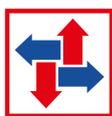


2023 INTERIM REPORT



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	5-13
OTHER INFORMATION	14-17
REPORT ON REVIEW OF COMPANY'S AND CONSOLIDATED FINANCIAL STATEMENTS	18
CONSOLIDATED BALANCE SHEETS	19-20
BALANCE SHEETS OF THE COMPANY	21-22
CONSOLIDATED INCOME STATEMENT	23-24
INCOME STATEMENT OF THE COMPANY	25
CONSOLIDATED CASH FLOW STATEMENT	26-27
CASH FLOW STATEMENT OF THE COMPANY	28-29
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	30-31
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY	32-33
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED AT 30 JUNE 2023	34-116



CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. Li Jianwen
Ms. Zhang Yan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kot Man Tat
Mr. Wang Liping
Mr. Chen Liping

AUDIT COMMITTEE

Mr. Kot Man Tat (*Chairman*)
Mr. Wang Liping
Mr. Chen Liping

REMUNERATION COMMITTEE

Mr. Wang Liping (*Chairman*)
Mr. Zhang Liwei
Mr. Chen Liping

NOMINATION COMMITTEE

Mr. Chen Liping (*Chairman*)
Mr. Zhang Liwei
Mr. Wang Liping

SUPERVISORS

Mr. Wang Liming (*Chairman*)
Mr. Yang Baoqun
Mr. Chen Zhong
Mr. Wang Deshan
Ms. Niu Hongyan
Ms. Li Chunyi

COMPANY SECRETARY

Ms. Pan Xuemin

AUTHORISED REPRESENTATIVES

Ms. Wang Hong (*appointed as an authorised representative with effect from 7 September 2023*)
Ms. Li Chunyan (*resigned as an authorised representative with effect from 7 September 2023*)
Ms. Pan Xuemin

AUDITORS

Da Hua Certified Public Accountants (Special General Partnership)

LEGAL ADVISERS

As to Hong Kong law:
Reed Smith Richards Butler LLP

As to PRC law:
Grandall Law Firm (Beijing)

PRINCIPAL BANKERS

AGRICULTURAL BANK OF CHINA

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

BANK OF BEIJING

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

H SHARES REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Block No. 45
Xinyuan Street
Chaoyang District
Beijing, PRC

PLACE OF BUSINESS IN HONG KONG

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

COMPANY WEBSITE

www.jkl.com.cn

SHAREHOLDERS' ENQUIRIES CONTACT INFORMATION OF THE COMPANY

Department of Investor Relations
Tel: 0086-10-64688238
Fax: 0086-10-64611370
Email: jingkelong@jkl.com.cn
Address: Block No. 45, Xinyuan Street, Chaoyang
District, Beijing, PRC

STOCK CODE

814

FINANCIAL HIGHLIGHTS

The Group achieved the following results during the six months ended 30 June 2023 (the “**Reporting Period**”):

- Revenue amounted to approximately RMB4,141,055,856, representing a decrease of approximately 14.9% compared with the last corresponding period.
- Gross profit amounted to approximately RMB511,476,452, representing a decrease of approximately 19.0% compared with the last corresponding period.
- Total profit amounted to approximately RMB-6,987,797, representing a decrease of approximately 128.2% compared with the last corresponding period.
- Net profit attributable to shareholders of the parent company reached approximately RMB-48,519,117, representing a decrease of approximately 353.0% 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 2023, with the comprehensive economic and social recovery, coupled with the effective implementation of a series of measures to stabilize growth and the implementation of policies to expand domestic demand and promote sales and spending by the PRC government, domestic consumption showed an accelerated recovery trend. During the Reporting Period, total retail sales of consumer goods amounted to RMB22,758.8 billion, representing a year-on-year increase of 8.2%, and the growth rate accelerated by 2.4 percentage points compared with that of the first quarter. On a quarterly basis, total retail sales of consumer goods in the second quarter increased by 10.7% year-on-year, and the growth rate accelerated by 4.9 percentage points compared with that of the first quarter. Overall, although the consumer market recovered in a relatively rapid manner in the first half of the year, and the optimization and upgrading of the consumer structure continued to progress, there is still an obvious need to improve residents' consumption power and confidence, and to further consolidate the foundation for restoring and expanding consumption. The traditional retail industry has been transforming and upgrading itself, and the Group has focused on category management, reshaping supply chain relationships and digital empowerment to deeply improve its commodities and services, in an effort to find a sustainable path of development amidst the highly competitive market environment.

RETAIL BUSINESS

The Group had 140 retail outlets as at 30 June 2023, including 130 directly-operated outlets and 10 franchise-operated outlets, with total net operating area of 179,705 square metres. The following table sets out the number and net operating area of the Group's retail outlets as at 30 June 2023:

	Department Stores	Hypermarkets	Supermarkets	Convenience stores	Total
Number of retail outlets:					
Directly-operated	1	10	50	69	130
Franchise-operated	–	–	–	10	10
Total	1	10	50	79	140
Net operating area (square metres):					
Directly-operated	27,800	49,265	86,975	12,904	176,944
Franchise-operated	–	–	–	2,761	2,761
Total	27,800	49,265	86,975	15,665	179,705

During the Reporting Period, a supermarket was set up, whereas a supermarket and two franchise-operated convenience stores were closed due to the expiration of leases and modifications to the operation strategy.

MANAGEMENT DISCUSSION AND ANALYSIS

FURTHER DEEPENING THE IMPLEMENTATION OF CATEGORY MANAGEMENT

During the Reporting Period, the Group continued to promote category management, broadened the scope of its operations, adjusted the layout and display of its stores, and focused on the introduction of quality new products. Based on an in-depth analysis of the needs of target customers, the Group positioned its development on the basis of “high price-performance ratio and high freshness”, and created a business strategy that focuses on the Group’s purposeful categories of vegetables, fruits and eggs. Through continuous exploration and practice, the adjustment of business model brought about by category management has become initially evident, and the application capability of category management has been continuously improved.

