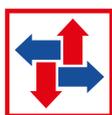


2021 INTERIM REPORT



北京京客隆
商业集团股份有限公司
BEIJING JINGKELONG COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code : 814)

CONTENTS



	Page
CORPORATE INFORMATION	2-3
FINANCIAL HIGHLIGHTS	4
MANAGEMENT DISCUSSION AND ANALYSIS	5-14
OTHER INFORMATION	15-18
REPORT ON REVIEW OF COMPANY'S AND CONSOLIDATED FINANCIAL STATEMENTS	19-20
CONSOLIDATED BALANCE SHEETS	21-22
BALANCE SHEETS OF THE COMPANY	23-24
CONSOLIDATED INCOME STATEMENT	25-26
INCOME STATEMENT OF THE COMPANY	27
CONSOLIDATED CASH FLOW STATEMENT	28-29
CASH FLOW STATEMENT OF THE COMPANY	30-31
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	32-33
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY	34-35
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED AT 30 JUNE 2021	36-114



CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

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*)
Mr. Chen Zhong
Mr. Yang Baoqun
Ms. Fu Yanjun (*ceased to be a supervisor of the Company since 26 March 2021*)
Mr. Wang Deshan (*appointed as a supervisor of the Company since 26 March 2021*)
Ms. Niu Hongyan
Ms. Li Chunyi

COMPANY SECRETARY

Mr. Li Bo, CPA

AUTHORISED REPRESENTATIVES

Ms. Li Chunyan
Mr. Li Bo, CPA

AUDITORS

Da Hua Certified Public Accountants (Special General Partnership)

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
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Beijing, PRC

BANK OF BEIJING

Jiulongshan Branch
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REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Chaoyang District
Beijing, PRC

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STOCK CODE

814



FINANCIAL HIGHLIGHTS

The Group achieved the following results during the six months ended 30 June 2021 (the “**Reporting Period**”):

- Revenue amounted to approximately RMB5,335,018,709, representing a decrease of approximately 7.5% compared with the last corresponding period.
- Gross profit amounted to approximately RMB595,742,912, representing a decrease of approximately 18.4% compared with the last corresponding period.
- Total profit amounted to approximately RMB69,740,657, representing a decrease of approximately 17.9% compared with the last corresponding period.
- Net profit attributable to shareholders of the parent company reached approximately RMB26,589,237, representing a decrease of approximately 26.5% 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 2021, the COVID-19 pandemic continued globally, and the international economic environment remained complex and volatile. Under the leadership of the PRC government, the domestic economy has continued to recover steadily, and the national economy has strengthened and improved steadily. With the steady growth of the domestic economy, the consumer price index (CPI) has shifted from a negative to a positive growth, and remained generally stable. In the first half of the year, the CPI increased by 0.5 percentage points. The growth of the consumer market remained relatively stable. The Group continued to implement normalized prevention and control requirements for the COVID-19 pandemic, and also took up the social responsibilities as a state-owned enterprise including caring for people's livelihood, guaranteeing supply and stabilizing prices. In the post-pandemic era, consumer demand has become more rational, diversified, and individualized. The Group is well aware of the consumers' demands, and adhering to the essence of retail, the Group will reshape the traditional retail scene and focus on building the core competency of its main business. Meanwhile, the Group will focus on extension of its services, and strive to bring consumers a more comprehensive, in-depth and novel shopping experience.

RETAIL BUSINESS

FURTHER FOCUSING ON BUILDING CORE COMPETENCY

During the Reporting Period, the Group continued to drive its business from the perspective of consumer and, in line with consumer psychology, further accelerated channel development, expanded product categories, and introduced time-honored snacks such as "Huguosi" and "Liuquanju" to satisfy the customers' pursuit of traditional feelings. The Group continuously enriched the product line of household food, improved the product structure of instant food and Chinese food, so as to meet the needs of small families and young customers in terms of instantaneity and convenience. The Group continued to optimize the product structure, develop its own branded and customized products, and provided consumers with a more diversified and differentiated shopping experience through continuous planning and replacement of products. The Group also strengthened its supply chain management, by strengthening direct sourcing at the origin, the intermediate links are reduced, products are shipped directly from the origin, and thus price concessions can be transferred onto consumers.



CONTINUOUS OPTIMIZATION OF LOGISTICS DISTRIBUTION EFFICIENCY RELYING ON MODERN TECHNOLOGY

During the Reporting Period, the normal temperature distribution center continued to promote online automatic warehouse appointments made by suppliers to improve the efficiency of product acceptance; the center strengthened the management and control of key links of the logistics process, equipped transportation vehicles with electronic locks, and implemented the monitoring of the opening and closing of vehicle cargo compartments during the entire process of transportation, to improve the safety of goods in transit; the center established early digital warning management for daily goods to strengthen the management of abnormality in commodity shelf life, turnover and total inventory. The fresh food distribution center continuously improved the ordering process of fresh produce, steadily promoted the warehouse appointment for fresh produce, and realized the electronic management of fruit and vegetable orders and warehouse appointment; the center strictly controlled the implementation of the safety and sanitation standard procedures for warehouse-in, storage, warehouse-out and transportation, etc. of fresh goods as well as the management of different links of the logistics process, to ensure the safe and stable operation of logistics distribution under the normalization of the pandemic.

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, three directly-operated convenience stores were opened, four stores were closed (including a directly-operated supermarket, a franchise-operated supermarket, a directly-operated convenience store and a franchise-operated convenience store). In addition, the Group renovated and upgraded a supermarket.



The Group had 159 retail outlets as at 30 June 2021, including 147 directly-operated outlets and 12 franchise-operated outlets, with total net operating area of 238,366 square metres. The following table sets out the number and net operating area of the Group's retail outlets as at 30 June 2021:

	Department			Convenience	Total
	Stores	Hypermarkets	Supermarkets	stores	
Number of retail outlets:					
Directly-operated	1	10	54	82	147
Franchise-operated	–	–	–	12	12
Total	1	10	54	94	159
Net operating area (square metres):					
Directly-operated	27,800	69,011	121,713	16,548	235,072
Franchise-operated	–	–	–	3,294	3,294
Total	27,800	69,011	121,713	19,842	238,366

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		
	2021	2020	Variance
	RMB'000	RMB'000	
Directly-operated retail outlets:			
Hypermarkets	472,319	678,533	(30.4%)
Supermarkets	1,095,781	1,610,331	(32.0%)
Convenience stores	146,271	218,116	(32.9%)
Department stores (including commissions)	7,104 5,291	5,482 3,872	29.6% 36.7%
Total retail principal operating income	1,721,475	2,512,462	(31.5%)
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	17.3	17.0	0.3p.p

During the Reporting Period, the retail principal operating income of the Group decreased by approximately 31.5% mainly due to the following reasons: (i) a decrease in same-store sales of approximately 29.28% during the Reporting Period; (ii) sales in physical stores had grown rapidly in first half year of year 2020 due to the influence of coronavirus pandemic, but the sales performance of physical stores had been under pressure due to the impact of the online group purchases and the changes in consumer consumption habits since the second half year of 2020.

During the Reporting Period, gross profit margin of the directly-operated retail business (excluding department stores) increased to 17.3%, which remains steady when compared to 17.0% for the previous corresponding period.

WHOLESALE BUSINESS

IMPROVING THE OPERATION SERVICE AND CONSOLIDATING THE MARKET SHARE

During the Reporting Period, the Group proactively adjusted its business measures according to market changes, took initiative to expand new business models and continuously improved its service capacity on the basis of doing well in its own brand operation and strengthening cooperation with traditional e-commerce platforms. The Group continuously broadened the upstream and downstream supply chain channel resources, constantly expanded business fields and enhanced the market share by strengthening the planning and management of the supply chain brands.

CONSOLIDATING LOGISTICS RESOURCES AND IMPROVING LOGISTICS OPERATION ADVANTAGES

During the Reporting Period, with the advancement of operation cooperation with third-party transportation companies, the level of logistics and distribution integration, standardization and professionalism improved, realising 24-hour uninterrupted logistics and distribution services, which effectively improved the distribution efficiency and competitiveness. The Group continuously optimized the warehouse storage structure, made dynamic adjustment on the overall layout of commodities and sorting equipment in the warehouse area according to business development, improved the income generated scientifically by improving area efficiency per unit. The Group continued to promote the construction of the Fangshan automatic three-dimensional warehouse project and comprehensively improved the Group's competitive strength in the logistics market.



WHOLESALE OPERATING RESULTS

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

	For the six months ended 30 June		
	2021 RMB'000	2020 RMB'000	Variance
Principal operating income recognised by Chaopi Group*	3,804,273	3,498,022	8.8%
Less: Intersegment sales	(198,762)	(243,519)	(18.4%)
Sales to franchisees	1,000	1,657	(39.6%)
Consolidated wholesale principal operating income	3,606,511	3,256,160	10.8%
Gross profit margin** (%)	7.7	8.7	(1.0p.p)

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

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

During the Reporting Period, the wholesale principal operating income increased by 10.8%, which was mainly due to the following reasons: (i) the increased sales contribution from sales to cross-border e-commerce platforms; (ii) the increased sales from the introduction of new cooperative brand commodities.

During the Reporting Period, the gross profit margin of Chaopi Trading and its subsidiaries was 7.7%, while the gross profit margin for the last corresponding period was 8.7%, mainly because of: (i) the increase of sales promotion; (ii) the adjustment of sales promotion method in the business of sales to e-commerce platforms.

FINANCIAL RESULTS

	For the six months ended 30 June		
	2021 RMB'000	2020 RMB'000	Variance
Principal operating income	5,335,019	5,770,534	(7.5%)
Gross profit	595,743	729,928	(18.4%)
Gross profit margin (%)	11.2%	12.6%	(1.4p.p)
Earnings before interest and tax	149,017	176,833	(15.7%)
Net profit	42,608	49,243	(13.5%)
Net profit margin (%)	0.8%	0.9%	(0.1p.p)
Net profit attributable to shareholders of the parent company	26,589	36,169	(26.5%)
Net profit margin attributable to shareholders of the parent company (%)	0.5%	0.6%	(0.1p.p)

PRINCIPAL OPERATING INCOME

During the Reporting Period, the Group's principal operating income decreased by approximately 7.5%, of which retail principal operating income decreased by approximately 31.5%, and wholesale principal operating income increased by approximately 10.8%.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group decreased by approximately 18.4% compared with the previous corresponding period. During the Reporting Period, the gross profit margin was 11.2% (the previous corresponding period: 12.6%).

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

During the Reporting Period, net profit attributable to shareholders of the parent company decreased by approximately 26.5% compared with the previous corresponding period. The earnings before interest and tax amounted to approximately RMB149,017,021, representing a decrease of RMB27,816,276 compared with the previous corresponding period, and the net profit attributable to shareholders of the parent company decreased from RMB36,169,475 of the previous corresponding period to RMB26,589,237.

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 2021, the Group had non-current assets of RMB3,140,822,423 (comprising mainly fixed assets, investment property, and land use right for a total of RMB1,225,797,374), and non-current liabilities of RMB1,390,471,963 (comprising of bonds payable of RMB410,710,260).

As at 30 June 2021, the Group had current assets of RMB4,794,560,687. Current assets mainly comprised of cash and cash equivalents of RMB1,071,352,906, inventories of RMB1,282,449,256, notes receivable and accounts receivable of RMB1,184,749,632 and prepayments and other receivables of RMB992,961,211. The Group had current liabilities of RMB4,415,347,640. Current liabilities mainly comprised of notes payable and accounts payable of RMB1,334,007,272, short term bank loans of RMB2,188,140,142 and non-current liabilities due within one year of RMB161,607,514, contract liabilities of RMB302,940,462.



AGING ANALYSIS OF ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

The aging analysis of the Group's accounts receivable is as follows:

Aging of Accounts Receivable	Carrying Amount	2021.6.30 RMB (unaudited)		Net book value
		Proportion %	Credit loss allowance	
Within 1 year	1,122,004,606	92	2,247	1,122,002,359
1-2 years	32,931,024	3	1,541,649	31,389,375
2-3 years	16,364,206	1	1,853,345	14,510,861
3-4 years	6,407,278	1	1,619,118	4,788,160
4-5 years	23,990,023	2	11,995,012	11,995,011
Over 5 years	16,925,587	1	16,925,587	-
Total	1,218,622,724	100	33,936,958	1,184,685,766

The aging analysis of the Group's accounts payable is as follows:

Aging of Accounts Payable	2021.6.30 RMB (unaudited)	2020.12.31 RMB (audited)
Within 1 year	762,952,235	682,836,542
1 to 2 years	16,435,101	23,355,999
2 to 3 years	3,697,202	6,533,160
Above 3 years	8,252,175	8,231,508
Total	791,336,713	720,957,209

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 30 June 2021, the Group had bank loans of RMB2,188,140,142, which consisted of accounts receivable factored bank loans of RMB7,615,533, unsecured bank loans of RMB2,113,130,047, pledged loans of RMB64,347,232. All the Group's bank loans bear interest rates ranging from 1.94% to 4.35% per annum.

Certain of the Group's margin deposit of RMB98,942,305 were pledged for notes payable of RMB542,670,559 as at 30 June 2021.

The Group's gearing ratio* was approximately 73.2% as at 30 June 2021, which was slightly lower than approximately 73.7% 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 2021, the Group employed 5,046 employees domestically (as at 30 June 2020: 5,417 employees). The total staffing costs (including directors' and supervisors' remunerations) of the Group for Reporting Period amounted to RMB372,460,621 (corresponding period of 2020: RMB376,417,985). 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 MATTER

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 have been unresolved disputes between the minority shareholder (the "Minority Shareholder") (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 shareholder 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 2020 consolidated financial statements cannot be guaranteed due to the above actions of the minority shareholders. Thus, the Group's consolidated financial statements for 2020 were audited with qualified opinion. Please refer to the auditor's report contained in the annual report of the Company for the year ended 31 December 2020 for details of such qualified opinion.

