoilage and obsolescence of non-current assets	<b>127,522</b>	39,906	127,522
Including: Losses on spoilage and obsolescence of fixed assets	<b>127,522</b>	39,906	127,522
Fine	<b>655,896</b>	1,084,563	655,896
Others	<b>2,278,110</b>	3,855,467	2,278,110
Total	<b>3,061,528</b>	4,979,936	3,061,528

#### 48. Income tax expenses

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

Item	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)
Current income tax expense	<b>42,352,147</b>	30,894,264
Deferred income tax expense	<b>(6,655,371)</b>	5,402,778
Total	<b>35,696,776</b>	36,297,042

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

Item	Six months ended at 30 June 2020 (unaudited)
Total profit	<b>84,939,733</b>
Income tax expenses calculated at appropriate tax rate	<b>21,234,933</b>
Effect of subsidiary companies to adapt different tax rates	<b>151,387</b>
Effect of adjusting the previous years' income tax	<b>(530,133)</b>
Effect of non-taxable income	<b>(25,047,285)</b>
Effect of non-deductible costs, expenses and losses	<b>5,119,910</b>
Effect of using deductible losses of previously unrecognized deferred tax assets	<b>(81,387)</b>
Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets in the period	<b>34,849,351</b>
Total	<b>35,696,776</b>



#### 49. Earnings per share

Item	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)
Net profit for the period attributable to shareholders of the parent company	36,169,475	30,133,697
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 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)
Calculated based on the net profit attributable to ordinary shareholders of the parent company:		
Basic earnings per share	0.09	0.07

#### 50. Items in the cash flow statements

##### (1) Other cash received relating to operating activities

Item	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)
Income of rent	75,393,036	102,924,716
Income of scrap sales	1,560,244	1,223,993
Income of franchise	661,000	831,696
Income of government grant	7,878,060	6,366,764
Recovered deposit	2,633,332	2,655,689
Transportation fee income	9,913,082	15,903,114
Others	3,264,255	3,576,216
Total	101,303,009	133,482,188

##### (2) Other cash paid relating to operating activities

Item	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)
Selling expenses (except rent)	435,576,288	420,470,464
Administrative expenses	10,290,148	17,276,296
Rent	3,191,431	12,659,566
Deposit and margin	2,842,327	2,053,478
Bank charges	7,102,070	7,571,354
Others	1,201,359	1,873,743
Total	460,203,623	461,904,901



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

<b>Item</b>	<b>Six months ended at 30 June 2020 (unaudited)</b>	Six months ended at 30 June 2019 (unaudited)
Financial product	<b>35,796,651</b>	133,519,403
Government grant related to assets	<b>5,566,200</b>	–
<b>Total</b>	<b>41,362,851</b>	133,519,403

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

<b>Item</b>	<b>Six months ended at 30 June 2020 (unaudited)</b>	Six months ended at 30 June 2019 (unaudited)
Financial product	<b>36,385,238</b>	105,727,789
<b>Total</b>	<b>36,385,238</b>	105,727,789

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

<b>Item</b>	<b>Six months ended at 30 June 2020 (unaudited)</b>	Six months ended at 30 June 2019 (unaudited)
Issuing bonds	–	300,000,000
<b>Total</b>	–	300,000,000

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

<b>Item</b>	<b>Six months ended at 30 June 2020 (unaudited)</b>	Six months ended at 30 June 2019 (unaudited)
Repayment of lease liabilities principal and interest	<b>112,930,726</b>	104,639,573
Repayment of bonds	<b>300,000,000</b>	–
Borrowings	<b>11,794,968</b>	–
<b>Total</b>	<b>424,725,694</b>	104,639,573