IMPROVING STORE OPERATION AND MANAGEMENT

During the Reporting Period, the Group has strengthened the management and training of fresh food operation in stores in various aspects such as procurement, display, preservation, storage, loading, selling and clearing, and continuously improved its operation capability; the Group improved the environment of the stores, and based on category management, the Group completed the adjustment of display of 35 stores and the adjustment of the layout of 2 stores without closing the stores, and also completed the adjustment of the 3 Jingjie Live and Fresh Sample Stores during the Reporting Period; the Group continued to monitor the evening operations of the stores. With the concerted efforts of operations, procurement and stores, customer traffic picked up during the evening hours. In order to create a comfortable offline shopping scene and to continuously enhance the shopping experience of consumers, the Group added various convenience measures to provide customers with gloves, convenient umbrellas, convenient chairs, free ice bags and other services to continuously improve the quality of services.

COMPREHENSIVELY IMPROVING MARKETING LEVEL ON THE BASIS OF MARKET

On the basis of the market, the Group has always been committed to fully implementing the business philosophy of “commodities + services”. By exploring the depth and breadth of commodities and innovative marketing methods, we effectively combined online and offline marketing, and optimized their respective strengths to provide consumers with precise services and quality goods. The Group relied on traditional festivals, Beijing Consumption Season, the 29th anniversary of the Company and other opportunities to carry out emotional promotion, scenario promotion, corporate culture promotion and other activities to enhance brand exposure and reputation. The Group effectively combined marketing, commodities, display and promotion through learning, referencing, innovation and optimization to form a series of innovative models, so as to enhance customer experience and truly integrate “commodities + services” into marketing.

MANAGEMENT DISCUSSION AND ANALYSIS

DEEPENING THE IMPLEMENTATION OF FOOD SAFETY MANAGEMENT

To further implement food safety management, the Group has organized a number of trainings on food safety for all employees, conducted safety management throughout the entire process of qualification review, supply channels, product procurement inspection, transportation and sales, and enhanced food safety awareness of employees. The Group made concerted efforts to strictly implement various institutional requirements, constantly improve daily management mechanisms, strengthen daily supervision and inspection, and intensify hidden danger investigation, so as to effectively prevent and eliminate the occurrence of food safety accidents.

CONTINUOUSLY OPTIMIZING THE LOGISTICS AND DISTRIBUTION SERVICES

During the Reporting Period, the ambient temperature distribution centre reorganized the operation process and implemented effective management measures to effectively improve the accuracy of commodity distribution; it promoted approaches to technological transformation and logistics innovation to shorten the store return cycle; it consolidated basic management, strengthened supervision and inspection of acceptance work and daily inventories, and intensified sampling inspection. It strengthened management of flow of commodities from link to link in the distribution centre, to ensure that the commodities are delivered to shops intact, and in a safe and timely manner. The fresh food distribution centre continued to strengthen the quality control management of commodities, strictly controlled quality of commodities from the perspective of "store sales", strictly implemented commodity acceptance standards, continuously improved the familiarity of quality controllers with the acceptance standards and characteristics of commodities through training, so as to enhance the accuracy of acceptance.

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		
	2023	2022	Variance
	RMB'000	RMB'000	
Directly-operated retail outlets:			
Hypermarkets	464,025	483,924	(4.1%)
Supermarkets	1,014,946	1,153,603	(12.0%)
Convenience stores	118,430	150,367	(21.2%)
Department stores	2	633	(99.7%)
(including commissions)	2	633	(99.7%)
Total retail principal operating income	1,597,403	1,788,527	(10.7%)
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	14.7	16.8	(2.1p.p)

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the retail principal operating income of the Group decreased by approximately 10.7% mainly due to the following reasons: (i) consumers generally made purchases and stocked up and maintained larger amount of daily necessities as reserves and reduced the frequency of dining out for the six months ended 30 June 2022 due to the impact of the COVID-19 pandemic, which led to the growth of 6.35% in the same-store sales, whereas during the six months ended 30 June 2023, as domestic social and economic activities began to return to normalcy (including the recovery of consumption in the catering industry), it brought about a decline in customer flow in the stores of the Group, resulting in a decline in store sales compared with the corresponding period in 2022 with the same-store sales fell by about 14.10%; and (ii) since the beginning of 2022, five supermarkets and 18 convenience stores have been closed due to reasons such as lease expiry or adjustment of business strategy, resulting in a decrease in retail sales compared to the corresponding period in 2022.

During the Reporting Period, gross profit margin of the directly-operated retail business (excluding department stores) decreased from 16.8% of the last corresponding period to 14.7%, mainly due to a decrease in promotional activities of the Group's retail business in the same period last year. During the Reporting Period, the economy began to return to normalcy, and the retail business increased market promotional activities.

WHOLESALE BUSINESS

CONTINUOUSLY PROMOTING THE HEALTHY DEVELOPMENT OF BUSINESS

During the Reporting Period, the Group continuously implemented the business philosophy of "commodities + services", continuously optimized the business structure, accelerated the intragroup resource sharing, scientifically planned the annual marketing event proposals; the Group steadily developed its own brands, introduced marketable categories and potential quality products, proactively promoted the distribution direction of all categories of products, and continuously expanded the business scope; the Group continuously deepened the channel resources, strengthened the deep cooperation with core suppliers, and improved the profitability of the Group; on the basis of consolidating existing channels, the Group vigorously developed new supply chain cooperation such as group procurement; and the Group continuously promoted the e-commerce platform business, procured the integration of online and offline businesses, and increased the market share of the wholesale business.