As at the date of this report, the first instance judgment and the second instance judgment were handed down by Lixia District People's Court of Jinan Municipality and Jinan Intermediate People's Court in Shandong Province, respectively, and the two levels of courts dismissed Jinan Chaopi Company's claim over the return of the items and materials of Jinan Chaopi Company withheld by the Minority Shareholder. Chaopi Trading will further negotiate with the Minority Shareholder or adopt legal means in relation to the Group's acquisition of the Minority Shareholder's equity interest/ the transfer of the Minority Shareholder's equity interest to third party, or the liquidation of Jinan Chaopi Company, to eliminate the relevant impact on the Group's audit work as soon as possible.



According to the financial statements for the six months ended 30 June 2021 provided by Jinan Chaopi Company, the total assets and net assets of Jinan Chaopi Company included in the Group's consolidated financial statements for the six months ended 30 June 2021 were RMB81.3655 million and RMB -8.7099 million, respectively, which accounted for 1.03% and -0.41% of the corresponding amounts in the Group's consolidated balance sheet for the six months ended 30 June 2021, respectively. The operating income and net profit of Jinan Chaopi Company included in the Group's consolidated financial statements for the six months ended 30 June 2021 were RMB10.8353 million and RMB-4.6418 million respectively, which accounted for 0.19% and -10.89% of the corresponding amounts in the Group's consolidated income statement for the six months ended 30 June 2021, respectively. Considering that the financial results of Jinan Chaopi Company was relatively insignificant compared to the consolidated financial results of the Group, after discussion with the Company's auditor, the management of the Group (the "Management") is of the view that notwithstanding that the auditor's review scope of the Group's consolidated financial statements of the Company for the six months ended 30 June 2021 is restricted, the magnitude and materiality of the adjustment(s) or disclosure(s) that would have been made thereto without such review scope restriction on the Company's financial position are expected to be limited. Nonetheless, the Company's auditor continued to issue a qualified opinion in its review report concerning the Group's financial statements for the Reporting Period. The Audit Committee confirmed that it has reviewed and agreed with the above Management's position and relevant accounting treatment.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

OUTLOOK

In the second half of 2021, the continuous evolving of the global pandemic, numerous external uncertainties and the imbalanced recovery of domestic economic are expected to/will impose pressure on strengthening, stabilizing and resumption of development, and the recovery of, the consumption market. Facing the great changes in the international and domestic economic environment, the Group will continue to focus on the original vision of "commodities + services" and strive to bring more healthy and safe products to consumers. In terms of retail business, the Group will effectively improve the profitability of commodities, accelerate the introduction of new products and replacement of obsolete goods, optimize the supply chain of self-owned brand and customized commodities. The Group will continuously enrich commodity categories, implement online and offline collaborative development, with respect to the offline aspect, the Group will fill its stores with the wonderful smell of cooked and semi-prepared food, and with respect to the online aspect, the Group will continuously enrich commodity varieties, and provide new impetus for online and offline integrated development through the service and marketing functions of e-member system. In terms of wholesale business, the Group will continue to expand channel resources and strengthen digital empowerment. The Group will strengthen the effective allocation of logistics resources, improve modern logistics service capacity, and vigorously expand third-party logistics services while supporting its own business development needs.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

The Board is of the view that, from the end of the Reporting Period to the date of this report, the Group had no subsequent important events that may materially affect the Group's financial condition and operation.

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 2021 unaudited interim consolidated results. The Audit Committee considered that this interim financial report for the six months ended 30 June 2021 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 2021, the interests and positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules, were as follows:

LONG POSITIONS IN THE DOMESTIC SHARES OF THE COMPANY

Name	Capacity	Number of domestic shares held	Approximate percentage of total issued domestic shares (%)	Approximate percentage of total issued shares (%)
Li Jianwen	Personal	2,022,579	0.88	0.49
Zhang Liwei	Personal	400,100	0.17	0.10
Li Chunyan	Personal	505,992	0.22	0.12
Li Shenlin	Personal	430,100	0.18	0.10
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 2021, 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 2021, 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)	24,970,000(L)	13.71	6.06
China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) (Note 2)	24,970,000(L)	13.71	6.06

(L) – Long Position

REPORT ON REVIEW OF COMPANY'S AND CONSOLIDATED FINANCIAL STATEMENTS

DaHua He Zi [2021] No. 0010827

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 2021, 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 2020 issued a qualified audit opinion.

As Jingkelong Company's qualified opinions in the 2020 annual report and its impact have not been eliminated, Jinan Chaopi Company's financial information control is still in the hands of the minority shareholders. 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 2021 to be restricted. As at 30 June 2021, the total assets of Jinan Chaopi Company was RMB81.3655 million, which mainly included prepayments of RMB59.1930 million and receivables of RMB15.9203 million.

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: Wang Kaili

Chinese Certified Public Accountants: Sun Wenwen

Beijing, China

27 August 2021

(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	2021.6.30 (Unaudited)	2020.12.31 (Audited)
Current Assets:			
Cash and bank balances	V11	1,191,700,121	1,190,302,319
Notes receivable	V12	63,866	6,617,315
Accounts receivable	V13	1,184,685,766	975,479,676
Prepayments	V14	788,127,819	890,477,970
Other receivables	V15	204,833,392	200,158,379
Inventories	V16	1,282,449,256	1,503,939,573
Other current assets	V17	142,700,467	129,005,227
Total current assets		4,794,560,687	4,895,980,459
Non-current Assets:			
Other non-current financial assets	V18	155,380,423	131,508,869
Investment properties	V19	165,878,353	170,223,635
Fixed assets	V10	818,436,841	854,541,694
Construction in progress	V111	152,813,150	138,005,745
Right-of-use assets	V112	1,007,892,785	1,008,151,388
Intangible assets	V113	272,223,171	280,216,222
Goodwill	V114	86,673,788	86,673,788
Long-term prepaid expenses	V115	269,130,685	298,550,451
Deferred tax assets	V116	22,330,512	20,880,124
Other non-current assets	V117	190,062,715	183,899,094
Total non-current assets		3,140,822,423	3,172,651,010
TOTAL ASSETS		7,935,383,110	8,068,631,469



CONSOLIDATED BALANCE SHEETS (Continued)

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Amount unit: RMB

Item	Notes	2021.6.30 (Unaudited)	2020.12.31 (Audited)
Current Liabilities:			
Short-term borrowings	VI18	2,188,140,142	2,334,237,881
Notes payable	VI19	542,670,559	449,442,574
Accounts payable	VI20	791,336,713	720,957,209
Advances from customers	VI21	8,333,039	7,094,294
Contract liabilities	VI22	302,940,462	462,447,201
Payroll payable	VI23	1,746,920	1,621,215
Taxes payable	VI24	59,327,752	46,799,947
Other payables	VI25	300,119,879	264,625,097
Including:Interest payable	VI25	—	—
Dividends payable	VI25	61,878,958	6,389,222
Non-current liabilities due within one year	VI26	161,607,514	158,537,320
Other current liabilities	VI27	59,124,660	65,877,283
Total current liabilities		4,415,347,640	4,511,640,021
Non-current Liabilities:			
Bonds payable	VI28	410,710,260	402,932,044
Leases liabilities	VI29	913,806,850	911,131,824
Deferred income	VI31	29,501,613	34,039,487
Deferred tax liabilities	VI16	36,453,240	30,427,271
Total non-current liabilities		1,390,471,963	1,378,530,626
TOTAL LIABILITIES		5,805,819,603	5,890,170,647
Shareholders' equity:			
Share capital	VI32	412,220,000	412,220,000
Capital reserves	VI33	605,043,091	605,043,091
Other comprehensive income	VI34	309,414	309,414
Surplus reserves	VI35	169,059,880	169,059,880
Undistributed profits	VI36	550,625,123	565,257,886
Total equity attributable to shareholders of the parent company		1,737,257,508	1,751,890,271
Minority interests		392,305,999	426,570,551
TOTAL SHAREHOLDERS' EQUITY		2,129,563,507	2,178,460,822
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,935,383,110	8,068,631,469

The notes as set out from page 36 to 114 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	2021.6.30 (Unaudited)	2020.12.31 (Audited)
Current Assets:			
Cash and bank balances		318,772,738	288,671,813
Accounts receivable	XIII1	91,281,417	65,313,274
Prepayments		807,352	395,433
Other receivables	XIII2	520,527,625	501,300,499
Inventories		210,584,354	230,249,302
Other current assets		507,142,504	559,413,223
Total current assets		1,649,115,990	1,645,343,544
Non-current Assets:			
Long-term equity investment	XIII3	1,246,991,571	1,246,991,571
Investment properties		42,458,424	44,076,640
Fixed assets		598,994,533	620,909,700
Construction in progress		106,826,564	106,158,024
Right-of-use assets		528,578,183	529,065,785
Intangible assets		73,764,094	76,112,422
Long-term prepaid expenses		171,447,917	193,639,402
Deferred tax assets		13,043,830	12,327,517
Other non-current assets		6,820,842	6,875,277
Total non-current assets		2,788,925,958	2,836,156,338
TOTAL ASSETS		4,438,041,948	4,481,499,882

BALANCE SHEETS OF THE COMPANY (Continued)

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Amount unit: RMB

Item	Notes	2021.6.30 (Unaudited)	2020.12.31 (Audited)
Current Liabilities:			
Short-term borrowings		850,720,556	840,577,906
Notes payable		—	17,369,805
Accounts payable		512,116,667	548,476,923
Advances from customers		5,961,384	4,841,385
Contract liabilities		294,209,417	309,982,898
Payroll payable		1,248,143	1,272,989
Taxes payable		1,698,016	3,190,287
Other payables		143,830,161	113,980,031
Including:Interest payable		—	—
Dividends payable		41,267,018	55,022
Non-current liabilities due within one year		75,472,179	84,267,448
Other current liabilities		34,699,045	35,626,490
Total current liabilities		1,919,955,568	1,959,586,162
Non-current Liabilities:			
Bonds payable		410,710,260	402,932,044
Leases liabilities		479,865,916	473,857,261
Deferred income		23,687,868	27,177,846
Total non-current liabilities		914,264,044	903,967,151
TOTAL LIABILITIES		2,834,219,612	2,863,553,313
Shareholders' equity:			
Share capital		412,220,000	412,220,000
Capital reserves		615,293,521	615,293,521
Surplus reserves		145,282,646	145,282,646
Undistributed profits		431,026,169	445,150,402
TOTAL SHAREHOLDERS' EQUITY		1,603,822,336	1,617,946,569
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,438,041,948	4,481,499,882

The notes as set out from page 36 to 114 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	2021.1.1- 2021.6.30 (Unaudited)	2020.1.1- 2020.6.30 (Unaudited)
I. Total operating income		5,847,335,159	6,209,873,235
Including: Operating income	VI37	5,847,335,159	6,209,873,235
II. Total operating costs		5,807,988,298	6,150,599,227
Including: Operating cost	VI37	4,761,064,778	5,046,528,398
Tax and surcharges	VI38	22,166,395	24,040,864
Selling expenses	VI39	810,606,731	861,249,558
Administrative expenses	VI40	139,213,617	126,634,713
Financial expenses	VI41	74,936,777	92,145,694
Add: Other Income	VI42	9,932,702	8,415,934
Investment income	VI43	-	33,984
Gains or losses on changes in fair value	VI44	23,871,554	23,545,663
Impairment losses on credits	VI45	(4,814,126)	(6,799,051)
Gains or losses on disposal of assets	VI46	2,493,194	(78,929)
III. Operating profit		70,830,185	84,391,609
Add: Non-operating income	VI47	8,743,744	3,609,652
Less: Non-operating expenses	VI48	9,833,272	3,061,528
IV. Total profit		69,740,657	84,939,733
Less: Income tax expense	VI49	27,132,507	35,696,776
V. Net profit		42,608,150	49,242,957
(I) Classified by business continuity			
1.Net profit from continued operations		42,608,150	49,242,957
2.Net profit from discontinued operations		-	-
(II) Classified by ownership			
1.Net profit attributable to shareholders of the parent company		26,589,237	36,169,475
2.Profit or loss attributable to minority interests		16,018,913	13,073,482

CONSOLIDATED INCOME STATEMENT (Continued)

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)
VI. Net value of other comprehensive income after tax		-	-
(I) Net value of other comprehensive income attributable to shareholders of the parent company after tax		-	-
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		-	-
(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		-	-
(II) Net value of other comprehensive income attributable to minority interests after tax		-	-
VII. Total comprehensive income		42,608,150	49,242,957
(I) Total comprehensive income attributable to shareholders of the parent company		26,589,237	36,169,475
(II) Total comprehensive income attributable to minority interests		16,018,913	13,073,482
VIII. Earnings per share			
(I) Basic earnings per share	V150	0.06	0.09
(II) Diluted earnings per share		-	-

The notes as set out from page 36 to 114 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	2021.1.1- 2021.6.30	2020.1.1- 2020.6.30
		(Unaudited)	(Unaudited)
I. Total operating income	(XIII)4	1,778,578,446	2,468,717,180
Less: operating cost	(XIII)4	1,357,376,531	1,981,176,427
Tax and surcharges		10,503,683	11,729,530
Selling expenses		315,894,561	339,208,058
Administrative expenses		81,110,263	70,701,689
Financial expenses		18,615,077	22,044,684
Add: Other Income		6,719,311	5,920,819
Investment income	(XIII)5	23,955,540	-
Impairment losses on credits		10	-
II. Operating profit		25,753,192	49,777,611
Add: Non-operating income		7,844,879	1,740,496
Less: Non-operating expenses		4,001,574	855,973
III. Total profit		29,596,497	50,662,134
Less: Income tax expense		2,498,730	12,738,540
IV. Net profit		27,097,767	37,923,594
1.Net profit from continued operations		27,097,767	37,923,594
2.Net profit from discontinued operations		-	-
V. Net value of other comprehensive income after tax		-	-
(I) Other comprehensive income which cannot be reclassified into profit or loss subsequently		-	-
1. Remeasurement of changes in net defined benefit liabilities or assets		-	-
2. Share in investees' other comprehensive income cannot be reclassified into profit or loss under equity method		-	-
(II) Other comprehensive income which can be reclassified into profit or loss subsequently		-	-
1. Share in investees' other comprehensive income can be reclassified into profit or loss under equity method		-	-
2. Foreign currency financial statement translation difference		-	-
VI. Total comprehensive income		27,097,767	37,923,594