## 51. Supplementary information to the cash flow statement

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

<b>Supplementary information</b>	<b>Six months ended at 30 June 2020 (unaudited)</b>	Six months ended at 30 June 2019 (unaudited)
<b>1. Reconciliation of net profits and cash flow from operating activities:</b>		
Net profit	<b>49,242,957</b>	47,529,500
Add: Provision for impairment losses on assets	–	–
Credit impairment loss	<b>6,799,051</b>	1,351,345
Depreciation of fixed assets	<b>50,211,952</b>	47,270,588
Depreciation of right-of-use assets	<b>98,837,777</b>	93,043,929
Depreciation of investment property	<b>4,345,282</b>	4,346,237
Amortization of intangible assets	<b>8,460,128</b>	8,381,148
Amortization of long-term prepaid expenses	<b>35,039,223</b>	37,452,716
Net Losses on disposal of fixed assets, intangible assets and other long-term assets	<b>78,929</b>	106,080
Losses arising from the scrapped fixed assets	<b>127,522</b>	39,906
Losses on changes in fair value	<b>(23,545,663)</b>	(15,014,288)
Financial expenses	<b>92,145,694</b>	99,895,782
Losses arising from investments	<b>(33,984)</b>	(1,222,315)
Amortization of government grants related to assets	<b>(4,730,948)</b>	(4,564,808)
Decrease in deferred tax assets	<b>(12,719,900)</b>	2,000,450
Increase in deferred tax liabilities	<b>6,064,528</b>	3,402,327
Decrease (Increase) in inventories	<b>251,156,696</b>	195,112,564
Decrease in operating receivables	<b>16,189,043</b>	(100,345,129)
Increase in operating payables	<b>(82,856,507)</b>	(198,811,842)
Net cash flows from operating activities	<b>494,811,780</b>	219,974,190
<b>2. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	<b>849,415,077</b>	704,959,975
Less: Opening balance of cash	<b>864,849,805</b>	1,014,227,924
Net increase (decrease) in cash and cash equivalents	<b>(15,434,728)</b>	(309,267,949)

### (2) Cash and cash equivalents

<b>Item</b>	<b>Six months ended at 30 June 2020 (unaudited)</b>	Six months ended at 30 June 2019 (unaudited)
Cash		
Including: Cash on hand	<b>8,098,819</b>	9,010,858
Bank deposits on demand	<b>841,316,258</b>	695,949,117
Closing balance of cash and cash equivalents	<b>849,415,077</b>	704,959,975



## VII. CHANGES IN THE CONSOLIDATION SCOPE

None.