CONTINUOUSLY IMPROVING THE LOGISTICS SERVICE LEVEL

During the Reporting Period, the Group continuously strengthened the logistics management, promoted the visual operation of transportation and distribution, and further enhanced the centralized control of the transportation business of warehouses; the Group continuously enhanced the comprehensive management ability of the logistics warehouses, rationally allocated the commodity storage in the warehouse area, improved the utilization rate of the warehouse area; and the Group continuously improved the logistics service capacity, developed the "one for delivery (一件代發)" business, accelerated the cooperation of e-commerce warehouse projects, integrated multiple resources, highlighted the logistics value-added service and promoted the comprehensive development of logistics service.

WHOLESALE OPERATING RESULTS

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

	For the six months ended 30 June		
	2023 RMB'000	2022 RMB'000	Variance
Principal operating income recognised by Chaopi Group*	2,703,325	3,267,641	(17.3%)
Less: Intersegment sales	(171,227)	(197,260)	(13.2%)
Sales to franchisees	–	1,066	(100.0%)
Consolidated wholesale principal operating income	2,532,098	3,071,447	(17.6%)
Gross profit margin **(%)	10.0	10.1	(0.1p.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 decreased by 17.6%, which was mainly due to the following reasons: (i) sales of wine decreased as compared with the corresponding period in 2022 due to a contraction in supply and lower market prices of wines; and (ii) during the Reporting Period, as the domestic social and economic activities began to return to normalcy (including the recovery of consumption in the catering industry), it brought about a decline in orders of goods such as grain, and oil and seasoning products in the wholesale business.

The gross profit margin of Chaopi Group decreased slightly from approximately 10.1% in the corresponding period in 2022 to approximately 10.0% in the Reporting Period, which remained stable.

FINANCIAL RESULTS

	For the six months ended 30 June		
	2023 RMB'000	2022 RMB'000	Variance
Principal operating income	4,141,056	4,866,001	(14.9%)
Gross profit	511,476	631,535	(19.0%)
Gross profit margin (%)	12.4%	13.0%	(0.6 p.p)
Earnings before interest and tax	49,948	92,922	(46.2%)
Net profit	(37,782)	9,579	(494.4%)
Net profit margin (%)	(0.9%)	0.2%	(1.1 p.p)
Net profit attributable to shareholders of the parent company	(48,579)	(10,724)	(353.0%)
Net profit margin attributable to shareholders of the parent company (%)	(1.2%)	(0.2%)	(1.0 p.p)

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL OPERATING INCOME

During the Reporting Period, the Group's principal operating income decreased by approximately 14.9%, of which retail principal operating income decreased by approximately 10.7%, and wholesale principal operating income decreased by approximately 17.6%.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group decreased by approximately 19.0% compared with the last corresponding period. During the Reporting Period, the gross profit margin was 12.4% (last corresponding period: 13.0%).

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 353.0%, from a net loss of RMB10,723,750 in the last corresponding period to a net loss of RMB48,579,117 in the Reporting Period, which was mainly due to: (i) consumers generally made purchases and stocked up and maintained larger amount of daily necessities as reserves and reduced the frequency of dining out for the six months ended 30 June 2022 due to the impact of the COVID-19 pandemic, which led to the growth in sales for the supermarket business, whereas during the six months ended 30 June 2023, as domestic social and economic activities began to return to normalcy (including the recovery of consumption in the catering industry), it brought about a decline in customer flow in the stores of the Group, resulting in a decline in store sales compared with the corresponding period in 2022 and a decline in orders for goods such as grain, oil and seasoning products in the Group's upstream wholesale business (which also supplies our supermarkets); (ii) since the beginning of 2022, 5 directly-operated supermarkets and 18 directly-operated convenience stores have been closed due to lease expiry or adjustment of our business strategy, resulting in a decrease in retail sales; and (iii) sales of wine decreased as compared with the corresponding period in 2022 due to a contraction in supply and lower market prices of wines.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2023, the Group had non-current assets of RMB2,493,489,403 (comprising mainly fixed assets, investment property, and land use right for a total of RMB1,155,200,462), and non-current liabilities of RMB650,827,160 (mainly comprising of leases liabilities of RMB617,503,316).

As at 30 June 2023, the Group had current assets of RMB4,974,772,496. Current assets mainly comprised of cash and cash equivalents of RMB1,217,952,182, inventories of RMB1,555,452,398, notes receivable and accounts receivable of RMB978,434,547 and prepayments and other receivables of RMB909,245,678. The Group had current liabilities of RMB4,959,930,760. Current liabilities mainly comprised of notes payable and accounts payable of RMB1,338,675,195, short term bank loans of RMB2,707,395,509, contract liabilities of RMB333,014,749, and other payables of RMB293,692,784.

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 30 June 2023, the Group had bank loans of RMB2,707,395,509, which consisted of accounts receivable factored bank loans of RMB7,999,551, unsecured bank loans of RMB2,629,368,048, pledged loans of RMB70,027,910. All the Group's bank loans bear interest rates ranging from 2.80% to 6.75% per annum.

Certain of the Group's margin deposit of RMB124,753,957 were pledged for notes payable of RMB699,593,466 as at 30 June 2023.

The Group's gearing ratio* was approximately 75.1% as at 30 June 2023, which was slightly higher than approximately 74.0% in the last 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 2023, the Group employed 4,382 employees domestically (as at 30 June 2022: 4,659 employees). The total staffing costs (including directors' and supervisors' remunerations) of the Group for Reporting Period amounted to RMB365,471,997 (corresponding period of 2022: RMB355,275,406). The staff emolument (including directors' and supervisors' emoluments) of the Group are based on position, duty, experience, performance and market rates, in order to maintain their remunerations at a competitive level.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities.