The notes as set out from page 36 to 114 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	2021.1.1- 2021.6.30 (Unaudited)	2020.1.1- 2020.6.30 (Unaudited)
I. Cash flows from operating activities			
Cash received from selling goods and rendering services		6,108,306,563	6,659,534,503
Other cash received relating to operating activities	V151	149,139,005	101,303,009
Subtotal of cash inflows from operating activities		6,257,445,568	6,760,837,512
Cash paid for purchasing goods and receiving services		5,019,891,251	5,345,499,382
Cash payments to and on behalf of employees		514,274,155	366,051,760
Taxes and surcharges paid		136,876,857	166,380,948
Other cash paid related to operating activities	V151	203,174,766	388,093,643
Subtotal of cash outflows from operating activities		5,874,217,029	6,266,025,733
Net cash flow from operating activities		383,228,539	494,811,779
II. Cash flows from investing activities			
Cash received from investment		–	22,500,000
Cash received from investment income		–	2,171,960
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,234,618	406,584
Other cash received relating to investing activities	V151	133,875,627	41,362,851
Subtotal of cash inflows from investing activities		135,110,245	66,441,395
Cash paid for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets		38,110,682	15,231,953
Cash paid for investment		–	22,500,000
Other cash paid relating to investing activities	V151	123,281,880	36,385,238
Subtotal of cash outflows from investing activities		161,392,562	74,117,191
Net cash flow from investing activities		(26,282,317)	(7,675,796)



CONSOLIDATED CASH FLOW STATEMENT (Continued)

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Item	Notes	Amount unit: RMB	
		2021.1.1- 2021.6.30 (Unaudited)	2020.1.1- 2020.6.30 (Unaudited)
III. Cash flows from financing activities			
Cash received from borrowings		2,056,388,530	2,091,672,250
Subtotal of cash inflows from financing activities		2,056,388,530	2,091,672,250
Cash paid for repayments of liabilities		2,201,938,709	2,086,103,923
Cash paid for dividends, profits or interest payments		72,161,407	83,362,790
Including: Dividends and profits paid by subsidiaries to minority shareholders		22,085,856	—
Cash paid for other financing activates	V151	100,497,334	424,725,694
Subtotal of cash outflows from financing activities		2,374,597,450	2,594,192,407
Net cash flow from financing activities		(318,208,920)	(502,520,157)
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		(243,147)	(50,554)
V. Net increase (decrease) in cash and cash equivalents		38,494,155	(15,434,728)
Add: Balance of cash and cash equivalents at the beginning of the year		1,032,858,751	864,849,805
VI. Balance of cash and cash equivalents at the end of the year		1,071,352,906	849,415,077

The notes as set out from page 36 to 114 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	2021.1.1- 2021.6.30 (Unaudited)	2020.1.1- 2020.6.30 (Unaudited)
I. Cash flows from operating activities			
Cash received from selling goods and rendering services		1,839,348,744	2,659,232,942
Other cash received relating to operating activities		83,563,855	52,743,651
Subtotal of cash inflows from operating activities		1,922,912,599	2,711,976,593
Cash paid for purchasing goods and receiving services		1,560,863,145	2,151,342,717
Cash payments to and on behalf of employees		187,606,527	190,351,444
Taxes and surcharges paid		37,316,873	52,501,986
Other cash paid related to operating activities		114,816,007	113,430,840
Subtotal of cash outflows from operating activities		1,900,602,552	2,507,626,987
Net cash flow from operating activities		22,310,047	204,349,606
II. Cash flows from investing activities			
Cash received from investment		350,000,000	300,000,000
Cash received from investment income		23,955,540	23,135,657
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		335,758	96,658
Other cash received relating to investing activities		268,400,489	195,589,150
Subtotal of cash inflows from investing activities		642,691,787	518,821,465
Cash paid for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets		21,192,115	12,231,876
Other cash paid relating to investing activities		555,596,962	490,000,000
Subtotal of cash outflows from investing activities		576,789,077	502,231,876
Net cash flow from investing activities		65,902,710	16,589,589



CASH FLOW STATEMENT OF THE COMPANY (Continued)

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Item	Notes	Amount unit: RMB	
		2021.1.1- 2021.6.30 (Unaudited)	2020.1.1- 2020.6.30 (Unaudited)
III. Cash flows from financing activities			
Cash received from borrowings		700,000,000	689,783,548
Subtotal of cash inflows from financing activities		700,000,000	689,783,548
Cash paid for repayments of liabilities		689,783,548	450,000,000
Cash paid for dividends, profits or interest payments		14,738,499	28,826,013
Cash paid for other financing activities		51,843,588	352,753,900
Subtotal of cash outflows from financing activities		756,365,635	831,579,913
Net cash flow from financing activities		(56,365,635)	(141,796,365)
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		4	34
V. Net increase (decrease) in cash and cash equivalents		31,847,126	79,142,864
Add: Balance of cash and cash equivalents at the beginning of the year		286,925,613	186,411,639
VI. Balance of cash and cash equivalents at the end of the year		318,772,739	265,554,503

The notes as set out from page 36 to 114 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 2021 (unaudited)						Total shareholders' equity
	Equity attributable to shareholders of the parent company						
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Undistributed profits	Minority interests	
I. Balance at the end of the prior period	412,220,000	605,043,091	309,414	169,059,880	565,257,886	426,570,551	2,178,460,822
Add: Changes in accounting policies	-	-	-	-	-	-	-
Correction of prior errors	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
II. Balance at the beginning of the period	412,220,000	605,043,091	309,414	169,059,880	565,257,886	426,570,551	2,178,460,822
III. Increase or decrease amount in the year	-	-	-	-	(14,632,763)	(34,254,552)	(48,897,315)
(I) Total comprehensive income	-	-	-	-	26,589,237	16,018,913	42,608,150
(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	-	-	-	-	(41,222,900)	(50,283,465)	(91,505,465)
1. Appropriation to surplus reserves	-	-	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	(41,222,900)	(50,283,465)	(91,505,465)
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	-	-	-	-	-	-	-
IV. Balance at the end of the year	412,220,000	605,043,091	309,414	169,059,880	550,625,123	392,305,999	2,129,563,507

The notes as set out from page 36 to 114 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 (Continued)

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Amount unit: RMB

Item	Six months ended at 30 June 2020 (unaudited)						Total shareholders' equity
	Equity attributable to shareholders of the parent company						
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Undistributed profits	Minority interests	
I. Balance at the end of the prior period	412,220,000	605,043,091	309,414	160,727,215	550,263,661	455,794,357	2,184,357,738
Add: Changes in accounting policies	-	-	-	-	-	-	-
Correction of prior errors	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
II. Balance at the beginning of the period	412,220,000	605,043,091	309,414	160,727,215	550,263,661	455,794,357	2,184,357,738
III. Increase or decrease amount in the year	-	-	-	-	3,191,875	(37,224,872)	(34,032,997)
(I) Total comprehensive income	-	-	-	-	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)	(50,298,354)	(83,275,954)
1. Appropriation to surplus reserves	-	-	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	(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	-	-	-	-	-	-	-
IV. Balance at the end of the year	412,220,000	605,043,091	309,414	160,727,215	553,455,536	418,569,485	2,150,324,741

The notes as set out from page 36 to 114 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 2021 (unaudited)					Total shareholders' equity
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Undistributed profits	
I. Balance at the end of the prior period	412,220,000	615,293,521	-	145,282,646	445,150,402	1,617,946,569
Add: Changes in accounting policies	-	-	-	-	-	-
Correction of prior errors	-	-	-	-	-	-
Others	-	-	-	-	-	-
II. Balance at the beginning of the period	412,220,000	615,293,521	-	145,282,646	445,150,402	1,617,946,569
III. Increase or decrease amount in the year	-	-	-	-	(14,124,233)	(14,124,233)
(I) Total comprehensive income	-	-	-	-	27,097,767	27,097,767
(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	-	-	-	-	(41,222,000)	(41,222,000)
1. Appropriation to surplus reserves	-	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	(41,222,000)	(41,222,000)
4. Others	-	-	-	-	-	-
(IV) Internal transfer within shareholders' equity	-	-	-	-	-	-
1. Capital reserves transferred to capital (or shares)	-	-	-	-	-	-
2. Surplus reserves transferred to capital (or shares)	-	-	-	-	-	-
3. Surplus reserves made up for losses	-	-	-	-	-	-
4. Changes 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	-	-	-	-	-	-
IV. Balance at the end of the year	412,220,000	615,293,521	-	145,282,646	431,026,169	1,603,822,336

The notes as set out from page 36 to 114 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 (Continued)

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Amount unit: RMB

Item	Six months ended at 30 June 2020 (unaudited)					Total shareholders' equity
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Undistributed profits	
I. Balance at the end of the prior period	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	-	-	-	-	-	-
II. Balance at the beginning of the period	412,220,000	615,293,521	-	136,949,981	403,134,019	1,567,597,521
III. Increase or decrease amount in the year	-	-	-	-	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	-	-	-	-	-	-
IV. Balance at the end of the year	412,220,000	615,293,521	-	136,949,981	408,080,013	1,572,543,515

The notes as set out from page 36 to 114 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 2021

(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 2021.

The controlling shareholder of the Group is Beijing Chaofu State-owned Assets Administration Company Limited (“Chaofu Company”), which was established in China, and the original name was Beijing Chaoyang Auxiliary Food Company, and renamed as “Beijing Chaofu State-owned Assets Administration Company Limited” on 3 July 2020.

The consolidated financial statements of the Group and financial statements of the Company were approved by the board of directors on 27 August 2021.

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.

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 2021 and the operating results, cash flows and other relevant information of the Company for the 6 months ended at 30 June 2021. In addition, the Company has also disclosed relevant financial information required by the Company Ordinance of Hong Kong and the Listing Rules.

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 same control and not under the same 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 same 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 same control. In a business combination under the same 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 same control. For a business combination not under the same 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" (Caikuai [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 same control, the operating results and cash flows of the future purchases have been properly included in the consolidated income statement and consolidated cash flow statement, and the opening and closing figures of the consolidated financial statements are not adjusted. Subsidiaries that have increased business combinations under the same control and those that have been merged under the merger, the operating results and cash flows from the beginning of the current period to the date of consolidation have been properly included in the consolidated income statement and consolidated cash flow statement and adjust the comparison of consolidated financial statements at the same time.

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

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

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

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

If the Company disposes of the equity investment in the subsidiary through multiple transactions until it loses control, it shall distinguish whether the transactions dealing with the equity investment of the subsidiary until the loss of control are a package transaction. The terms, conditions, and economic impact of each transaction for the disposal of equity investments in subsidiaries are consistent with one or more of the following conditions, and generally indicate that multiple transactions should be accounted for as a package transaction: 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 recognised in profit or loss. The recognition and measurement of transfer of financial assets.

8.3 **The recognition and measurement of financial assets**

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

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

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

If a partial transfer of the financial assets meets the conditions for derecognition, the carrying amount of the transferred financial assets is allocated between derecognized portion and non-derecognized portion based on respective fair values. In addition, the difference between the carrying amount mentioned above and the combination of the consideration received from the transfer and the accumulated changes in the fair value that are allocated to derecognized portion and were recognized previously in other comprehensive income is recognized in the profit or loss.

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

8.4 The derecognition of financial liabilities

Once the present obligation of financial liabilities (or parts of them) has been lifted, financial liabilities (or parts of them) of the Group has been derecognized. The Group (borrower) enters into an agreement with the lender to replace the original financial liabilities in the form of new financial liabilities, and the new financial liabilities are substantially different from the original financial liabilities, and the original financial liabilities are derecognition and a new financial liability is recognized. The Group makes substantial changes on contractual terms of original financial liabilities (or parts of them), then they derecognize the original financial liabilities and confirm a new financial liability in accordance with the revised terms.

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

8.5 Offset of financial assets and financial liabilities

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

8.6 Method for determining the fair value of financial assets and financial liabilities

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

8.7 Equity instrument

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

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

9 Impairment of financial assets

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

9.1 Recognized method for impairment provision

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

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

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

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

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

9.5.2 Other receivable

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

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



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	2.70-4.85
Machinery and equipment	5-10	3-5	9.50-19.40
Office equipment	5	3-5	19.00-19.40
Vehicles	5-8	3-4	12.00-19.40

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

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:

Item	Useful lives	Amortization method
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 recognised in profit or loss or related asset costs in the period in which they are incurred.

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

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

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 recognised in profit or loss when incurred.

23.2.3 Finance leases

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

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

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

24 Changes in significant accounting policies and accounting estimates

(1) Changes in accounting policies

None.

(2) Changes in accounting estimates

None.

V. TAXATION

1. Major taxes and tax rates

Tax types	Tax basis	Tax rate
Value-added tax	Note 1	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
Taxable entities	Tax basis	Tax rate of income tax
Chaopi Maolisheng Hong Kong Co., Ltd.	Note 2	16.5%
Hong Kong Chaopi Asia Company Limited	Note 2	16.5%
Chaopi International Trade (Hong Kong) Co., Ltd.	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, Hong Kong Chaopi Asia Company Limited and Chaopi International Trade (Hong Kong) Co., Ltd. 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 following note items (including the main item notes of the company's financial statements) unless otherwise specified, "this period is from 1 January 2021 to 30 June 2021 and the prior period was from 1 January 2020 to 30 June 2020.

1. Cash and Bank balances

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Cash on hand	7,604,812	7,980,956
Cash in bank	1,063,748,094	1,024,877,795
Other cash and cash equivalents (Note 1)	120,347,215	157,443,568
Total	1,191,700,121	1,190,302,319
Including: Overseas deposits (Note 2)	2,413,814	20,743,514

Note 1: As at 30 June 2021, the Group's margin deposits with use restrictions was RMB120,347,215 (31 December 2020: RMB157,443,568), the financial margin deposit is RMB98,942,305 (31 December 2020: RMB116,101,904), and details were referred to Note (VI) 19. Notes payable.

Note 2: Bank deposits placed overseas are the money deposited by the subsidiary Chaopi Maolisheng Hong Kong Co., Ltd. in Hongkong and Shanghai Banking Corporation and China Everbright Bank Hong Kong Branch, and the money deposited by Chaopi International Trading (Hong Kong) Co., Ltd. in Hongkong and Shanghai Banking Corporation.