## 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 company	Langfang, PRC	Retail	80,000,000
Beijing Jingkelong Supermarket Chain Co., Ltd (Jingkelong Tongzhou)	Limited company	Beijing, PRC	Retail	29,000,000
Beijing Xinyang Tongli Commercial Facilities Co., Ltd. (Xinyang Tongli)	Limited company	Beijing, PRC	Manufacture	10,000,000
Beijing Jingkelong Shouchao Commercial Co., Ltd. (Shoulian Supermarket)	Limited company	Beijing, PRC	Retail	398,453,439
Beijing Jingkelong Haotian Hotel Management Co., Ltd. (Haotian Hotel)	Limited company	Beijing, PRC	Hospitality	5,000,000
Beijing Jingkelong Vocational Training School (Training School)	Institutional organization	Beijing, PRC	Training	500,000
Beijing Lianchao Company Limited (the "Lianchao Limited")	Limited company	Beijing, PRC	Retail	10,000,000
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 company	Beijing, PRC	Wholesale	110,160,000
Beijing Chaopi Huaqing Beverage Co., Ltd. (Chaopi Huaqing)*	Limited company	Beijing, PRC	Wholesale	80,000,000
Beijing Chaopi Flavourings Co., Ltd. (Chaopi Flavouring)*	Limited company	Beijing, PRC	Wholesale	50,000,000
Beijing Chaopi Jinglong Oil Sales Co., Ltd. (Chaopi Oil Sales)*	Limited company	Beijing, PRC	Wholesale	36,000,000
Shijiazhuang Chaopi Xinlong Trading Co., Ltd.*	Limited company	Shijiazhuang, PRC	Wholesale	5,000,000
Qingdao Chaopi Jinlong Trading Co., Ltd.*	Limited company	Qingdao, PRC	Wholesale	5,000,000
Beijing Chaopi Zhongde Trading Co., Ltd. (Chaopi Zhongde)*	Limited company	Beijing, PRC	Wholesale	65,000,000
Taiyuan Chaopi Trading Co., Ltd. (Chaopi Taiyuan)*	Limited company	Taiyuan, PRC	Wholesale	15,000,000
Beijing Chaopi Yuli Trading Co., Ltd. (Chaopi Yuli)**	Limited company	Beijing, PRC	Wholesale	24,000,000
Beijing Chaopi Fangsheng Trading Co., Ltd.**	Limited company	Beijing, PRC	Wholesale	20,000,000
Jinan Chaopi Linda Trading Co., Ltd. (Chaopi Jinan)*	Limited company	Jinan, PRC	Wholesale	26,000,000
Beijing Chaopi Shenglong Trading Co., Ltd. (Chaopi Shenglong)*	Limited company	Beijing, PRC	Wholesale	20,000,000
Beijing Chaopi Tianhua Trading Co., Ltd. (Chaopi Tianhua)*	Limited company	Beijing, PRC	Wholesale	20,000,000
Datong Chaopi Beichen Trading Co., Ltd. (Chaopi Datong)*	Limited company	Datong, PRC	Wholesale	26,000,000
Datong Chaopi Ant Trading Co., Ltd. (Chaopi Ant)**	Limited company	Datong, PRC	Retail	5,000,000
Tangshan Chaopi Baishun Trading Co., Ltd. (Chaopi Baishun)*	Limited company	Tangshan, PRC	Wholesale	30,000,000
Beijing Chaopi Maolisheng Trading Co., Ltd. (Chaopi Maolisheng)*	Limited company	Beijing, PRC	Wholesale	75,000,000
Hong Kong Chaopi Asia Co., Ltd. (Chaopi Hong Kong)**	Limited company	Hong Kong, PRC	Wholesale	HKD10,000
Beijing Qumeiba Information Technology Company Limited Chaopi (Qumeiba)*	Limited company	Beijing, PRC	Wholesale	1,000,000
Beijing Chaopi Shengshi Trading Co., Ltd. (Chaopi Shengshi)*	Limited company	Beijing, PRC	Wholesale	25,000,000
Beijing Chaopi Zhaoyang E-commerce Co., Ltd. (Chaopi Zhaoyang)*	Limited company	Beijing, PRC	Wholesale	44,000,000
Beijing Chaopi Xinyishangzhen Food Co., Ltd. (Xinyishangzhen)*	Limited company	Beijing, PRC	Wholesale	40,000,000
Beijing Shangzhen Food Co., Ltd. (Shangzhen Food)**	Limited company	Beijing, PRC	Wholesale	5,000,000
Tangshan Chaopi Shangzhen Food Co., Ltd. (Tangshan Shangzhen)	Limited company	Tangshan, PRC	Manufacture	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 Jiushengmingpin Trading Co., Ltd (Chaopi Jiusheng)*	Limited company	Beijing, PRC	Wholesale	30,000,000
Beijing Chaopi Huansheng International Trading Company Limited (Chaopi Huansheng)*	Limited company	Beijing, PRC	Wholesale	15,000,000
Baoding Chaopi Trading Co., Ltd (Baoding Chaopi)	Limited company	Baoding, PRC	Wholesale	10,000,000





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 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 Flavoursings, Co., Ltd. (Chaopi Flavouring)*	Wholesale of edible oil and food	42.03	52.63	Yes	
Beijing Chaopi Jinglong Oil Sales Co., Ltd. (Chaopi Oil Sales)*	Wholesale of edible oil	43.30	54.23	Yes	
Shijiazhuang Chaopi Xinlong Trading Co., Ltd.*	Wholesale of alcoholic beverages	79.85	100	Yes	
Qingdao Chaopi Jinlong Trading Co., Ltd.*	Wholesale of alcoholic	79.85	100	Yes	
Beijing Chaopi Zhongde Trading Co., Ltd. (Chaopi Zhongde)*	Wholesale of consumer sanitary products	79.85	100	Yes	
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	Note 6
Beijing 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 4
Beijing Chaopi Maolisheng Trading Co., Ltd. (Chaopi Maolisheng)*	Wholesale of general merchandise	51.90	65	Yes	
Hong Kong Chaopi Asia Co., Ltd. (Chaopi Hong Kong)**	Merchandise trading	42.03	100	Yes	
Beijing Qumeiba Information Technology Company Limited (Chaopi 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 Zhayang E-commerce Co., Ltd. (Chaopi Zhayang)*	Wholesale of general merchandise	79.85	100	Yes	
Beijing Chaopi Xinyishangzhen Food Co., Ltd. (Xinyishangzhen)*	Wholesale of food, packed food and dairy product	47.91	60	Yes	
Beijing Shangzhen Food Co., Ltd. (Shangzhen Food)**	Wholesale of nuts products (baking class), candied fruit, and fruit products (dried fruit products)	47.91	100	Yes	