LITIGATION

In 2002, the Company entered into a land acquisition and compensation agreement with the People's Government of Guanzhuang Township, Chaoyang District, Beijing* (北京市朝陽區管莊鄉人民政府) (the "**Guanzhuang Township Government**"), pursuant to which the Guanzhuang Township Government transferred 243.71 unit of area (in mu) of collective land under the jurisdiction of Guanzhuang Township Government to the Company for the construction of a distribution and fresh food processing center, and the Company shall pay the total compensation of RMB60,440,000 to the Guanzhuang Township Government. On 13 November 2006, the Company and the Guanzhuang Township Government entered into a supplementary agreement in respect of the above land transfer, and the Guanzhuang Township Government increased the compensation to RMB97,484,000. On 20 November 2006, the Company entered into a supplementary agreement with the Guanzhuang Township Government and the Guanzhuang Agricultural, Industrial and Commercial Joint Corporation of Chaoyang District, Beijing* (北京市朝陽區管莊農工商聯合公司) (the "**AICC**") in respect of the above land transfer matters, and the Guanzhuang Township Government authorized the AICC to collect compensation. Upon the signing of the above agreements, the Company has paid a total compensation of RMB45,132,000 to Guanzhuang Township Government and the AICC. Due to the change of planned use and other reasons, the contract purpose of the Company (i.e. construction of distribution and fresh processing center) cannot be fulfilled, and the above agreements cannot be continued to perform. In order to recover the compensation paid and safeguard the legal rights of the Company, the Company filed a lawsuit with the Beijing Chaoyang District People's Court* (北京市朝陽區人民法院) in July 2022, requiring that the land compensation agreement and supplementary agreement entered into with the Guanzhuang Township Government be held invalid, and requiring the Guanzhuang Township Government and AICC to return the compensation fee of RMB45,132,000 and related interest during the period of their retention of the compensation fee. The Company has returned the land to Guanzhuang Township Government on 24 November 2022. As at the date of this report, the Company has through legal means required to confirm the nullification of the above land compensation agreement and supplementary agreement, and require Guanzhuang Township Government and AICC to return the above-mentioned compensation, and the legal proceedings are still in progress.

OUTLOOK

In the second half of 2023, the Group will further boost consumer confidence and release customers' shopping demand. The Group will continue to focus on "commodities + services" to provide better commodities and better services.

In terms of retail business, the Group will deepen the development of the targeted categories and formulate the category strategy on the basis of customer's demand; enrich the varieties of freshly made products in the stores, create the hustle and bustle of outlets and enhance the customer attraction ability of stores; and the Group will accelerate the improvement of the operation ability, and continuously strengthen the headquarter construction through collaborative office platform so as to build the service-oriented headquarter. The Group will further implement the digital transformation and constantly improve the Company's intelligent management level.

In terms of wholesale business, the Group will continue to adhere to the high-quality development as the main line, vigorously develop joint authorized products, promote the in-depth cooperation with core suppliers and major brands; and the Group will continue to enhance the efficiency and level of logistics operation, broaden the scope of logistics business, and advance the high-quality development of the Group.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, save as disclosed in this report, no other important events affecting the operation and financial performance of the Group significantly have occurred after the Reporting Period.

OTHER INFORMATION

CORPORATE GOVERNANCE

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

Code provision B.2.2 of part 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 the continuity of the Group’s operation and management policies, the Company’s Articles of Association contain no express provision for the directors’ retirement by rotation and thus deviate from the aforementioned provision of the Corporate Governance Code.

Besides, following the decease of Mr. Choi Onward (formerly an independent non-executive director of the Company and the chairman of the audit committee of the Company (the “**Audit Committee**”)) on 12 June 2023, the Company did not meet (i) the minimum number of independent non-executive directors required under Rule 3.10(1) and Rule 3.10A of the Listing Rules; (ii) the minimum number and qualification of members in the Audit Committee required under Rule 3.21 of the Listing Rules and under the terms of reference of the Audit Committee; (iii) the requirement that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules; and (iv) the requirement that at least one of the independent non-executive Directors must be ordinarily resident in Hong Kong under Rule 19A.18(1) of the Listing Rules. On 24 August 2023, Mr. Kot Man Tat (“**Mr. Kot**”) was appointed as an independent non-executive director of the Company and the chairman of the Audit Committee. For biographical details (including his accounting or related financial management expertise) of Mr. Kot, please refer to the announcement of the Company dated 24 August 2023. Accordingly, the Company has complied with the aforementioned requirements of the Listing Rules.

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 2023 unaudited interim consolidated results. The Audit Committee considered that this interim financial report for the six months ended 30 June 2023 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 2023, 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 (%)
Zhang Liwei	Personal	400,100	0.17	0.10
Wang Hong	Personal	186,696	0.08	0.05
Li Chunyan	Personal	505,992	0.22	0.12
Li Shenlin	Personal	430,100	0.18	0.10
Li Jianwen	Personal	2,022,579	0.88	0.49
Yang Baoqun	Personal	1,042,086	0.45	0.25
Niu Hongyan	Personal	70,000	0.03	0.02
Li Chunyi	Personal	50,000	0.02	0.01

OTHER INFORMATION

Save as disclosed above, as at 30 June 2023, 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 2023, 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

Note:

1. These 24,970,000 H shares were held by China Galaxy International Asset Management (Hong Kong) Co., Limited in its capacity as an investment manager.
2. These 24,970,000 H shares were held by China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) in its capacity as an investment manager.

Save as disclosed above, as far as is known to the directors, supervisors or chief executive of the Company, as at 30 June 2023, no other persons (not being a director, supervisor or chief executive of the Company) had, or were deemed or taken to have any interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

CHANGE IN DIRECTOR'S INFORMATION

Ms. Li Chunyan, an executive director of the Company, resigned as the Chief Financial Officer, a deputy general manager and an authorised representative of the Company with effect from 7 September 2023. Ms. Wang Hong, an executive director of the Company, was appointed as an authorised representative of the Company with effect from 7 September 2023.

Save as disclosed above, the Company is not aware of other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REPORT ON REVIEW OF COMPANY'S AND CONSOLIDATED FINANCIAL STATEMENTS

DaHua He Zi [2023] No. 0014561

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 2023, 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.