2. Notes receivable

Classification of notes receivable

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Bank acceptance	63,866	5,117,315
Trade acceptance	–	1,500,000
Total	63,866	6,617,315

3. Accounts receivable

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Accounts receivable	1,184,685,766	975,479,676
Total	1,184,685,766	975,479,676

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

Category	2021.6.30 (unaudited)				
	Carrying amount		Credit loss allowance		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
Accounts receivable with single provision for credit loss	906,916	-	906,916	100	-
Accounts receivable with credit loss provision based on portfolio	1,217,715,808	100	33,030,042	3	1,184,685,766
Total	1,218,622,724	100	33,936,958	3	1,184,685,766

Category	2020.12.31 (audited)				
	Carrying amount		Credit loss allowance		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
Accounts receivable with single provision for credit loss	2,563,822	-	2,563,822	100	-
Accounts receivable with credit loss provision based on portfolio	1,005,651,410	100	30,171,734	3	975,479,676
Total	1,008,215,232	100	32,735,556	3	975,479,676

② **The aging of accounts receivable is as follows**

Aging	2021.6.30 (unaudited)			
	Carrying amount	Proportion%	Credit loss allowance	Net book value
Within 1 year	1,122,004,606	92	2,247	1,122,002,359
1-2 years	32,931,024	3	1,541,649	31,389,375
2-3 years	16,364,206	1	1,853,345	14,510,861
3-4 years	6,407,278	1	1,619,118	4,788,160
4-5 years	23,990,023	2	11,995,012	11,995,011
Over 5 years	16,925,587	1	16,925,587	-
Total	1,218,622,724	100	33,936,958	1,184,685,766

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

Aging	2021.6.30 (unaudited)		
	Carrying amount	Credit loss allowance	Proportion%
Within 1 year	1,122,002,359	–	0
1-2 years	32,360,180	970,805	3
2-3 years	16,123,179	1,612,318	10
3-4 years	6,384,213	1,596,053	25
4-5 years	23,990,023	11,995,012	50
Over 5 years	16,855,854	16,855,854	100
Total	1,217,715,808	33,030,042	

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

Company	2021.6.30 (unaudited)			Reason for provision
	Accounts receivable	Credit loss allowance	Proportion%	
Tianjin Yonghui Supermarket Co., Ltd.	3,858	3,858	100	Cannot be recovered
Fumanjia Group Co., Ltd.	14,070	14,070	100	Cannot be recovered
Beijing Quanshi Life Technology Co., Ltd.	11,521	11,521	100	Cannot be recovered
Beijing Hualian Supermarket Co., Ltd.	35,383	35,383	100	Cannot be recovered
Beijing Hualian Supermarket Co., Ltd. Guiyang Branch	4,900	4,900	100	Cannot be recovered
Datong Yiyang Commercial Co., Ltd.	264,092	264,092	100	Cannot be recovered
Yizhiyao (Tianjin) Technology Development Co., Ltd.	573,092	573,092	100	Cannot be recovered
Total	906,916	906,916		

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 2021, the total accounts receivable due from Wu-mart, Carrefour, Lotus, Yonghui, Jingdong, Tianjin jumei.com Technology Co., Ltd, Vipshop, BHG and MeetAll amounted to RMB226,231,292 (31 December 2020: RMB183,096,337) 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).

	Factoring accounts receivable on full recourse basis	
	2021.6.30 (unaudited)	2020.12.31 (audited)
Carrying amount of transferred assets	226,231,292	183,096,337
Carrying amount of related liabilities	7,615,533	13,392,510
Net book value	218,615,759	169,703,827

4. Prepayments

Presentation of prepayments according to aging analysis

Aging	2021.6.30 (unaudited)		2020.12.31 (audited)	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	788,127,819	100	890,477,970	100
Total	788,127,819	100	890,477,970	100

On 30 June 2021 and 31 December 2020, there was no prepayment from shareholders who held voting shares of more than 5% (including 5%).



5. Other receivables

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Other receivables	204,833,392	200,158,379
Interest receivables	-	-
Dividend receivables	-	-
Total	204,833,392	200,158,379

Details of other receivables

(1) Presentation of other receivables by category

Category	2021.6.30 (unaudited)				Net book value
	Carrying amount Amount	Proportion (%)	Credit loss allowance Amount	Rate (%)	
Other receivables with single provision for credit loss	1,169,913	1	1,169,913	100	-
Other receivables with credit loss provision based on portfolio	209,183,161	99	4,349,769	2	204,833,392
Total	210,353,074	100	5,519,682	3	204,833,392

Category	2020.12.31 (audited)				
	Carrying amount Amount	Proportion (%)	Credit loss allowance Amount	Rate (%)	Net book value
Other receivables with single provision for credit loss	7,713,272	4	7,281,251	94	432,021
Other receivables with credit loss provision based on portfolio	202,119,099	96	2,392,741	1	199,726,358
Total	209,832,371	100	9,673,992	5	200,158,379

(2) Presentation of other receivables according to aging analysis

Aging	2021.6.30 (unaudited)			Net book value
	Carrying amount	Proportion%	Credit loss allowance	
Within 1 year	163,280,615	78	-	163,280,615
1-2 years	11,972,674	5	974,058	10,998,616
2-3 years	31,449,117	15	3,353,602	28,095,515
3-4 years	3,445,665	2	1,089,521	2,356,144
4-5 years	205,003	-	102,501	102,502
Over 5 years	-	-	-	-
Total	210,353,074	100	5,519,682	204,833,392

(3) **Other receivables that are individually significant and for which credit loss allowance has been assessed individually**

Content of other receivables	Carrying amount	Credit loss allowance	Rate (%)	Reason
Ferrero Trading (Shanghai) Co., Ltd.	184,784	184,784	100	Cannot be recovered
China Resources Dumex Baby Food Co., Ltd.	49,289	49,289	100	Cannot be recovered
Naaisi Lishui Sales Co., Ltd.	203,922	203,922	100	Cannot be recovered
Guangzhou Qunhe Cosmetics Co., Ltd.	304,140	304,140	100	Cannot be recovered
Datong Lok Cheng Commercial Co., Ltd.	200,000	200,000	100	Cannot be recovered
Datong Lok Cheng Commercial Co., Ltd.	84,116	84,116	100	Cannot be recovered
Meiaisi Cosmetics (Suzhou) Co., Ltd.	143,662	143,662	100	Cannot be recovered
Total	1,169,913	1,169,913		

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

Aging	2021.6.30 (unaudited)		
	Other receivables	Credit loss allowance	Proportion (%)
Within 1 year	163,280,615	–	0
1-2 years	11,338,779	340,163	3
2-3 years	31,217,239	3,121,724	10
3-4 years	3,141,525	785,381	25
4-5 years	205,003	102,501	50
Over 5 years	–	–	100
Total	209,183,161	4,349,769	

6. Inventories

Presentation of Inventories by category

Item	2021.6.30 (unaudited)		
	Carrying amount	Impairment	Net book value
Merchandise inventory	1,278,291,281	–	1,278,291,281
Raw material	4,157,975	–	4,157,975
Goods in process	–	–	–
Low-value consumables	–	–	–
Total	1,282,449,256	–	1,282,449,256

Item	2020.12.31 (audited)		
	Carrying amount	Impairment	Net book value
Merchandise inventory	1,501,562,774	–	1,501,562,774
Raw material	2,376,799	–	2,376,799
Goods in process	–	–	–
Low-value consumables	–	–	–
Total	1,503,939,573	–	1,503,939,573

7. Other current assets

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Deductible input value-added tax	119,991,699	111,275,389
Prepaid lease expenses	1,632,398	2,352,891
Prepaid heating expenses	–	3,354,425
Other prepaid expenses (Note)	3,803,023	949,289
Receivable return cost	17,273,347	11,073,233
Total	142,700,467	129,005,227

Note: 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	2021.6.30 (unaudited)	2020.12.31 (audited)
Classified Financial Assets at Fair Value Through Profit or Loss	155,380,423	131,508,869
Including: Debt Instrument Investments	–	–
Equity Instrument Investments (Note)	155,380,423	131,508,869
Subtotal	155,380,423	131,508,869
Less: Current Portion That Matures Within One Year	–	–
Total	155,380,423	131,508,869

Note: Chaopi Trading, a subsidiary of the Company, subscribed for the Junxiang Wuliangye No. 1 fund products in cash in the amount of RMB11.67 million in April 2018 and holds a fund share of 11,638,983.05 units.

9. Investment properties

Investment properties under the cost method

Item	Buildings	Land use rights	Total
I. Original carrying amount			
1. 2020.12.31 (audited)	139,248,884	122,900,708	262,149,592
2. Increase in the period	-	-	-
(1) Revised carrying amount by the company	-	-	-
(2) Increase in business combination	-	-	-
3. Decrease in the period	-	-	-
(1) Transferred to the fixed assets	-	-	-
(2) Transfer to intangible assets	-	-	-
4. 2021.6.30 (unaudited)	139,248,884	122,900,708	262,149,592
II. Accumulated depreciation and amortization			
1. 2020.12.31 (audited)	65,287,259	26,638,698	91,925,957
2. Increase in the period	2,642,652	1,702,630	4,345,282
(1) Accrual or amortization	2,642,652	1,702,630	4,345,282
(2) Transfer from fixed assets	-	-	-
(3) Increase in business combination	-	-	-
3. Decrease in the period	-	-	-
(1) Transferred to the fixed assets	-	-	-
(2) Transfer to intangible assets	-	-	-
4. 2021.6.30 (unaudited)	67,929,911	28,341,328	96,271,239
III. Net book value			
1. 2021.6.30 (unaudited)	71,318,973	94,559,380	165,878,353
2. 2020.12.31 (audited)	73,961,625	96,262,010	170,223,635

As at 30 June 2021 and 31 December 2020, there was no investment properties that were pledged to secure certain of the Group's long-term bank loans.

As at 30 June 2021 and 31 December 2020, all land use rights in the investment properties of the Group are medium-term lease.

10. Fixed assets

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Fixed assets	800,072,849	836,936,000
Disposal on fixed assets	18,363,992	17,605,694
Total	818,436,841	854,541,694

(1) Details of fixed assets

Item	Buildings	Machinery and equipment	Electronic devices and others	Transportation vehicles	Total
I. Original carrying amount					
1. 2020.12.31 (audited)	1,056,215,236	848,658,936	184,895,370	50,773,597	2,140,543,139
2. Increase in the period	-	6,282,821	4,951,297	3,881,791	15,115,909
(1) Purchase	-	2,436,356	4,538,723	3,881,791	10,856,870
(2) Transferred from the construction in process	-	3,846,465	412,574	-	4,259,039
(3) Transferred from the investment properties	-	-	-	-	-
(4) Business mergers increased	-	-	-	-	-
3. Decrease in the period	-	41,227,500	5,238,948	6,823,750	53,290,198
(1) Disposal or retirement	-	41,227,500	5,238,948	6,823,750	53,290,198
(2) Transferred to the investment properties	-	-	-	-	-
4. 2021.6.30 (unaudited)	1,056,215,236	813,714,257	184,607,719	47,831,638	2,102,368,850
II. Accumulative depreciation					
1. 2020.12.31 (audited)	466,301,906	658,828,744	138,526,118	39,950,371	1,303,607,139
2. Increase in the period	18,219,463	17,088,827	8,052,797	4,754,277	48,115,364
(1) Accrual	18,219,463	17,088,827	8,052,797	4,754,277	48,115,364
(2) Transferred from the investment properties	-	-	-	-	-
(3) Business mergers increased	-	-	-	-	-
3. Decrease in the period	-	38,239,554	4,720,690	6,466,258	49,426,502
(1) Disposal or Scrap	-	38,239,554	4,720,690	6,466,258	49,426,502
(2) Transferred to investment properties	-	-	-	-	-
4. 2021.6.30 (unaudited)	484,521,369	637,678,017	141,858,225	38,238,390	1,302,296,001
III. Net book value					
1. 2021.6.30 (unaudited)	571,693,867	176,036,240	42,749,494	9,593,248	800,72,849
2. 2020.12.31 (audited)	589,913,330	189,830,192	46,369,252	10,823,226	836,936,000

(2) Disposal on fixed assets

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Housing warehouse	17,605,694	17,605,694
Equipment	758,298	-
Total	18,363,992	17,605,694

11. Construction in progress

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Construction in progress	152,813,150	138,005,745
Engineer material	–	–
Total	152,813,150	138,005,745

(1) Details of construction in progress

Item	2021.6.30 (unaudited)			2020.12.31 (audited)		
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
Shuangqiao Project	50,232,654	–	50,232,654	50,232,654	–	50,232,654
Pingfang Project	43,859,815	–	43,859,815	43,859,815	–	43,859,815
Pingfang Refrigeratory Project	9,617,821	–	9,617,821	9,617,821	–	9,617,821
Logistics center renovation	38,279,361	–	38,279,361	28,899,715	–	28,899,715
Yanshun Road store renovation	4,400,006	–	4,400,006	–	–	–
Other	6,423,493	–	6,423,493	5,395,740	–	5,395,740
Total	152,813,150	–	152,813,150	138,005,745	–	138,005,745

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

Item	Budget amount	2020.12.31 (audited)	Increase in the period	Transferred to fixed assets, intangible assets or long-term prepaid expenses	Other deduction	2021.6.30 (unaudited)
Shuangqiao Project	108,988,036	50,232,654	–	–	–	50,232,654
Pingfang Project	73,655,986	43,859,815	–	–	–	43,859,815
Pingfang Refrigeratory Project	35,047,286	9,617,821	–	–	–	9,617,821
Logistics center renovation	110,000,000	28,899,715	9,379,646	–	–	38,279,361
Yanshun Road store renovation	9,000,000	–	4,400,006	–	–	4,400,006
Others	212,200,298	5,395,740	7,357,438	4,636,238	1,693,447	6,423,493
Total	548,891,606	138,005,745	21,137,090	4,636,238	1,693,447	152,813,150

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	34.80	34.80	-	-	-	Own funds and bank loans
Yanshun Road store renovation	48.89	48.89	-	-	-	Own funds and bank loans
Others	3.03	3.03	79,662	79,662	-	Own funds and bank loans
Total			3,505,650	79,662		