Subsidiary	Scope of business	Proportion of ownership interests (%)	Proportion of voting power (%)	Whether Consolidated or not	Notes
Tangshan Chaopi Shangzhen Food Co., Ltd. (Tangshan Shangzhen)**	Fruit, nut, vegetable processing; convenience and other food manufacturing, food sales; conference services; exhibition display services; design, production, road general cargo transportation, etc.	47.91	100	Yes	Note 1
Chaopi Maoisheng Hong Kong Co., Ltd. (Maoisheng 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	
Baoding Chaopi Trading Co., Ltd (Baoding Chaopi)*	Sale of food, cosmetics, household appliances, daily sundries, etc.	55.90	70	Yes	Note 5

**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. The Company indirectly holds 47.91% equity of Xinyi Shagnzhen through Chaopi Trading. Tangshan Shanzhen has obtained business license with NO. 91130229MA0DG50L1E. On 31 December 2019, Xinyi Shangzhen has been fully paid.

*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 holds 79.85% equity of Chaopi Jiusheng through Chaopi Trading. Chaopi Jiusheng has obtained business license with NO. 91110105MA007KEC70. As at 31 December 2019, Chaopi Trading invested registered capital of RMB30,000,000 to Chaopi Jiusheng and its residue capital has been fully paid by Chaopi Trading.

*Note 4:* On 30 November 2018, according to "Reply on the transfer of the partial equity of the natural person shareholders of Tangshan Chaopi Baishun Trading Co., Ltd." (Jingkelong Banzi [2018] No.50), Chaopi Trading acquired the 11.55% equity of Chaopi Baishun held by the natural person shareholder of Kong Yushun. After the acquisition, the Chaopi Trading directly holds 81.55%, that is the Company indirectly holds 65.12% equity of Chaopi Baishun through Chaopi Trading.

*Note 5:* On 16 August 2019, the subsidiary of the Company, Chaopi Trading, established Baoding Chaopi with registered capital of RMB10,000,000, which accounts for 70%. The Company indirectly hold 55.90% equity of Baoding Chaopi through Chaopi Trading. Baoding Chaopi has obtained business license with NO. 91130605MA0DXUBK4L. As at 31 December 2019, Chaopi Trading has paid RMB7,000,000 for Baoding Chaopi, which has been paid fully.

*Note 6:* Due to operational management needs, Tianjin Chaopi Trading was cancelled on 1 June 2020, and the company was absorbed and merged into Chaopi Zhongde as a whole.



## 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	91110000101637069

### 2. Subsidiaries of the Company

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

### 3. Related party transaction

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

Lessors	Lessee	Type of lease	Pricing basis of related party transaction	Notes	Six months ended at 30 June 2020 (unaudited) Amount	Six months ended at 30 June 2019 (unaudited) Amount
Chaoyang Auxiliary	The Company	Rental expenses	Price negotiated	Note 1	309,141	309,141

*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 both at RMB309,141.



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 agreements 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 Company's subsidiary 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 Company's subsidiary 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 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)
Compensation for key management:	<b>2,501,152</b>	6,927,986

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

The Group had no receivables or payables balance with related parties at 30 June 2020 and 31 December 2019.