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements are not prepared in accordance with "Accounting Standard for Business Enterprises" and did not present fairly, in all material respects, 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
(Project partner)*

Chinese Certified Public Accountants: Sun Wenwen

Beijing, China
24 August 2023

(English translation is 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

Item	Notes	Amount unit: RMB	
		2023.6.30 (unaudited)	2022.12.31 (audited)
Current Assets:			
Cash and bank balances	V11	1,364,836,139	890,618,687
Notes receivable	V12	–	1,004,300
Accounts receivable	V13	978,434,547	1,014,114,292
Prepayments	V14	703,646,272	1,022,670,499
Other receivables	V15	205,599,406	169,850,426
Inventories	V16	1,555,452,398	1,596,827,988
Other current assets	V17	166,803,734	169,238,077
Total current assets		4,974,772,496	4,864,324,269
Non-current Assets:			
Other equity instrument investments	V18	43,000,000	43,000,000
Other non-current financial assets	V19	67,162,674	72,026,699
Investment properties	V110	148,543,458	152,842,214
Fixed assets	V111	759,542,506	786,775,909
Construction in progress	V112	104,940,492	110,406,206
Right-of-use assets	V113	709,914,217	763,621,890
Intangible assets	V114	269,293,514	274,403,617
Goodwill	V115	86,673,788	86,673,788
Long-term prepaid expenses	V116	156,643,425	176,114,532
Deferred tax assets	V117	22,789,754	28,871,986
Other non-current assets	V118	124,985,575	134,553,384
Total non-current assets		2,493,489,403	2,629,290,225
TOTAL ASSETS		7,468,261,899	7,493,614,494

CONSOLIDATED BALANCE SHEETS

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Item	Notes	Amount unit: RMB	
		2023.6.30 (unaudited)	2022.12.31 (audited)
Current Liabilities:			
Short-term borrowings	VI19	2,707,395,509	2,213,490,330
Notes payable	VI20	699,593,466	846,578,955
Accounts payable	VI21	639,081,729	857,203,456
Advances from customers	VI22	23,404,587	10,860,356
Contract liabilities	VI23	333,014,749	406,071,621
Payroll payable	VI24	1,614,663	1,713,302
Taxes payable	VI25	38,652,513	48,905,387
Other payables	VI26	293,692,784	199,841,555
Including: Interest payable	VI26	–	–
Dividends payable	VI26	42,564,710	6,956,028
Non-current liabilities due within one year	VI27	169,548,744	189,705,641
Other current liabilities	VI28	53,932,016	69,442,163
Total current liabilities		4,959,930,760	4,843,812,766
Non-current Liabilities:			
Lease liabilities	VI29	617,503,316	670,592,637
Estimated liabilities	VI32	–	10,018,930
Deferred income	VI31	17,982,646	21,830,069
Deferred tax liabilities	VI17	15,341,198	16,465,737
Total non-current liabilities		650,827,160	718,907,373
TOTAL LIABILITIES		5,610,757,920	5,562,720,139
Shareholders' equity:			
Share capital	VI33	412,220,000	412,220,000
Capital reserves	VI34	605,177,454	605,177,454
Surplus reserves	VI35	169,059,880	169,059,880
Undistributed profits	VI36	327,471,394	376,050,511
Total equity attributable to shareholders of the parent company		1,513,928,728	1,562,507,845
Minority interests		343,575,251	368,386,510
TOTAL SHAREHOLDERS' EQUITY		1,857,503,979	1,930,894,355
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,468,261,899	7,493,614,494

The notes as set out from page 34 to 116 form an integral part of the financial statements

The financial statements as set out from page 19 to 33 have been signed by

Legal Representative: Zhang Liwei Chief Financial Officer: Li Chunyan Chief Accountant: Yao Hongwei

BALANCE SHEETS OF THE COMPANY

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Item	Notes	Amount unit: RMB	
		2023.6.30 (unaudited)	2022.12.31 (audited)
Current Assets:			
Cash and bank balances		281,876,075	108,792,878
Accounts receivable	XIII1	163,479,914	175,125,919
Prepayments		1,558,389	1,193,746
Other receivables	XIII2	835,541,031	568,169,954
Inventories		183,345,848	233,161,347
Other current assets		46,162,024	225,406,707
Total current assets		1,511,963,281	1,311,850,551
Non-current Assets:			
Long-term equity investment	XIII3	1,246,991,571	1,246,991,571
Investment properties		35,982,548	37,603,776
Fixed assets		514,576,417	531,099,670
Construction in progress		60,419,128	64,283,623
Right-of-use assets		322,289,830	356,213,507
Intangible assets		67,606,574	67,033,789
Long-term prepaid expenses		72,415,355	89,119,220
Deferred tax assets		8,668,826	12,925,817
Other non-current assets		55,945,179	56,115,674
Total non-current assets		2,384,895,428	2,461,386,647
TOTAL ASSETS		3,896,858,709	3,773,237,198

BALANCE SHEETS OF THE COMPANY

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Item	Notes	Amount unit: RMB	
		2023.6.30 (unaudited)	2022.12.31 (audited)
Current Liabilities:			
Short-term borrowings		1,100,888,194	800,767,917
Accounts payable		459,766,460	562,806,876
Advances from customers		12,927,465	4,341,001
Contract liabilities		354,748,566	336,268,046
Payroll payable		1,291,714	1,325,060
Taxes payable		1,544,251	1,239,714
Other payables		110,074,001	103,003,457
Including: Interest payable		—	—
Dividends payable		71,028	71,028
Non-current liabilities due within one year		61,523,535	83,161,817
Other current liabilities		49,224,988	48,566,931
Total current liabilities		2,151,989,174	1,941,480,819
Non-current Liabilities:			
Leases liabilities		287,602,523	314,366,768
Estimated liabilities		—	10,018,930
Deferred income		15,595,492	18,677,827
Total non-current liabilities		303,198,015	343,063,525
TOTAL LIABILITIES		2,455,187,189	2,284,544,344
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		268,875,353	315,896,687
TOTAL SHAREHOLDERS' EQUITY		1,441,671,520	1,488,692,854
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,896,858,709	3,773,237,198