12. The right-of-use asset

Item	Buildings	Total
I. Original carrying amount		
1. 2020.12.31 (audited)	1,341,444,497	1,341,444,497
2. Increase in the period	114,237,392	114,237,392
Asset lease	114,237,392	114,237,392
3. Decrease in the period	48,944,015	48,944,015
Early termination of asset lease	48,944,015	48,944,015
Lease change remeasurement	-	-
4. 2021.6.30 (unaudited)	1,406,737,874	1,406,737,874
II. Accumulative depreciation		
1. 2020.12.31 (audited)	333,293,109	333,293,109
2. Increase in the period	93,398,663	93,398,663
Accrual	93,398,663	93,398,663
3. Decrease in the period	27,846,683	27,846,683
Termination of asset lease	27,846,683	27,846,683
Lease change remeasurement	-	-
4. 2021.6.30 (unaudited)	398,845,089	398,845,089
III. Net book value		
1. 2021.6.30 (unaudited)	1,007,892,785	1,007,892,785
2. 2020.12.31 (audited)	1,008,151,388	1,008,151,388

13. Intangible assets

Item	Land use rights	Software	Operation rights of distribution network	Total
I. Original carrying amount				
1. 2020.12.31 (audited)	322,868,516	60,526,560	34,254,633	417,649,709
2. Increase in the period	–	411,607	6,416	418,023
(1) Purchase	–	411,607	6,416	418,023
(2) Transferred from the construction in process	–	–	–	–
(3) Transferred from the investment properties	–	–	–	–
(4) Business mergers increase	–	–	–	–
3. Decrease in the period	–	–	–	–
4. 2021.6.30 (unaudited)	322,868,516	60,938,167	34,261,049	418,067,732
II. Accumulated amortization				
1. 2020.12.31 (audited)	76,863,749	31,698,440	28,871,298	137,433,487
2. Increase in the period	4,522,587	2,562,719	1,325,768	8,411,074
(1) Accrual	4,522,587	2,562,719	1,325,768	8,411,074
(2) Transferred from the investment properties	–	–	–	–
(3) Business mergers increase	–	–	–	–
3. Decrease in the period	–	–	–	–
4. 2021.6.30 (unaudited)	81,386,336	34,261,159	30,197,066	145,844,561
III. Net book value				
1. 2020.6.30 (unaudited)	241,482,180	26,677,008	4,063,983	272,223,171
2. 2019.12.31 (audited)	246,004,767	28,828,120	5,383,335	280,216,222

14. Goodwill

Original carrying amount of goodwill

Name of the investee or item resulting in goodwill	2020.12.31 (audited)	Increase in the period		Decrease in the period		2021.6.30 (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 2021 and 31 December 2020, 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 2021, and 31 December 2020, 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	2020.12.31 (audited)	Increase in the period	Amortization in the period	Other deduction	2021.6.30 (unaudited)	Other reduces reasons
Transferred from construction in progress to leasehold improvements	298,550,451	1,593,416	31,007,895	5,287	269,130,685	Dispose
Total	298,550,451	1,593,416	31,007,895	5,287	269,130,685	

16. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets without offset

Item	2021.6.30 (unaudited)		2020.12.31 (audited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax asset
Deductible losses	-	-	-	-
Taxable government grants	29,501,613	7,375,403	33,989,487	8,497,372
Unrealized profits from internal transactions	3,883,503	970,876	4,324,769	1,081,192
Implementation of the new lease standard	65,826,225	16,456,556	55,988,494	13,997,123
Total	99,211,341	24,802,835	94,302,750	23,575,687

(2) Deferred tax liabilities without offset

Item	2021.6.30 (unaudited)		2020.12.31 (audited)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value adjustment of assets arising from non-monetary asset exchange	9,873,294	2,468,323	10,406,513	2,601,628
Changes on the fair value of available- for-sale financial assets	143,710,424	35,927,606	119,838,870	29,959,717
Capitalized interest adjustment of borrowing costs	16,000	4,000	375,739	93,935
Difference between the fair value and the carrying amount of subsidiary merger and acquisition	2,102,534	525,634	1,870,215	467,554
Total	155,702,252	38,925,563	132,491,337	33,122,834

(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 2021.6.30 (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 2020.12.31 (audited)
Deferred tax assets	2,472,323	22,330,512	2,695,563	20,880,124
Deferred tax liabilities	2,472,323	36,453,240	2,695,563	30,427,271

17. **Other non-current assets**

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Long-term receivables due from Shoulian Group (Note 1)	108,932,816	135,600,000
Security deposit	40,408,508	48,037,310
Prepaid construction fees	40,721,391	261,784
Total	190,062,715	183,899,094

Note 1: As at 30 June 2021, 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 3.85% per annum on 1 October 2020, formerly 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	2021.6.30 (unaudited)	2020.12.31 (audited)
Accounts receivable secured loan (Note 1)	7,615,533	13,392,510
Guaranteed loan (Note 2)	1,821,000,047	1,731,663,061
Unsecured loan (Note 3)	292,130,000	579,062,520
Pledged Loan (Note 4)	64,347,232	6,524,900
Undue interest payable	3,047,330	3,594,890
Total	2,188,140,142	2,334,237,881

As at 30 June 2021, and 31 December 2020, the short-term borrowings above bore annual interest rates ranging from 1.94% to 4.35% and 2.50% to 4.75% respectively without any due but unsettled ones.

Note 1: As at 30 June 2021, such short-term loan was obtained by several accounts receivable factoring of the Company totaling to RMB226,231,292 (31 December 2020: RMB183,096,337), and details were referred to Note (VI) 3.

Note 2: As at 30 June 2021, such short-term loans include RMB367,000,000, which was borrowed by Chaopi Trading, a subsidiary of the Company, with a surety provided by the Company; RMB9,000,000, which was borrowed by a subsidiary of Chaopi Trading, with a surety provided by the Company; RMB845,000,047, which was borrowed by a subsidiary of Chaopi Trading with a surety offered by Chaopi Trading and another RMB600,000,000 was borrowed by the Company with the surety provided by Chaopi Trading.

As at 31 December 2020, such short-term loans include RMB260,000,000, which was borrowed by Chaopi Trading, a subsidiary of the Company, with a surety provided by the Company; RMB41,889,858, which was borrowed a subsidiary of the Chaopi, Trading with a surety provided by a subsidiary of Chaopi Trading; RMB29,000,000, which was borrowed by a subsidiary of Chaopi Trading with a surety offered by the Company; RMB910,989,655 which 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.

Note 3: As at 30 June 2021, the credit loans included RMB150,000,000 and RMB100,000,000 respectively granted by China Bank of Communications Co., Ltd. Sanyuan Bridge Sub-branch and Industrial and Commercial Bank of China Co., Ltd. Beijing Air China Tower Sub-branch on an unsecured basis. The credit loans included RMB14,130,000, RMB8,000,000, RMB10,000,000 and RMB10,000,000 borrowed by the Company's subsidiary Chaopi Trading that granted by HSBC Bank (China) Co., Ltd. Beijing Branch, Bank of Beijing Jiulongshan Sub-branch, Beijing Rural Commercial Bank Co., Ltd. Central Business District Sub-branch, and HSBC Bank (China) Co., Ltd. Shanghai Branch on an unsecured basis.

As at 31 December 2020, the credit loans included RMB50,000,000, RMB200,000,000 and RMB100,000,000 respectively granted by China Bank of Communications Co., Ltd. Sanyuan Bridge Sub-branch and China Construction Bank Co., Ltd. Hujialou Sub-branch and Industrial and Commercial Bank of China Co., Ltd. Beijing Air China Tower Sub-branch on an unsecured basis. The credit loans included RMB50,000,000, RMB32,150,000, RMB56,400,000 and RMB45,410,000 borrowed by the Company's subsidiary Chaopi Trading that granted by China Everbright Bank Co., Ltd. Beijing East Chang'an Avenue Sub-branch, China Construction Bank Co., Ltd. Beijing Hujialou Sub-branch, China CITIC Bank Beijing Xidan Sub-branch, and Industrial Bank Co., Ltd. Beijing Chaowai Sub-branch on an unsecured basis. The credit loans included RMB15,000,000, RMB8,000,000, RMB10,000,000 and RMB12,102,520 borrowed by the subsidiary of Chaopi that granted by HSBC Bank (China) Co., Ltd. Beijing Branch, Bank of Beijing Jiulongshan Sub-branch, Beijing Rural Commercial Bank Co., Ltd. Nanmofang Sub-branch, and Industrial Bank Co., Ltd. Beijing Chaowai Sub-branch on an unsecured basis.

Note 4: As at 30 June 2021, pledged loan is that Chaopi Trading provided a pledge guarantee to HSBC Bank (China) Co., Ltd. Beijing Branch with a time deposit certificate of RMB21,404,910 under its name, and the loan amount obtained was USD10,000,000, which was converted into RMB64,347,231.

As 31 December 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 RMB6,524,900.



19. Notes payable

Category	2021.6.30 (unaudited)	2020.12.31 (audited)
Bank acceptances	542,670,559	449,442,574
Total	542,670,559	449,442,574

As at 30 June 2021, security deposit for the issuance of bank acceptances above amounted to RMB98,942,305 (31 December 2020: RMB116,101,904).

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:

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Purchase	791,336,713	720,957,209
Total	791,336,713	720,957,209

21. Payments received in advance

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Rent received in advance	8,333,039	7,094,294
Total	8,333,039	7,094,294

22. Contract Liability

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Procurements received in advance	302,940,462	462,447,201
Total	302,940,462	462,447,201

23. Payroll payable

(1) Details of payroll payable

Item	2020.12.31 (audited)	Increase in the period	Decrease in the period	2021.6.30 (unaudited)
1. Short-term remuneration	1,621,215	337,849,530	337,740,482	1,730,263
2. Post-employment benefits-defined contribution plans (Note 1)	-	33,047,182	33,030,525	16,657
3. Dismissal compensation	-	1,563,909	1,563,909	-
4. Other welfare due within one year	-	-	-	-
Total	1,621,215	372,460,621	372,334,916	1,746,920

(2) Short-term remuneration

Item	2020.12.31 (audited)	Increase in the period	Decrease in the period	2021.6.30 (unaudited)
1) Wages or salaries, bonus, allowance, subsidies	-	278,748,122	278,748,122	-
2) Staff welfare	-	12,566,058	12,566,058	-
3) Social security	-	22,489,786	22,378,628	111,158
Including: Medical insurance	-	21,289,612	21,178,720	110,892
Work injury insurance	-	668,566	668,300	266
Maternity insurance	-	531,608	531,608	-
4) Housing funds	-	18,298,582	18,298,582	-
5) Labor union expenses and employees' education expenses	1,621,215	5,746,982	5,749,092	1,619,105
Total	1,621,215	337,849,530	337,740,482	1,730,263

(3) Details of defined contribution plan

Item	2019.12.31 (audited)	Increase in the period	Decrease in the period	2020.6.30 (unaudited)
1) Basic retirement insurance	-	31,692,176	31,676,217	15,959
2) Unemployment insurance	-	1,355,006	1,354,308	698
3) Annuity	-	-	-	-
Total	-	33,047,182	33,030,525	16,657

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 16% of staff basic monthly salary to their retirement insurance and 0.5% 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 RMB31,692,176 and RMB1,355,006 to retirement insurance and unemployment insurance accordingly.

24. Taxes payable

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Value-added tax	37,132,551	26,751,143
Corporate income tax	9,166,396	15,776,517
Personal income tax	10,555,690	1,063,588
City construction and maintenance tax	818,354	1,005,167
Education surcharge	355,680	434,578
Stamp duty	991,144	1,394,702
Local education surcharge	237,120	273,563
Other	70,817	100,689
Total	59,327,752	46,799,947

25. Other payables

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

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Other payables	238,240,921	258,235,875
Interest payables	–	–
Dividend payables	61,878,958	6,389,222
Total	300,119,879	264,625,097

(2) Details of other payables

Presentation of other payables by nature of accounts

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Construction fees payable	47,235,267	62,781,161
Deposit	93,101,341	94,912,141
Others	97,904,313	100,542,573
Total	238,240,921	258,235,875

(3) Details of dividend payables

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Ordinary shares dividend	35,478,024	–
Other minority shareholders' dividend	26,400,934	6,389,222
Total	61,878,958	6,389,222

26. Non-current liabilities due within one year

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Leases liability due within one year	161,607,514	158,537,320
Total	161,607,514	158,537,320

27. Other current liabilities

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Refund payable	18,909,685	12,283,410
Accrued expenses	7,866,505	9,145,519
Deferred income due within one year	32,348,470	44,448,354
Total	59,124,660	65,877,283

Accrued expenses

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Accrued interest expenses	–	–
Accrued rent expenses	23,950	163,331
Accrued audit expenses	–	37,736
Others	7,842,555	8,944,452
Total	7,866,505	9,145,519

28. Bonds payable

(1) Bonds payable

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Corporate bonds (2019.8.26-2024.8.25)	410,710,260	402,932,044
Total	410,710,260	402,932,044

(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	402,932,044	–
Total	400,000,000			400,000,000	402,932,044	–

Bonds	Accrued interest for the period	Bond discount/premium amortization	Paid during the period	2020.6.30 (unaudited)
Corporate bonds	7,478,027	300,189	–	410,710,260
Total	7,478,027	300,189	–	410,710,260

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.