## 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:

<b>Item</b>	<b>2020.6.30 (unaudited)</b>	2019.12.31 (audited)
1 <sup>st</sup> year subsequent to the balance sheet date	<b>618,282</b>	618,282
2 <sup>nd</sup> year subsequent to the balance sheet date	<b>618,282</b>	618,282
3 <sup>rd</sup> year subsequent to the balance sheet date	<b>618,282</b>	618,282
Subsequent periods	<b>309,141</b>	618,282
<b>Total</b>	<b>2,163,987</b>	2,473,128

The above related party transactions under paragraph 3 of Note (IX) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

## X. COMMITMENTS AND CONTINGENCIES

### 1. Significant commitments

#### *Capital commitments*

<b>Item</b>	<b>2020.6.30 (unaudited)</b>	2019.12.31 (audited)
Acquisition of fixed assets		
Authorized but not contracted	<b>395,860,510</b>	359,743,503
Contracted but not provided	<b>213,335,462</b>	209,264,504
<b>Total</b>	<b>609,195,972</b>	569,008,007

### 2. Contingencies

As at 30 June 2020, the Company has no major contingencies that need to be disclosed.

## XI. SIGNIFICANTE SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

As of the approval date of this interim financial report, the Company has no matters after the balance sheet date that need to be disclosed.



## XII. OTHER SIGNIFICANTE EVENTS

### 1. Disclosure of fair value

On 30 June 2020, The Group, using the assets at fair value, subscribed the fund products of Junxiang Wuliangye No.1 for subsidiary Chaopi Trading

#### ① *Assets measured at fair value*

Item	First level fair value measurement	The end of the fair value		Total
		Second level fair value measurement	Third level fair value measurement	
Continuous fair value measurement	–	–	–	–
Other non-current financial assets	65,818,449	–	–	65,818,449
Total liabilities consistently measured at fair value	65,818,449	–	–	65,818,449

#### 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 2020 (unaudited)**

Item	Retailing	Wholesaling	Others	Inter-segment offset	Total
Operating income					
External revenue	2,655,931,743	3,549,286,790	4,654,702	-	6,209,873,235
Inter-segment revenue	19,649,256	243,518,816	10,875,345	(274,043,417)	-
Total	2,675,580,999	3,792,805,606	15,530,047	(274,043,417)	6,209,873,235
Total profit	58,784,292	28,817,274	(2,661,833)	-	84,939,733
Income tax expense	14,751,551	21,456,572	(511,347)	-	35,696,776
Net profit	44,032,741	7,360,702	(2,150,486)	-	49,242,957
Supplementary information:					
Depreciation and amortization expenses	146,685,825	45,468,000	4,740,539	-	196,894,364
Impairment losses on credits	25,042	6,774,009	-	-	6,799,051
Capital expenditures	93,727,775	15,143,413	48,821	-	108,920,009

**Six months ended at 30 June 2019 (unaudited)**

Item	Detailing	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	143,754,598	41,794,387	5,352,493	-	190,901,478
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





**2020.6.30 (unaudited)**

Item	Retailing	Wholesale	Others	Inter-segment offset	Total
Total assets	4,151,929,533	4,815,802,974	321,930,130	(1,108,121,833)	8,181,540,804
Total liabilities	3,247,556,261	3,858,968,923	38,137,433	(1,113,446,554)	6,031,216,063

**2019.12.31 (audited)**

Item	Detailing	Wholesale	Others	Inter-segment offset	Total
Total assets	4,150,982,077	5,138,764,949	305,568,944	(1,093,757,999)	8,501,557,971
Total liabilities	3,235,154,829	4,140,864,538	43,295,888	(1,102,115,022)	6,317,200,233

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

Item	2020.6.30 (unaudited)	2019.12.31 (audited)
Current assets	4,913,810,882	5,163,380,275
Less: Current liabilities	4,604,767,717	4,893,352,084
Net current assets	309,043,165	270,028,191

**Total assets less current liabilities**

Item	2020.6.30 (unaudited)	2019.12.31 (audited)
Total assets	8,181,540,804	8,501,557,971
Less: Current liabilities	4,604,767,717	4,893,352,084
Total assets less current liabilities	3,576,773,087	3,608,205,887



#### 4. Lease

##### (1) The Group as lessee

① *Right-of-use assets and lease liabilities refer to Note (VI) 12,28.*

② *Details of included in the current profit and loss and related asset costs*

Item	Included in the current profit and loss		Included in related asset costs	
	Presentation item	Amount	Presentation item	Amount
Short-term lease expenses (applicable to simplified)	<b>Selling expenses</b>	<b>3,191,431</b>	-	-
Lease fees for low-value assets (applicable to simplified)	-	-	-	-
Variable lease payments not included in lease liability measurement	-	-	-	-
Income from sublease of right-of-use assets	<b>Other operating income</b>	<b>10,736,468</b>	-	-
Sale and leaseback transaction	-	-	-	-

Note: The “short-term lease expenses” in the table above do not include lease-related expenses with a lease term of less than one month; the “low-value asset lease expenses” do not include the short-term lease expenses of low-value assets included in the “short-term lease expenses”.