The notes as set out from page 34 to 116 form an integral part of the financial statements

The financial statements as set out from page 19 to 33 have been signed by

Legal Representative: Zhang Liwei Chief Financial Officer: Li Chunyan Chief Accountant: Yao Hongwei

CONSOLIDATED INCOME STATEMENT

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

		Amount unit: RMB	
Item	Notes	2023.1.1- 2023.6.30 (unaudited)	2022.1.1- 2022.6.30 (unaudited)
I. Total operating income		4,582,440,232	5,332,502,257
Including: Operating income	VI37	4,582,440,232	5,332,502,257
II. Total operating costs		4,591,022,288	5,280,944,416
Including: Operating cost	VI37	3,644,465,040	4,245,279,923
Taxes and surcharges	VI38	17,550,995	19,692,223
Selling expenses	VI39	727,822,318	812,418,882
Administrative expenses	VI40	143,015,831	136,157,000
Financial expenses	VI41	58,168,104	67,396,388
Add: Other Income	VI42	7,215,717	7,042,528
Investment income	VI43	-	1,785,996
Gains or losses on changes in fair value	VI44	(4,864,025)	(8,128,666)
Impairment losses on credits	VI45	(2,743,869)	(5,618,133)
Gains or losses on disposal of assets	VI46	823,858	527,328
III. Operating profit		(8,150,375)	47,166,894
Add: Non-operating income	VI47	2,691,705	2,463,804
Less: Non-operating expenses	VI48	1,529,127	24,878,952
IV. Total profit		(6,987,797)	24,751,746
Less: Income tax expense	VI49	30,793,896	15,172,428
V. Net profit		(37,781,693)	9,579,318
(I) Classified by business continuity			
1. Net profit from continued operations		(37,781,693)	9,579,318
2. Net profit from discontinued operations		-	-
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company		(48,579,117)	(10,723,750)
2. Profit or loss attributable to minority interests		10,797,424	20,303,068
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		-	-

CONSOLIDATED INCOME STATEMENT

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Item	Notes	Amount unit: RMB	
		2023.1.1- 2023.6.30 (unaudited)	2022.1.1- 2022.6.30 (unaudited)
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		(37,781,693)	9,579,318
(I) Total comprehensive income attributable to shareholders of the parent company		(48,579,117)	(10,723,750)
(II) Total comprehensive income attributable to minority interests		10,797,424	20,303,068
VIII. Earnings per share			
(I) Basic earnings per share	V150	(0.12)	(0.03)
(II) Diluted earnings per share		N/A	N/A

The notes as set out from page 34 to 116 form an integral part of the financial statements

The financial statements as set out from page 19 to 33 have been signed by

Legal Representative: Zhang Liwei Chief Financial Officer: Li Chunyan Chief Accountant: Yao Hongwei

INCOME STATEMENT OF THE COMPANY

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Item	Notes	Amount unit: RMB	
		2023.1.1- 2023.6.30 (unaudited)	2022.1.1- 2022.6.30 (unaudited)
I. Total operating income	XIII4	1,696,120,707	1,836,098,020
Less: operating cost	XIII4	1,342,013,207	1,431,050,083
Taxes and surcharges		9,519,327	11,037,110
Selling expenses		302,455,743	313,696,957
Administrative expenses		83,269,702	79,935,012
Financial expenses		10,015,996	12,864,371
Add: Other Income		5,674,704	5,202,798
Investment income	XIII5	–	25,373,793
Gains or losses on disposal of assets		939,797	527,328
II. Operating profit		(44,538,767)	18,618,406
Add: Non-operating income		1,965,845	2,081,560
Less: Non-operating expenses		191,421	24,648,297
III. Total profit		(42,764,343)	(3,948,331)
Less: Income tax expense		4,256,991	(2,250,002)
IV. Net profit		(47,021,334)	(1,698,329)
1. Net profit from continued operations		(47,021,334)	(1,698,329)
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		(47,021,334)	(1,698,329)

The notes as set out from page 34 to 116 form an integral part of the financial statements

The financial statements as set out from page 19 to 33 have been signed by

Legal Representative: Zhang Liwei Chief Financial Officer: Li Chunyan Chief Accountant: Yao Hongwei

CONSOLIDATED CASH FLOW STATEMENT

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Item	Notes	Amount unit: RMB	
		2023.1.1- 2023.6.30 (unaudited)	2022.1.1- 2022.6.30 (unaudited)
I. Cash flows from operating activities			
Cash received from selling goods and rendering services		5,041,997,122	5,646,346,615
Taxes and surcharges refunds received		756,205	319,984
Other cash received relating to operating activities	V151	151,787,839	130,710,368
Subtotal of cash inflows from operating activities		5,194,541,166	5,777,376,967
Cash paid for purchasing goods and receiving services		4,239,654,377	4,207,981,304
Cash payments to and on behalf of employees		365,570,636	355,222,961
Taxes and surcharges paid		117,342,564	129,004,255
Other cash paid related to operating activities	V151	278,472,328	349,178,921
Subtotal of cash outflows from operating activities		5,001,039,905	5,041,387,441
Net cash flow from operating activities		193,501,261	735,989,526
II. Cash flows from investing activities			
Cash received from short-term investment income/interest income		–	150,020,000
Cash received from investment income		–	4,461,317
Net cash received from disposal of fixed assets, and other long-term assets		206,689	612,621
Net cash received from disposal of subsidiaries and other business units		–	–
Other cash received relating to investing activities	V151	–	60,000,000
Subtotal of cash inflows from investing activities		206,689	215,093,938
Cash paid for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets		13,329,721	103,984,656
Net cash paid for investment in subsidiaries and other business units and other business units		–	572,634,000
Other cash paid relating to investing activities	V151	–	–
Subtotal of cash outflows from investing activities		13,329,721	676,618,656
Net cash flow from investing activities		(13,123,032)	(461,524,718)