29. Lease liability

Item	2020.12.31 (audited)	Increase in the period			Decrease in the period	2021.6.30 (unaudited)
		New lease	Interest in this year	Other		
Assets leased	1,069,669,144	114,237,393	25,206,649	-	133,698,822	1,075,414,364
Less: Lease liabilities due within one year	158,537,320	140,552	-	103,101,248	100,171,606	161,607,514
Total	911,131,824	114,096,841	25,206,649	(103,101,248)	33,527,216	913,806,850

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

30. Government grants

Details of government grants

Classification	Amount	Presentation project	Amount included in current profit and loss
Government grants related to assets are amortized this year	4,537,874	Other income	4,537,874
Safe production environment upgrade	160,000	Non-operating income	160,000
Ease the employment pressure	3,049,128	Other income	3,049,128
Government reserve expense	1,498,270	Other income	1,498,270
Other	847,430	Other income	847,430
Total	10,092,702		10,092,702

31. Deferred income

Item	2020.12.31 (audited)	Increase in the period	Decrease in the period	2021.6.30 (unaudited)	Reasons
Government grants	34,039,487	-	4,537,874	29,501,613	-
Total	34,039,487	-	4,537,874	29,501,613	

Including, the project related to Government grants:

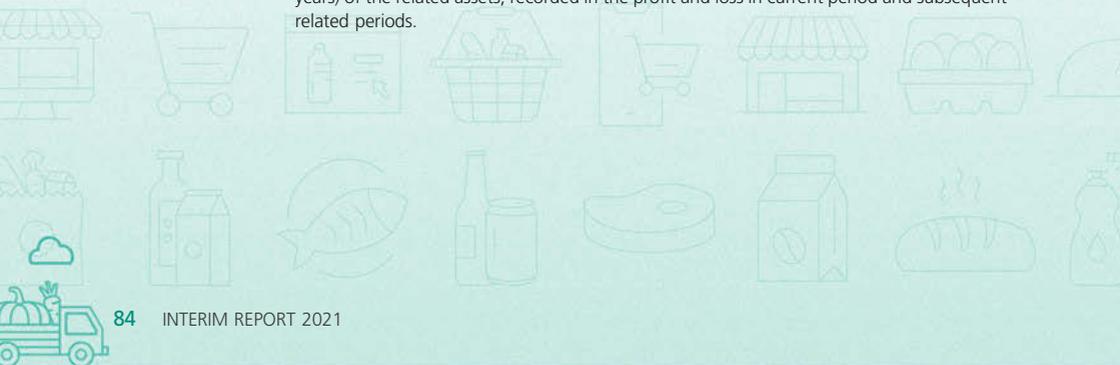
Item	2020.12.31 (audited)	Increase in the period	Included non- operating income	Included other income	Other change	2021.6.30 (unaudited)	Related to assets/income
Agricultural Super Matchmaking Pilot Project	2,531,567	-	-	549,626	-	1,981,940	Related to assets
Chaoyang District Finance Bureau life service industry development guidance funds	2,737,683	-	-	210,591	-	2,527,092	Related to assets
Central Finance promotes the development of special funds for the service industry (2015.01-2023.12)	2,213,793	-	-	420,353	-	1,793,440	Related to assets
Logistics standardization pilot project in 2017	2,408,567	-	-	199,399	-	2,209,168	Related to assets
Logistics standardization pilot project in 2015	1,935,272	-	-	283,537	-	1,651,735	Related to assets
Other	22,212,605	-	-	2,874,368	-	19,338,238	Related to assets
Total	34,039,487	-	-	4,537,874	-	29,501,613	

Government grants include:

- (1) Deferred income was the government grants totaling RMB4,000,000 (unreceived in 2005 from Beijing Municipal Development and Reform Commission and Beijing Chaoyang District Finance Bureau to support the construction of fresh distribution center, fresh procurement center and distribution center logistics system. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (15 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (2) In 2014, the Company received government grants totaling RMB14,186,700 from Beijing Municipal Commission of Commerce and Beijing Finance Bureau as a special funding for agriculture-supermarket jointing program. The deferred income was recognized upon receipt of the financial allocations. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (11 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (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 and as a special funding for Chaoyang district Cailanzi project. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by the initial entry value of assets, and deferred income would be evenly amortized in the estimated useful life (10 and 5 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.

- (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 and as a special funding for Commercial circulation development of agricultural ultra-docking project. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by the initial entry value of assets, and deferred income would be evenly amortized in the estimated useful life (9 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (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 and as a special funding for Life service industry development guidance project. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by the initial entry value of assets, and deferred income would be evenly amortized in the estimated useful life (10 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (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.
- (21) In 2020, the Company received government grants totaling RMB1,733,294 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.

32. Share capital

Item	2020.12.31 (audited)	New issue of shares	Changes in the period			Subtotal	2021.6.30 (unaudited)
			Bonus issue	Capitalization of surplus reserves	Others		
1. State-owned legal person shares							
Chaofu Company	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

33. Capital reserves

Item	2020.12.31 (audited)	Increase in the period	Decrease in the period	2021.6.30 (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

34. Other comprehensive income

Item	2020.12.31 (audited)	Amount before tax	Changes in the period			2021.6.30 (unaudited)
			Less: Amount that is previously included in other comprehensive income is transferred to profit or loss for the period	Less: Income tax expense	Attributable to the shareholders of parent company 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

35. Surplus reserves

Item	2020.12.31 (audited)	Increase in the period	Decrease in the period	2021.6.30 (unaudited)
Statutory surplus reserve	169,059,880	–	–	169,059,880
Total	169,059,880	–	–	169,059,880

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.

36. Undistributed profits

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Undistributed profits at the beginning of year	565,257,886	550,263,661
Add: Net profit attributable to the shareholders of the parent company for the year	26,589,237	36,169,475
Less: Appropriation to statutory surplus reserve	–	–
Ordinary shares' dividends payable	41,222,000	32,977,600
Other	–	–
Undistributed profits at the end of the year	550,625,123	553,455,536

Dividend

A final dividend of RMB0.10 per share, in respect of year ended at 31 December 2020 (the previous corresponding period: RMB0.08 per share in respect of the year ended at 31 December 2019) was declared and paid to the shareholders of the Company. The aggregated amount of the final dividend declared and paid was RMB41,222,000 (the previous corresponding period: RMB32,977,600).

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

37. Operating income and operating costs

(1) Operating income and operating costs

Item	Six months ended 30 June 2021 (unaudited)		Six months ended 30 June 2020 (unaudited)	
	Income	Cost	Income	Cost
Principal operating	5,335,018,709	4,739,275,797	5,770,534,248	5,040,606,442
Other operating	512,316,450	21,788,981	439,338,987	5,921,956
Total	5,847,335,159	4,761,064,778	6,209,873,235	5,046,528,398

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

Item	Six months ended 30 June 2021 (unaudited)		Six months ended 30 June 2020 (unaudited)	
	Principal operating income	Principal operating costs	Principal operating income	Principal operating costs
Retail	1,721,475,446	1,419,119,672	2,512,462,026	2,082,439,042
Wholesale	3,606,510,866	3,314,666,594	3,256,160,077	2,954,621,300
Others	7,032,397	5,489,531	1,912,145	3,546,100
Total	5,335,018,709	4,739,275,797	5,770,534,248	5,040,606,442

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

Note: According to the relevant requirements of the newly revised "Accounting Standards for Business Enterprises No. 14-Revenue" in the "Cai Kuai [2017] No. 22", the related wholesale business transportation expenses (including: RMB67,271,083 in six months ended 30 June 2021 and RMB66,155,945 in six months ended 30 June 2020) incurred before the transfer of control to the customer when selling goods to customers will be reclassified from "selling expenses" to "principal operating costs".

38. Taxes and surcharges

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Consumption tax	666,035	302,297
City construction and maintenance tax	9,506,325	11,429,475
Building tax	8,237,970	8,348,771
Land tax	490,586	510,706
Vehicle and vessel use tax	94,770	85,820
Stamp tax	3,116,827	3,346,226
Environment protect tax	14,229	4,746
Others	39,653	12,823
Total	22,166,395	24,040,864

39. Selling expenses

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Wages and salaries	250,810,687	264,227,059
Depreciation and amortization expenses	174,771,872	184,544,021
Service fee	136,795,102	110,090,892
Promotional expenses	114,455,239	164,856,051
Utility fee	31,506,546	31,252,126
Shipping fee (Note)	18,124,694	24,122,559
Security fee	17,556,120	17,758,508
Repair fee	9,186,655	8,456,957
Warehousing fee	8,449,119	8,330,887
Cleaning fee	7,768,519	7,661,095
Lease expenses	7,750,951	3,191,431
Advertising fee	6,687,103	7,181,140
Coal fee	6,185,338	6,986,915
Others	20,558,786	22,589,917
Total	810,606,731	861,249,558

Note: For the relevant changes in the implementation of the new revenue standard, please refers to Note VI. 37 Operating income and operating costs for details.

40. Administrative expenses

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Wages and salaries	121,321,457	111,517,948
Depreciation and amortization expenses	5,575,692	5,638,513
Service fee	2,131,928	442,018
Inventory count loss	1,865,388	3,007,185
Audit fees	1,649,494	1,182,135
Consulting fee	1,454,273	32,703
Others	5,215,385	4,814,211
Total	139,213,617	126,634,713

41. Financial expenses

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Interest expenses	79,321,168	91,929,818
Including: Lease liability interest expense	25,206,659	27,516,750
Less: Capitalized interest expenses	44,804	36,254
Interest income	(8,891,394)	(6,841,517)
Bank charges	4,268,119	7,106,399
Exchange losses (gains)	283,688	(12,752)
Total	74,936,777	92,145,694

42. Other income

(1) Details of other income

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	The amount included in the current year non-recurring gains and losses
Government grants	9,932,702	8,415,934	9,932,702
Total	9,932,702	8,415,934	9,932,702

(2) Details of government grants

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Government reserve expense	1,498,270	–
Ease the employment pressure	3,049,128	3,291,598
Asset-related government grants amortization for the current year	4,537,874	4,730,948
Other	847,430	393,388
Total	9,932,702	8,415,934

43. Investment income

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Investment income from short-term financial products	–	33,984
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	–	–
Total	–	33,984

44. Gains from changes in fair values

Sources of gains from changes in fair values	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Trading financial assets	23,871,554	23,545,663
Including: classified financial assets at fair values through profits or losses (exclude gains from changes in fair value of derivative instruments)	23,871,554	23,545,663
classified financial assets at fair values through profits or losses (gains from changes in fair value of derivative instruments)	–	–
Total	23,871,554	23,545,663

45. Credit impairment loss

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Credit impairment loss of note receivable and accounts receivable	(2,856,348)	(3,904,411)
Credit impairment loss of other receivable	(1,957,778)	(2,894,640)
Total	(4,814,126)	(6,799,051)

46. Gain on disposal of assets

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	The amount included in the current year non-recurring gains and losses
Gain on disposal of non-current assets	2,493,194	(78,929)	2,493,194
Total	2,493,194	(78,929)	2,493,194

47. Non-operating income

(1) Details of non-operating income

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (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	901,847	–	901,847
Compensation for breach of contract	1,203,413	1,845,583	1,203,413
Tax rate adjustment underpayment	–	–	–
Disposal of waste materials	–	371,681	–
Others	6,638,484	1,392,388	6,638,484
Total	8,743,744	3,609,652	8,743,744

(2) Details of government grants

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Retirement compensation (Note)	741,847	–
Peoples' livelihood subsidy (Note)	150,000	–
Received vehicle scrap subsidy from the Ecological Environment Bureau (Note)	10,000	–
Total	901,847	–

Note: RMB741,847 was the compensation fund vacated by the People's Government of Pingfang Township, Chaoyang District, Beijing RMB150,000 was the subsidy received by Langfang from the Guangyang District Finance Bureau of Langfang City, and the other RMB10,000 was the subsidy received by Beijing Chaopi Yuli Trading Co., Ltd., a subsidiary of Chaopi Trading Co., for the vehicle scrapping subsidy received by the Ecological Environment Bureau.

48. Non-operating expenses

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	The amounts included in non- recurring gains and losses for the year
Total losses on spoilage and obsolescence of non-current assets	1,251,136	127,522	1,251,136
Including: Losses on spoilage and obsolescence of fixed assets	1,251,136	127,522	1,251,136
Fine	3,116,577	655,896	3,116,577
Others	5,465,559	2,278,110	5,465,559
Total	9,833,272	3,061,528	9,833,272

49. Income tax expense

(1) Details of income tax expenses

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Current income tax expense	22,556,926	42,352,147
Deferred income tax expense	4,575,581	(6,655,371)
Total	27,132,507	35,696,776

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

Item	Six months ended 30 June 2021 (unaudited)
Total profit	69,740,656
Income tax expenses calculated at appropriate tax rate	17,435,164
Effect of subsidiary companies to adapt different tax rates	681,045
Effect of adjusting the previous years' income tax	435,202
Effect of non-taxable income	(223,240)
Effect of non-deductible costs, expenses and losses	676,259
Effect of using deductible losses of previously unrecognized deferred tax assets	(16,101,221)
Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets in the period	24,229,298
Total	27,132,507

50. Earnings per share

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Net profit for the period attributable to shareholders of the parent company	26,589,237	36,169,475
Number of ordinary shares used in the calculation of basic earnings per share	412,220,000	412,220,000

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Calculated based on the net profit attributable to ordinary shareholders of the parent company: Basic earnings per share	0.06	0.09

51. Items in the cash flow statements

(1) Other cash received relating to operating activities

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Income of rent	102,477,644	75,393,036
Income of scrap sales	1,198,345	1,560,244
Income of franchise	384,919	661,000
Income of government grant	9,741,372	7,878,060
Recovered deposit	5,166,592	2,633,332
Transportation fee income	10,213,554	9,913,082
Others	19,956,579	3,264,255
Total	149,139,005	101,303,009

(2) Other cash paid relating to operating activities

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Selling expenses (except rent)	165,939,078	363,466,308
Administrative expenses	15,799,068	10,290,148
Rent	7,755,236	3,191,431
Deposit and margin	5,385,318	2,842,327
Bank charges	4,081,800	7,102,070
Others	4,214,265	1,201,359
Total	203,174,766	388,093,643

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

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Financial product	108,875,627	35,796,651
Government grant related to assets	–	5,566,200
Current Borrowings	25,000,000	–
Total	133,875,627	41,362,851

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

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Financial product	123,281,880	36,385,238
Total	123,281,880	36,385,238

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

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Repayment of lease liabilities principal and interest	100,497,334	112,930,726
Repayment of bonds	–	300,000,000
Current borrowings	–	11,794,968
Total	100,497,334	424,725,694



52. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Supplementary information	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
1. Reconciliation of net profits and cash flow from operating activities:		
Net profits	42,608,150	49,242,957
Add: Provision for impairment losses on assets	–	–
Credit impairment loss	4,814,126	6,799,051
Depreciation of fixed assets	48,115,364	50,211,952
Depreciation of right-of-use assets	93,398,663	98,837,777
Depreciation of investment property	4,345,282	4,345,282
Amortization of intangible assets	8,411,074	8,460,128
Amortization of long-term prepaid expenses	31,007,895	35,039,223
Net Losses on disposal of fixed assets, intangible assets and other long-term assets	(2,493,194)	78,929
Losses arising from the scrapped fixed assets	811,242	127,522
Losses (Gains) on Changes in fair value	(23,871,554)	(23,545,663)
Financial expenses	74,936,777	92,145,694
Losses arising from investments	–	(33,984)
Amortization of government grants related to assets	(4,537,874)	(4,730,948)
Decrease in deferred tax assets	(1,450,388)	(12,719,900)
Increase in deferred tax liabilities	6,025,969	6,064,528
Decrease(Increase) in inventories	221,490,317	251,156,696
Decrease in operating receivables	(110,828,251)	16,189,043
Increase in operating payables	(9,555,059)	(82,856,507)
Net cash flows from operating activities	383,228,539	494,811,780
2. Net changes in cash and cash equivalents:		
Closing balance of cash	1,071,352,906	849,415,077
Less: Opening balance of cash	1,032,858,751	864,849,805
Net increase in cash and cash equivalents	38,494,155	(15,434,728)

(2) Cash and cash equivalents

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Cash		
Including: Cash on hand	7,604,812	8,098,819
Bank deposits on demand	1,063,748,094	841,316,258
Closing balance of cash and cash equivalents	1,071,352,906	849,415,077

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	Scope of business	Proportion of ownership interests (%)	Proportion of voting power (%)	Whether Consolidated or not	Notes
Beijing Jingkelong (Langfang) Co., Ltd. (Jingkelong Langfang)	Limited company	Langfang, PRC	Retail	80,000,000	Retail of general merchandise	100	100	Yes	
Beijing Jingkelong Supermarket Chain Co., Ltd. (Jingkelong Tongzhou)	Limited company	Beijing, PRC	Retail	29,000,000	Retail of general merchandise	100	100	Yes	
Beijing Xinyang Tongli Commercial Facilities Co., Ltd. (Xinyang Tongli)	Limited company	Beijing, PRC	Manufacture	10,000,000	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)	Limited company	Beijing, PRC	Retail	398,453,439	Retail of general merchandise	100	100	Yes	
Beijing Jingkelong Haotian Hotel Management Co., Ltd. (Haotian Hotel)	Limited company	Beijing, PRC	Hospitality	5,000,000	Hotel management, food and beverage, and leasing	100	100	Yes	
Beijing Jingkelong Vocational Training School (Training School)	Institutional organization	Beijing, PRC	Training	500,000	Training of shop assistant	100	100	Yes	
Beijing Lianchao Company Limited (the "Lianchao Limited")	Limited company	Beijing, PRC	Retail of general merchandise	10,000,000	Sales of daily necessities, Wujinjiaodian, such as needle textiles	100	100	Yes	
Beijing Chaopi Trading Co., Ltd. (Chaopi Trading)	Limited company	Beijing, PRC	Wholesale	500,000,000	Wholesale of general merchandise	79.85	79.85	Yes	
Beijing Chaopi Shuanglong Alcohol Sales Co., Ltd. (Chaopi Shuanglong)*	Limited company	Beijing, PRC	Wholesale	110,160,000	Wholesale of beverages	47.11	59.00	Yes	
Beijing Chaopi Huajing Beverage Co., Ltd. (Chaopi Huajing)*	Limited company	Beijing, PRC	Wholesale	80,000,000	Wholesale of drinks and food(except for items that have not obtained special permits)	42.66	53.43	Yes	
Beijing Chaopi Flavourings, Co., Ltd. (Chaopi Flavouring)*	Limited company	Beijing, PRC	Wholesale	50,000,000	Wholesale of edible oil and food(except for items that have not obtained special permits)	42.03	52.63	Yes	
Beijing Chaopi Jinglong Oil Sales Co., Ltd. (Chaopi Oil Sales)*	Limited company	Beijing, PRC	Wholesale	36,000,000	Wholesale of edible oil	43.30	54.23	Yes	
Shijiazhuang Chaopi Xinlong Trading Co., Ltd.*	Limited company	Shijiazhuang, PRC	Wholesale	5,000,000	Wholesale daily necessities, food, Wujinjiaodian, etc. (except for items that have not obtained special permits)	79.85	100	Yes	
Qingdao Chaopi Jinlong Trading Co., Ltd.*	Limited company	Qingdao, PRC	Wholesale	5,000,000	Wholesale daily necessities, food, Wujinjiaodian, etc. (except for items that have not obtained special permits)	79.85	100	Yes	
Beijing Chaopi Zhongde Trading Co., Ltd. (Chaopi Zhongde)*	Limited company	Beijing, PRC	Wholesale	93,000,000	Wholesale of consumer sanitary products	79.85	100	Yes	Note4

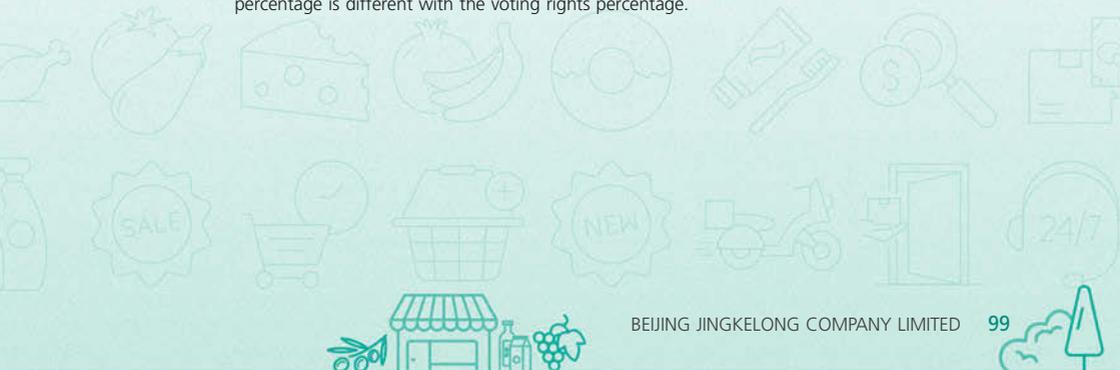
Subsidiary	Type	Place of incorporation	Nature of business	Registered Capital	Scope of business	Proportion of ownership interests (%)	Proportion of voting power (%)	Whether Consolidated or not	Notes
Taiyuan Chaopi Trading Co., Ltd. (Chaopi Taiyuan)*	Limited company	Taiyuan, PRC	Wholesale	15,000,000	Wholesale of general merchandise	79.85	100	Yes	
Beijing Chaopi Yuli Trading Co., Ltd. (Chaopi Yuli)**	Limited company	Beijing, PRC	Wholesale	24,000,000	Wholesale of package service, packed food and storage service	30.31	70	Yes	
Beijing Chaopi Fangsheng Trading Co., Ltd.**	Limited company	Beijing, PRC	Wholesale	20,000,000	Wholesale of general merchandise	55.90	70	Yes	
Jinan Chaopi Linda Trading Co., Ltd. (Chaopi Jinan)*	Limited company	Jinan, PRC	Wholesale	26,000,000	Wholesale of package service, packed food and storage service	51.90	65	Yes	
Beijing Chaopi Shenglong Trading Co., Ltd. (Chaopi Shenglong)*	Limited company	Beijing, PRC	Wholesale	20,000,000	Wholesale of package service, packed food and storage service	47.11	59	Yes	
Beijing Chaopi Tianhua Trading Co., Ltd. (Chaopi Tianhua)*	Limited company	Beijing, PRC	Wholesale	20,000,000	Wholesale of package service, packed food and storage service	42.66	53.43	Yes	
Datong Chaopi Beichen Trading Co., Ltd. (Chaopi Datong)*	Limited company	Datong, PRC	Wholesale	26,000,000	Wholesale of package service, packed food and storage service	55.90	70	Yes	
Datong Chaopi Ant Trading Co., Ltd. (Chaopi Ant)**	Limited company	Datong, PRC	Retail	5,000,000	Retail department stores, food, daily groceries, warehousing services, etc.	55.90	100	Yes	
Tangshan Chaopi Baishun Trading Co., Ltd. (Chaopi Baishun)*	Limited company	Tangshan, PRC	Wholesale	30,000,000	Wholesale daily necessities, pre-packaged food, general freight, domestic conference and exhibition services, etc.	65.12	81.55	Yes	
Beijing Chaopi Maolisheng Trading Co., Ltd. (Chaopi Maolisheng)*	Limited company	Beijing, PRC	Wholesale	75,000,000	Wholesale daily necessities, knitting textiles, clothing, Wujinjiadian, chemical products (excluding hazardous chemicals), etc.	51.90	65	Yes	
Hong Kong Chaopi Asia Co., Ltd. (Chaopi Hong Kong)**	Limited company	Hong Kong, PRC	Wholesale	HKD10,000	Merchandise trading	42.03	100	Yes	
Beijing Chaopi Hongchen Trading Co., Ltd. (Chaopi Hongchen)*	Limited company	Beijing, PRC	Wholesale	1,000,000	Wholesale of cosmetics	51.90	65	Yes	
Beijing Chaopi Shengshi Trading Co., Ltd. (Chaopi Shengshi)*	Limited company	Beijing, PRC	Wholesale	25,000,000	Wholesale of cosmetics	51.90	65	Yes	
Beijing Chaopi Zhaoyang E-commerce Co., Ltd. (Chaopi Zhaoyang)*	Limited company	Beijing, PRC	Wholesale	72,000,000	Wholesale daily necessities, knitting textiles, clothing, Wujinjiadian, chemical products (excluding hazardous chemicals), etc.	79.85	100	Yes	Note5
Beijing Chaopi Xinyishangzhen Food Co., Ltd. (Xinyishangzhen)*	Limited company	Beijing, PRC	Wholesale	40,000,000	wholesale of pre-packaged food, dairy products, etc.	47.91	60	Yes	
Beijing Shangzhen Food Co., Ltd. (Shangzhen Food)**	Limited company	Beijing, PRC	Wholesale	5,000,000	Production of roasted seeds and nuts (fried), candied fruit, fruit products (dried fruit products), etc.	47.91	100	Yes	

Subsidiary	Type	Place of incorporation	Nature of business	Registered Capital	Scope of business	Proportion of ownership interests (%)	Proportion of voting power (%)	Whether Consolidated or not	Notes
Tangshan Chaopi Shangzhen Food Co., Ltd. (Tangshan shangzhen) **	Limited company	Tangshan, PRC	Manufacture	4,000,000	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	Note1
Chaopi Maolisheng Hong Kong Co., Ltd. (Maolisheng Hong Kong) **	Limited company	Hong Kong, PRC	Wholesale	HK10,000	Import and export trade, cosmetics, food, medical equipment, design, warehousing, electronic products	51.90	100	Yes	
Beijing Chaopi Tianshi Information Technology Co., Ltd. (Chaopi Tianshi)*	Limited company	Beijing, PRC	Wholesale	20,000,000	Wholesale of cosmetics, food and general merchandise	79.85	100	Yes	
Chaopi International Trading (Shanghai) Co., Ltd. (International Trading Shanghai) *	Limited company	Shanghai, PRC	Wholesale	9,800,000	Goods and technology import and export business and food circulation	79.85	100	Yes	
Beijing Chaopi Jiushengningpin Trading Co., Ltd. (Chaopi Jiusheng) *	Limited company	Beijing, PRC	Wholesale	30,000,000	Wholesale of general merchandise	79.85	100	Yes	
Beijing Chaopi Huasheng International Trading Company Limited (Chaopi Huasheng) *	Limited company	Beijing, PRC	Wholesale	15,000,000	Wholesale, retail food, health food; import and export goods; import and export agents	40.72	51	Yes	
Baoding Chaopi Trading Co., Ltd. (Baoding Chaopi) *	Limited company	Baoding, PRC	Wholesale	10,000,000	Sale of food, cosmetics, household appliances, daily sundries, etc.	55.90	70	Yes	Note2
Chaopi International Trading (Hong Kong) Co., Ltd. (International Trading Hong Kong) *	Limited company	HongKong, PRC	Wholesale	HK 5,000,000	Engaged in the import and export of goods and technology, food distribution, etc.	79.85	100	Yes	Note3

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.



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
Chaofu Company	State-owned	Beijing	Mr.Wang Weilin	Sales of food and oil products	72,000.00	40.61	40.61	Chaofu Company	911100001016370669

2. Subsidiaries of the Company

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

3. Other related parties

No.	Names of other related parties	Relationship between other related parties and the company
1	Beijing HongchaoWeiye SOE Management Company Limited ("HongchaoWeiye")	Controlled by the same parent company
2	Beijing Jinchaoyang Commerce State-owned Capital Operation Company ("Jinchaoyang")	Controlled by the same parent company
3	Beijing Shoulian Commercial Group Co., Ltd. ("Shoulian Group")	Controlled by the same parent company

3. Related party transaction

(1) Related party's lease transaction

Lessor	Lessee	Type of lease	Pricing basis of related party transaction	Notes	Six months ended at 30 June 2021 (unaudited) Amount	Six months ended at 30 June 2020 (unaudited) Amount
Chaofu Company	The Company	Rental expenses	Price negotiated	Note 1	309,141	309,141
HongchaoWeiye	Chaopi Trading, a subsidiary of the Company	Rental expenses	Price negotiated	Note 1	472,260	-
HongchaoWeiye	The Company	Rental expenses	Price negotiated	Note 1	3,689,539	-
Jinchaoyang	The Company	Rental expenses	Price negotiated		1,834,125	-

In 2008, the Company signed a house lease contract with Shoulian Group to lease a house on the east side of Kaiyuan Road, Huairou District, Beijing. The lease term is from 1 January 2009 to 31 December 2028, with an annual rent of RMB 3 million. After the agreement is signed, a lump-sum payment of RMB 45 million in rent for 15 years (including RMB 15 million in rent for 2019 to 2023 in June 2009). Other rents shall be separately agreed by both parties, and the rent has not been amortized as of 30 June 2021, the amount is RMB 7.5 million.