③ *Lease-related cash flow outflows*

Item	Types of cash flow	Amount for the year
Cash paid for principal and interest on lease liabilities	Cash outflow of financing activities	112,930,726
Payments for short-term leases and low-value assets (applicable to simplified)	Cash outflow from operating activities	3,191,431
Variable lease payments paid that are not included in the lease liability	Cash outflow from operating activities	-
<b>Total</b>	<b>-</b>	<b>116,122,157</b>

④ *Other information*

Nature of lease activity

The main leased assets in this period are houses, which are basically used in retail stores and commodity warehouses. The lease term is generally 5-20 years, and no lease renewal option is stipulated in the lease contract.



⑤ *The impact of the simplified treatment of rent reductions related to the COVID-19*

The Group adopts simplified treatment methods for all lease contracts that meet the applicable scope and conditions of (Cai Kuai [2020] No. 10) (Details refer to Note IV, 23 "Lease").

The simplified treatment mentioned above caused that the Group's sales expenses from January to June 2020 decreased by RMB1,539,854 and "net profit attributable to shareholders of the parent company" increased by RMB1,154,890.

**(2) The Group as lessor**

*Information related to operating leases*

① *Included in the current profit and loss*

<b>Item</b>	<b>Included in the current profit and loss</b>	
	<b>Presentation item</b>	<b>Amount</b>
Rental income (Note)	Other operating income	52,061,711
Revenue related to variable lease payments that are not included in the measurement of lease receipts	–	–
<b>Total</b>	–	<b>52,061,711</b>

Note: It includes RMB10,736,468 of income from sublease of Right-of-use assets, please refers to 'Note XII, 4, (1), ② Details of included in the current profit and loss and related asset costs

② *Collection of lease payments*

<b>Item</b>	<b>Amount of undiscounted lease payments to be received</b>
1 <sup>st</sup> year subsequent to the balance sheet date	111,834,211
2 <sup>nd</sup> year subsequent to the balance sheet date	62,719,134
3 <sup>rd</sup> year subsequent to the balance sheet date	39,611,072
4 <sup>th</sup> year subsequent to the balance sheet date	23,427,197
5 <sup>th</sup> year subsequent to the balance sheet date	16,174,801
Subsequent periods	22,769,967
<b>Total</b>	<b>276,536,382</b>

③ *Other information*

Nature of lease activity

The main leased assets in this period are houses (including the lease of own property and the sublet of leased property). The lease term is generally 3-10 years, and no lease renewal option is stipulated in the lease contract.



## 5. Matters of Jinan Chaopi Linda Trading Co., Ltd.

### **Basic situation:**

Jinan Chaopi Linda Trading Co., Ltd. (“Jinan Chaopi Company”) is a second-level subsidiary of the Group. Since the establishment of Jinan Chaopi Company, its financial statements have been included in the consolidated scope of the Group.

There is an unresolved dispute between the minority shareholder of Jinan Chaopi Company (formerly the general manager of Jinan Chaopi Company) and the major shareholder, Beijing Chaopi Commercial Co., Ltd. (the first-level subsidiary of the Group, “Chaopi Trading”). Since November 2019, the minority shareholders have refused to hand over items and materials such as the company’s business license, bank account opening permit, company seal, special financial seal, financial account books and vouchers that they originally controlled.

The above-mentioned actions of the minority shareholders have resulted in the inability to guarantee the completeness and accuracy of the data related to Jinan Chaopi Company in the Group’s 2019 consolidated financial statements, at the same time, part of the audit procedures, such as issuance of letter of verification and inspection of vouchers, that the auditors need to perform on Jinan Chaopi Company for the purpose of the issue of audit opinion on the Group’s 2019 financial statements cannot be performed. Therefore, the auditor has issued a qualified audit report on the group’s 2019 consolidated financial statements on this matter.