CONSOLIDATED CASH FLOW STATEMENT

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Item	Notes	Amount unit: RMB	
		2023.1.1- 2023.6.30 (unaudited)	2022.1.1- 2022.6.30 (unaudited)
III. Cash flows from financing activities			
Cash received from borrowings		2,022,691,513	1,462,842,159
Cash received from other financing activities	V151	1,516,642	66,649,744
Subtotal of cash inflows from financing activities		2,024,208,155	1,529,491,903
Cash paid for repayments of liabilities		1,528,527,297	1,692,488,351
Cash paid for dividends, profits or interest payments		40,006,001	66,039,103
Including: Dividends and profits paid by subsidiaries to minority shareholders		–	7,356,960
Cash paid for other financing activities	V151	152,023,079	130,517,626
Subtotal of cash outflows from financing activities		1,720,556,377	1,889,045,080
Net cash flow from financing activities		303,651,778	(359,553,177)
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		(1,396,486)	2,729,158
V. Net increase(decrease) in cash and cash equivalents		482,633,521	(82,359,211)
Add: Balance of cash and cash equivalents at the beginning of the year		735,318,661	1,018,462,092
VI. Balance of cash and cash equivalents at the end of the year		1,217,952,182	936,102,881

The notes as set out from page 34 to 116 form an integral part of the financial statements

The financial statements as set out from page 19 to 33 have been signed by

Legal Representative: Zhang Liwei Chief Financial Officer: Li Chunyan Chief Accountant: Yao Hongwei

CASH FLOW STATEMENT OF THE COMPANY

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Item	Notes	Amount unit: RMB	
		2023.1.1- 2023.6.30 (unaudited)	2022.1.1- 2022.6.30 (unaudited)
I. Cash flows from operating activities			
Cash received from selling goods and rendering services		1,828,389,522	1,807,060,535
Other cash received relating to operating activities		83,603,039	77,953,922
Subtotal of cash inflows from operating activities		1,911,992,561	1,885,014,457
Cash paid for purchasing goods and receiving services		1,538,795,707	1,455,553,189
Cash payments to and on behalf of employees		201,416,862	192,745,756
Taxes and surcharges paid		25,606,822	38,166,879
Other cash paid related to operating activities		107,611,172	102,005,427
Subtotal of cash outflows from operating activities		1,873,430,563	1,788,471,251
Net cash flow from operating activities		38,561,998	96,543,206
II. Cash flows from investing activities			
Cash received from investment		–	150,000,000
Cash received from investment income		14,282,049	43,427,543
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		153,465	200,716
Other cash received relating to investing activities		270,000,000	270,000,000
Subtotal of cash inflows from investing activities		284,435,514	463,628,259
Cash paid for acquisition of fixed assets, construction in progress, intangible assets and other long-term assets		11,050,401	24,488,922
Cash paid for investment		–	300,000,000
Other cash paid relating to investing activities		370,000,000	350,830,586
Subtotal of cash outflows from investing activities		381,050,401	675,319,508
Net cash flow from investing activities		(96,614,887)	(211,691,249)

CASH FLOW STATEMENT OF THE COMPANY

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Item	Notes	Amount unit: RMB	
		2023.1.1- 2023.6.30 (unaudited)	2022.1.1- 2022.6.30 (unaudited)
III. Cash flows from financing activities			
Cash received from borrowings		750,000,000	650,000,000
Cash received from other financing activities		–	–
Subtotal of cash inflows from financing activities		750,000,000	650,000,000
Cash paid for repayments of liabilities		450,000,000	500,000,000
Cash paid for dividends, profits or interest payments		13,975,972	32,070,241
Cash paid for other financing activities		54,887,205	35,948,392
Subtotal of cash outflows from financing activities		518,863,177	568,018,633
Net cash flow from financing activities		231,136,823	81,981,367
IV. Effect on cash and cash equivalents due to change in foreign currency exchange rate		(737)	(39)
V. Net increase(decrease) in cash and cash equivalents		173,083,197	(33,166,715)
Add: Balance of cash and cash equivalents at the beginning of the year		108,792,878	289,252,296
VI. Balance of cash and cash equivalents at the end of the year		281,876,075	256,085,581

The notes as set out from page 34 to 116 form an integral part of the financial statements

The financial statements as set out from page 19 to 33 have been signed by

Legal Representative: Zhang Liwei Chief Financial Officer: Li Chunyan Chief Accountant: Yao Hongwei

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Amount unit: RMB

Item	Six months ended at 30 June 2023 (unaudited)						
	Equity attributable to shareholders of the parent company						Total shareholders' equity
	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	605,177,454	-	169,059,880	376,050,511	368,386,510	1,930,894,356
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	605,177,454	-	169,059,880	376,050,511	368,386,510	1,930,894,356
III. Increase or decrease amount in the year	-	-	-	-	(48,579,117)	(24,811,259)	(73,390,376)
(I) Total comprehensive income	-	-	-	-	(48,579,117)	10,797,424	(37,781,693)
(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	-	-	-	-	-	(35,608,683)	(35,608,683)
1. Appropriation to surplus reserves	-	-	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	(35,608,683)	(35,608,683)
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	605,177,454	-	169,059,880	327,471,394	343,575,251	1,857,503,980

The notes as set out from page 34 to 116 form an integral part of the financial statements

The financial statements as set out from page 19 to 33 have been signed by

Legal Representative: Zhang Liwei Chief Financial Officer: Li Chunyan Chief Accountant: Yao Hongwei

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Prepared by: BEIJING JINGKELONG COMPANY LIMITED