Note 1: On 30 April 2004, the Company and its subsidiary Chaopi Trading leased several properties in Beijing from Chaofu Company, 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 Chaofu Company 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 Chaofu Company 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 Chaofu Company to HongchaoWeiye. The Company continued to lease the properties owned by Chaofu Company 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 Chaofu Company, 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 Chaofu Company for this period and the prior period were recognized at RMB683,068 and RMB673,120 respectively.

On 1 July 2011, the Company entered into lease contracts with HongchaoWeiye 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 HongchaoWeiye, 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 HongchaoWeiye 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 HongchaoWeiye, 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 HongchaoWeiye. 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 HongchaoWeiye, HongchaoWeiye 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 HongchaoWeiye 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 HongchaoWeiye will offset the rent to the HongchaoWeiye 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, Hongchaoweiyi 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) Related party loans

Lessor	Lessee	Type of lease	Pricing basis of related party transaction	Six months ended at 30 June 2021 (unaudited) Amount	Six months ended at 30 June 2020 (unaudited) Amount
Shoulian Group	Shoulian Supermarket, a subsidiary of the Company	loan	Price negotiated	76,332,816	—
		Interest		1,477,137	—
Shoulian Group	Lianchao Limited, a subsidiary of the Company	loan	Price negotiated	32,600,000	—
		Interest		595,317	—

(3) Compensation for key management personnel

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Compensation for key management:	2,796,484	2,501,152

5. Receivables and payables of related parties

The balance of accounts receivable between the Group and related parties is as follows:

Item	Nature of Payment	2021.6.30 (unaudited)	2020.12.31 (audited)
Other receivables			
Shoulian Group	Borrowings	2,072,454	—
Right-of-use asset			
Hongchaoweiyi	Lease	18,276,725	—
Chaofu Company	Lease	1,324,003	—
Jinchaoyang	Lease	7,081,178	—
Shoulain Group	Lease	7,500,000	—
Other non-current assets			
Shoulain Group	Loan	108,932,816	—

The balance of payables between the Group and related parties is as follows:

Item	Nature of Payment	2021.6.30 (unaudited)	2020.12.31 (audited)
Non-current liabilities due within one year			
Hongchaoweiyi	Lease	8,096,112	–
Chaofu Company	Lease	539,436	–
Jinchaoyang	Lease	3,200,459	–
Lease liability			
Hongchaoweiyi	Lease	12,365,753	–
Chaofu Company	Lease	859,117	–
Jinchaoyang	Lease	5,146,657	–

6. Related party commitments

The Company had signed a lease contract with Chaofu Company, Hongchaoweiyi and Jinchaoyang for operation and storage.

The anticipated future rent by the Group:

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
1 st year subsequent to the balance sheet date	12,622,919	618,282
2 nd year subsequent to the balance sheet date	12,622,919	618,282
3 rd year subsequent to the balance sheet date	6,311,459	618,282
Subsequent periods	–	–
Total	31,557,297	1,854,846

X. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

Capital commitments

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Acquisition of fixed assets	–	–
Authorized but not contracted	394,121,634	378,533,388
Contracted but not provided	204,263,853	206,772,913
Total	598,385,487	585,306,301

2. Contingencies

As at 30 June 2021, the Company has no major contingencies that need to be disclosed.

XI. SIGNIFICANT 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 SIGNIFICANT EVENTS

1. Disclosure of fair value

On 30 June 2021, the assets measured at fair value were the fund products of Junxiang Wuliangye No.1 held by Chaopi Trading, a subsidiary of the Company:

1.1 Assets measured at fair value

Item	The end of the fair value			Total
	First level fair value measurement	Second level fair value measurement	Third level fair value measurement	
Continuous fair value measurement	-	-	-	-
Other non-current financial assets	155,380,423	-	-	155,380,423
Total liabilities consistently measured at fair value	155,380,423	-	-	155,380,423

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

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

2. Segment reporting

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

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

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

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

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

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

Six months ended 30 June 2021 (unaudited)

Item	Retailing	Wholesaling	Others	Inter-segment offset	Total
Operating income					
External revenue	1,914,332,993	3,922,705,096	10,297,070	–	5,847,335,159
Inter-segment revenue	15,028,041	198,762,420	9,625,050	(223,415,511)	–
Total	1,929,361,034	4,121,467,516	19,922,120	(223,415,511)	5,847,335,159
Total profit	(3,657,838)	74,092,346	(693,851)	–	69,740,657
Income tax expenses	2,350,438	24,413,977	368,092	–	27,132,507
Net profit	(6,008,276)	49,678,369	(1,061,943)	–	42,608,150
Supplementary information:					
Depreciation and amortization expenses	137,995,963	41,761,160	5,521,153	–	185,278,276
Impairment losses on credits	50,003	4,764,123	–	–	4,814,126
Capital expenditures	94,709,670	53,087,960	67,963	–	147,865,593

Six months ended 30 June 2020 (unaudited)

Item	Detailing	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 expenses	14,751,551	21,456,572	(511,347)	–	35,696,776
Net profit (loss)	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



2021.6.30 (unaudited)

Item	Retailing	Wholesale	Others	Inter-segment offset	Total
Total assets	3,942,594,131	4,671,534,353	304,823,430	(983,568,804)	7,943,383,110
Total liabilities	3,005,727,175	3,750,927,917	37,757,946	(988,593,435)	5,805,819,603

2020.12.31 (audited)

Item	Detailing	Wholesale	Others	Inter-segment offset	Total
Total assets	3,994,713,448	4,803,028,315	303,816,792	(1,032,927,086)	8,068,631,469
Total liabilities	3,033,941,349	3,857,547,597	37,083,592	(1,038,401,891)	5,890,170,647

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

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Current assets	4,794,560,687	4,895,980,459
Less: Current liabilities	4,415,347,640	4,511,640,021
Net current assets	379,213,047	384,340,438

Total assets less current liabilities

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Total assets	7,935,383,110	8,068,631,469
Less: Current liabilities	4,415,347,640	4,511,640,021
Total assets less current liabilities	3,520,035,470	3,556,991,448



4. Lease

(1) The Group as lessee

① Right-of-use and lease liabilities refer to Note (VI) 12, 29.

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)	Selling expenses	7,755,236	-	-
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	Other operating income	19,329,738	-	-
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	100,497,334
Payments for short-term leases and low-value assets (applicable to simplified)	Cash outflow from operating activities	5,468,926
Variable lease payments paid that are not included in the lease liability	Cash outflow from operating activities	-
Total	-	105,966,260

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.

(2) **The Group as lessor**

Information related to operating leases

① *Included in the current profit and loss*

Item	Included in the current profit and loss	
	Presentation item	Amount
Rental income (Note)	Other operating income	101,471,380
Revenue related to variable lease payments that are not included in the measurement of lease receipts	–	–
Total	–	101,471,380

Note: Which including RMB19,329,738 of income from sublease of Right-of-use asset, 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*

Item	Amount of undiscounted lease payments to be received
1 st year subsequent to the balance sheet date	82,253,222
2 nd year subsequent to the balance sheet date	42,424,437
3 rd year subsequent to the balance sheet date	24,835,192
4 th year subsequent to the balance sheet date	13,964,529
5 th year subsequent to the balance sheet date	6,424,092
Subsequent periods	10,283,558
Total	180,185,030

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 Company Limited (refers to “Jinan Chaopi Company”) is a secondary subsidiary of the Group. Since the establishment of Jinan Chaopi Company, its financial statements have been included in the consolidated scope of the Group.

Because 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 Trading Company Limited (the first-level subsidiary of the Group, refers to “Chaopi Trading”), Since November 2019, 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 2020 consolidated financial statements, at the same time, part of the audit procedures, such as letter certificates and inspection vouchers, that the auditors need to perform on Jinan Chaopi Company for the purpose of expressing audit opinions on the Group’s 2020 financial statements cannot be performed. Therefore, the auditor has issued a qualified audit report on the Group’s 2020 consolidated financial statements on this matter.

2021 continued to affect:

On 30 October 2020, the People’s Court of Jinan Lixia District issued a civil judgment on the dispute over the return of the notarized license issued by Jinan Chaopi Company v. Qu Ying ((2020) Lu 0102 Minchu No.5721), which was determined that “it failed to prove that the company’s licenses, official seals, etc. are kept by Qu Ying himself”, and dismissed the claims of Jinan Chaopi Company.

On 30 November 2020, Jinan Chaopi Company filed an appeal with Jinan Intermediate People’s Court, applying for “revocation of the judgment of first instance, and change of judgment to support our company’s request for litigation in the first instance”. On 25 March 2021, the Jinan City Intermediate People’s Court issued a civil judgment ((2021) Lu01 Minzhong No.1602) after the trial, dismissing the appeal of the Jinan Chaopi Company and upholding the original judgment.

As of the date of approval of this financial statement, the fact that the minority shareholders of Jinan Chaopi Company illegally possessed the company’s items and materials is still in a state of continuity.

Introduction to the main financial status of Jinan Chaopi Company:

According to the financial statements for six months ended 30 June 2021 provided by Jinan Chaopi Company, the company’s total assets and net assets incorporated into the group’s consolidated financial statements for six months ended 30 June 2021 are RMB81.3655 million and RMB -8.7099 million respectively, which account for 1.03% and -0.41% of the corresponding amounts in the Group’s consolidated balance sheet for six months ended 30 June 2021; The operating income and net profit included in the consolidated financial statements of the Group for six months ended 30 June 2021 are 10.8353 million and -4.6418 million respectively, which account for 0.19% and -10.89% of the corresponding amounts in the consolidated income statement for six months ended 30 June 2021 respectively.

As at 30 June 2021, the total assets of Jinan Chaopi Company is 81.3655 million, which mainly is prepayable 59.1930 million, accounts receivable 11.4031 million, other accounts receivable 3.9967 million, inventory 4.8313 million, the total liabilities is 90.0754million, which are mainly other payable RMB86.2782 million, which is mainly the RMB63.2438 million loan from the major shareholder Chaopi Trading, contact liability is 3.3146 million; net assets is RMB-8.7099 million, which is consist of paid-in capital RMB26 million, surplus reserve RMB0.5066 million, and undistributed profit RMB-35.2165 million.

In addition, before November 2019 (that is, before the minority shareholders illegally took possession of the company’s goods and materials), Jinan Chaopi Company had no asset mortgage guarantees..

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

1. Accounts receivable

Presentation of accounts receivable by category

Category	2021.6.30 (unaudited)				
	Carrying amount		Credit loss provision		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
Accounts receivable with single provision for credit loss	-	-	-	-	-
Accounts receivable with credit loss provision based on portfolio	91,281,417	100	-	-	91,281,417
Total	91,281,417	100	-	-	91,281,417

Category	2020.12.31 (audited)				
	Carrying amount		Credit loss provision		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
Accounts receivable with single provision for credit loss	-	-	-	-	-
Accounts receivable with credit loss provision based on portfolio	65,313,274	100	-	-	65,313,274
Total	65,313,274	100	-	-	65,313,274

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

Aging	2021.6.30 (unaudited)			
	Carrying amount	Proportion (%)	Credit loss provision	Net book value
Within 1 year	91,281,417	100	-	91,281,417
1-2 years	-	-	-	-
2-3 years	-	-	-	-
3-4 years	-	-	-	-
4-5 years	-	-	-	-
Over 5 years	-	-	-	-
Total	91,281,417	100	-	91,281,417

Accounting receivable according to credit loss allowance by aging analysis

Aging	2021.6.30 (unaudited)		
	Accounting receivable	Credit loss provision	Proportion (%)
Within 1 year	91,281,417	-	0
1-2 years	-	-	3
2-3 years	-	-	10
3-4 years	-	-	25
4-5 years	-	-	50
Over 5 years	-	-	100
Total	91,281,417	-	

2. Other receivables

Item	2021.6.30 (unaudited)	2020.12.31 (audited)
Other receivables	520,527,625	501,300,499
Interest receivables	-	-
Dividend receivables	-	-
Total	520,527,625	501,300,499

Details of other receivables

(1) Presentation of other receivables by category

Category	2021.6.30 (unaudited)				
	Carrying amount		Credit loss provision		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
Other receivables that are individually significant and for which credit loss allowance is assessed individually	-	-	-	-	-
Other receivables for which credit loss allowance is assessed by groups according to credit risk characteristics	520,527,625	100	-	-	550,525,728
Total	520,527,625	100	-	-	550,525,728

Category	2020.12.31 (audited)				
	Carrying amount		Credit loss provision		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
Other receivables that are individually significant and for which credit loss allowance is assessed individually	4,656,771	1	4,224,750	91	432,021
Other receivables for which credit loss allowance is assessed by groups according to credit risk characteristics	500,868,478	99	-	-	500,868,478
Total	505,525,249	100	4,224,750	-	501,300,499

Aging analysis of other receivables is as follows

Aging	2021.6.30 (unaudited)			
	Carrying amount	Proportion %	Credit loss provision	Net book value
	Within 1 year	520,527,625	100	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
3-4 years	-	-	-	-
4-5 years	-	-	-	-
Over 5 years	-	-	-	-
Total	520,527,625	100	-	520,527,625

Other receivables according to credit loss allowance by aging analysis

Aging	2021.6.30 (unaudited)		
	Other receivables	Credit loss provision	Proportion %
Within 1 year	520,527,625	–	0
1-2 years	–	–	3
2-3 years	–	–	10
3-4 years	–	–	25
4-5 years	–	–	50
Over 5 years	–	–	100
Total	520,527,625	–	

3. Long-term equity investment

(1) Classification of long-term equity investments

Item	2021.6.30 (unaudited)			2020.12.31 (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	2020.12.31 (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 30 June 2021 (unaudited)		Six months ended 30 June 2020 (unaudited)	
	Income	Cost	Income	Cost
Principal operating	1,601,231,562	1,352,620,078	2,331,537,503	1,975,635,394
Other operating	177,346,884	4,756,453	137,179,677	5,541,033
Total	1,778,578,446	1,357,376,531	2,468,717,180	1,981,176,427

5. Investment income

Item	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Investment income from distributed dividend of subsidiaries	23,955,540	–
Investment gain from buying short-term financial products	–	–
Total	23,955,540	–

BEIJING JINGKELONG COMPANY LIMITED
27 August 2021