### **Continued effect in 2020:**

As of the date of approval of this financial statement, the misappropriation of the items and materials of Jinan Chaopi Company by the minority shareholders continues. The legal proceedings for Chaopi Trading to request the minority shareholders to return the misappropriated items and materials are in progress.

### **Overview of the key financial status of Jinan Chaopi Company:**

According to the financial statements for the first half of 2020 provided by Jinan Chaopi Company, the company’s total assets and net assets consolidated into the group’s consolidated financial statements for the period from January to June 2020 were RMB92.2619 million and RMB1.3732 million respectively, which accounted for 1.13% and 0.06% of the corresponding amounts in the group’s consolidated balance sheet on 30 June 2020; the operating income and net profit included in the consolidated financial statements of the Group for the period from January to June 2020 were RMB17.0518 million and RMB-4.0945 million respectively, which accounted for 0.27% and -8.31% of the corresponding amounts in the consolidated income statement for the period from January to June of 2020 respectively.

As at 30 June 2020, the total assets value of Jinan Chaopi Company was RMB92.2619 million, which were mainly prepayments of RMB 60.0867 million, accounts receivable of RMB15.1022 million, other receivable of RMB6.2848 million, inventory of RMB7.4664 million; the total liabilities were RMB90.8887million, which were mainly other payable of RMB87.1198 million (which was mainly the loan from Chaopi Trading, the major shareholder, in the amount of RMB60.7818 million) and contract liability of RMB3.3146 million; and the net assets value was RMB1.3732 million, comprising paid-in capital of RMB26 million, surplus reserve of RMB0.5066 million and undistributed profit of RMB-25.1334 million.

In addition, before November 2019 (that is, before the misappropriation of the items and materials of Jinan Chaopi Company by the minority shareholders), Jinan Chaopi Company had no mortgage, guarantee and etc. over its assets.



## 6. The impact of the coronavirus pandemic on the Group

In the first half of 2020, the situation, both domestic and global, of the coronavirus pandemic had been severe. As always, the Group adhered to the original mindset of “products + services”. During the coronavirus pandemic, the Group committed to overcome difficulties with all sectors of society, spared no effort to maintain supply and price. Relying on the advantages of our live and fresh produce base and our own logistics system, the Group mobilized materials and guaranteed supply to ensure the needs for “the rice bag” and “the vegetable basket” for the people in the capital city, as well as for epidemic prevention and sanitation products, are met. The Group actively responded to the “Ensure supply, Stabilize prices, and Continue operations” initiative on the retail industry jointly initiated by National Chain Store & Franchise Association under the guidance of the National Development and Reform Commission and the Ministry of Commerce to stabilize the basic livelihood needs in Beijing. Meanwhile, the Group strictly implemented various epidemic prevention and control measures, provided employees with safe workplaces and customers with safe shopping environment, and fulfilled the corporate social responsibility. In the face of the epidemic, the downward pressure of the international environment and the related trends of rationalization of consumption, the Group has demonstrated its commitment to continuous innovation and optimization of management to improve resilience. Under the epidemic, chain supermarkets with self-built logistic and distribution center and live and fresh produce base have become important carriers to stabilize prices and ensure supply and protect people’s livelihood. Besides, people’s demand for contactless shopping for daily necessities such as live and fresh produce, rice, wheat flour and edible oils is rapidly increasing. To seize this opportunity, the Group relied on physical stores, leveraged the online sales channels and experience accumulated in recent years, and made use of our own APP and third-party platforms to continuously enrich the variety of online products and improve the ability to fulfill orders. During the Reporting Period, the online business volume of the Group increased significantly.

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

### 1. Accounts receivable

#### *Presentation of accounts receivable by category*

Category	2020.6.30 (unaudited)				
	Carrying amount		Credit loss allowance		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
Accounts receivable with single credit loss allowance	-	-	-	-	-
Accounts receivable with credit loss allowance based on portfolio	69,201,843	100	-	-	69,201,843
Total	69,201,843	100	-	-	69,201,843

(Continued)

Category	2019.12.31 (audited)				
	Carrying amount		Credit loss allowance		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
Accounts receivable with single credit loss allowance	-	-	-	-	-
Accounts receivable with credit loss allowance based on portfolio	79,981,805	100	-	-	79,981,805
Total	79,981,805	100	-	-	79,981,805



**Accounts receivable according to aging analysis:**

Aging	2020.6.30 (unaudited)			Net book value
	Carrying amount	Proportion (%)	Credit loss allowance	
Within 1 year	69,201,843	100	–	69,201,843
1-2 years	–	–	–	–
2-3 years	–	–	–	–
3-4 years	–	–	–	–
4-5 years	–	–	–	–
Over 5 years	–	–	–	–
Total	69,201,843	100	–	69,201,843

**Accounting receivable according to credit loss allowance by aging analysis based on portfolio**

Aging	2020.6.30 (unaudited)		
	Accounting receivable	Credit loss allowance	Proportion (%)
Within 1 year	69,201,843	–	0
1-2 years	–	–	3
2-3 years	–	–	10
3-4 years	–	–	25
4-5 years	–	–	50
Over 5 years	–	–	100
Total	69,201,843	–	

**2. Other receivables**

Item	2020.6.30 (unaudited)	2019.12.31 (audited)
Other receivables	551,354,040	550,830,771
Interest receivables	–	–
Dividend receivables	–	–
Total	551,354,040	550,830,771



### Details of other receivables

Presentation of other receivables by category:

Category	2020.6.30 (unaudited)				
	Carrying amount		Credit loss allowance		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
Other receivables that credit loss allowance is assessed individually	5,053,062	1	4,224,750	84	828,312
Other receivables with credit loss allowance based on portfolio	550,525,728	99	-	-	550,525,728
Total	555,578,790	100	4,224,750	-	551,354,040

(Continued)

Category	2019.12.31 (audited)				
	Carrying amount		Credit loss provision		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
Other receivables that credit loss allowance is assessed individually	5,051,377	1	4,224,750	84	826,627
Other receivables with credit loss allowance based on portfolio	550,004,144	99	-	-	550,004,144
Total	555,055,521	100	4,224,750	-	550,830,771



**Aging analysis of other receivables is as follows**

Aging	Carrying amount	2020.6.30 (unaudited)		Net book value
		Proportion %	Credit loss allowance	
Within 1 year	550,525,728	99	–	550,525,728
1-2 years	–	–	–	–
2-3 years	–	–	–	–
3-4 years	–	–	–	–
4-5 years	–	–	–	–
Over 5 years	5,053,062	1	4,224,750	828,312
Total	555,578,790	100	4,224,750	551,354,040

**Other receivables that credit loss allowance is assessed individually as at the end of year:**

Content of other receivables	Carrying amount	Credit loss allowance	Rate (%)	Reason
Beijing Guanyuan Wholesale Market Company Limited	5,053,062	4,224,750	84	Full bad debt provision for the part unrecovered, according to the agreement

**Other receivables according to credit loss allowance by aging analysis**

Aging	2020.6.30 (unaudited)		
	Other receivables	Credit loss allowance	Proportion %
Within 1 year	550,525,728	–	0
1-2 years	–	–	3
2-3 years	–	–	10
3-4 years	–	–	25
4-5 years	–	–	50
Over 5 years	–	–	100
Total	550,525,728	–	





### 3. Long-term equity investment

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

Item	2020.6.30 (unaudited)			2019.12.31 (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	2019.12.31 (audited)	Increase in the period	Decrease in the period	2020.6.30 (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 2020 (unaudited)		Six months ended at 30 June 2019 (unaudited)	
	Income	Cost	Income	Cost
Principal operating	2,331,537,503	1,975,635,394	1,954,114,776	1,655,601,462
Other operating	137,179,677	5,541,033	179,823,101	4,638,995
Total	2,468,717,180	1,981,176,427	2,133,937,877	1,660,240,457

### 5. Investment income

Item	Six months ended at 30 June 2020 (unaudited)	Six months ended at 30 June 2019 (unaudited)
Investment income from distributed dividend of subsidiaries	-	33,053,875
Investment gain from buying short-term financial products	-	106,177
Total	-	33,160,052