Amount unit: RMB

Item	Six months ended at 30 June 2022 (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	605,177,454	-	169,059,880	487,060,672	393,255,538	2,066,773,545
Add: Changes in accounting policies	-	-	-	-	2,152,119	806,736	2,958,855
Correction of prior errors	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
II. Balance at the beginning of the period	412,220,000	605,177,454	-	169,059,880	489,212,791	394,062,274	2,069,732,399
III. Increase or decrease amount in the year	-	-	-	-	(31,334,750)	(31,998,578)	(63,333,328)
(I) Total comprehensive income	-	-	-	-	(10,723,750)	20,303,068	9,579,318
(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	-	-	-	-	(20,611,000)	(52,301,646)	(72,912,646)
1. Appropriation to surplus reserves	-	-	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	(20,611,000)	(52,301,646)	(72,912,646)
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	605,177,454	-	169,059,880	457,878,041	362,063,696	2,006,399,071

The notes as set out from page 34 to 116 form an integral part of the financial statements

The financial statements as set out from page 19 to 33 have been signed by

Legal Representative: Zhang Liwei Chief Financial Officer: Li Chunyan Chief Accountant: Yao Hongwei

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 2023 (unaudited)					
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Undistributed profits	Total shareholders' equity
I. Balance at the end of the prior period	412,220,000	615,293,521	-	145,282,646	315,896,687	1,488,692,854
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	315,896,687	1,488,692,854
III. Increase or decrease amount in the year	-	-	-	-	(47,021,334)	(47,021,334)
(I) Total comprehensive income	-	-	-	-	(47,021,334)	(47,021,334)
(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	-	-	-	-	-	-
1. Appropriation to surplus reserves	-	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-
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	268,875,353	1,441,671,520

The notes as set out from page 34 to 116 form an integral part of the financial statements

The financial statements as set out from page 19 to 33 have been signed by

Legal Representative: Zhang Liwei Chief Financial Officer: Li Chunyan Chief Accountant: Yao Hongwei

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 2022 (unaudited)					
	Share capital	Capital reserves	Other comprehensive income	Surplus reserves	Undistributed profits	Total shareholders' equity
I. Balance at the end of the prior period	412,220,000	615,293,521	-	145,282,646	392,463,394	1,565,259,561
Add: Changes in accounting policies	-	-	-	-	(1,264,512)	(1,264,512)
Correction of prior errors	-	-	-	-	-	-
Others	-	-	-	-	-	-
II. Balance at the beginning of the period	412,220,000	615,293,521	-	145,282,646	391,198,882	1,563,995,049
III. Increase or decrease amount in the year	-	-	-	-	(22,309,329)	(22,309,329)
(I) Total comprehensive income	-	-	-	-	(1,698,329)	(1,698,329)
(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	-	-	-	-	(20,611,000)	(20,611,000)
1. Appropriation to surplus reserves	-	-	-	-	-	-
2. Appropriation to general risk reserve	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	(20,611,000)	(20,611,000)
4. Others	-	-	-	-	-	-
(IV) Internal transfer within shareholders' equity	-	-	-	-	-	-
1. Capital reserves transferred to capital (or shares)	-	-	-	-	-	-
2. Surplus reserves transferred to capital (or shares)	-	-	-	-	-	-
3. Surplus reserves made up for losses	-	-	-	-	-	-
4. Changes 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	368,889,553	1,541,685,720

The notes as set out from page 34 to 116 form an integral part of the financial statements

The financial statements as set out from page 19 to 33 have been signed by

Legal Representative: Zhang Liwei Chief Financial Officer: Li Chunyan Chief Accountant: Yao Hongwei

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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.

On 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. On 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 2023.

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 Chaofu Company 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 24 August 2023.

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), 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2023 and the operating results, cash flows and other relevant information of the Company for the 6 months ended at 30 June 2023. In addition, the Company has also disclosed relevant financial information required by the Company Ordinance of Hong Kong and the Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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:

<u>Item</u>	<u>Determine the basis for the combination</u>
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:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

11.2 Subsequent measurement and recognition of profit or loss

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

11.2.1 A long-term equity investment accounted for using the cost method

Under the cost method, a long-term equity investment, on its initial recognition, is measured as cost and adjusted according to the amount of additional investment or disinvestment. Except for cash dividends or profits which include in actual payment or consideration as the Group obtains the investment but have not been paid, the investment income for the period is recognized according to cash dividends or profits declared to distribute by the investee

11.2.2 A long-term equity investment accounted for using the equity method

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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

Content and reasons for changes in accounting policies	Note
The Company has implemented the Accounting Standards for Business Enterprises Interpretation No. 16 "The accounting treatment for deferred income tax related to assets and liabilities arising from individual transactions is not applicable to the initial recognition exemption" from 1 January 2023, which was issued by the Ministry of Finance in 2022.	(1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

Explanation of changes in accounting policies:

- (1) *The impact of implementing Interpretation No. 16 (as defined below) of the Accounting Standards for Business Enterprises on the Company*

On 30 November 2022, the Ministry of Finance issued the Interpretation No. 16 of the Accounting Standards for Business Enterprises (CaiKuai [2022] No. 31, hereinafter referred to as "Interpretation No. 16"). Interpretation No. 16 "The accounting treatment for deferred income tax related to assets and liabilities arising from individual transactions is not applicable to the initial recognition exemption" has been implemented from 1 January 2023, which allows companies to implement ahead of schedule from the release year. The Company has implemented accounting treatment on this matter this year.

For the lease liabilities and right-of-use assets recognized at the beginning of the earliest period of financial statement presentation in the first implementation of Interpretation No. 16 (i.e. 1 January 2022) due to the application of Interpretation No. 16 single transactions, as well as the estimated liabilities and corresponding assets related to disposal obligations recognized, which generate taxable temporary differences and deductible temporary differences, the Company shall comply with the provisions of Interpretation No. 16 and Enterprise Accounting Standards No. 18 - Income Tax and adjust the retained earnings and other related financial statement items at the beginning of the earliest period (i.e. 1 January 2022) in the financial statements by the accumulated impact amount.

According to the relevant provisions of Interpretation No. 16, the cumulative impact of the Company on financial statement related items is adjusted as follows:

Item	2022.1.1	Accumulated impact amount	2022.1.1
	Amount before adjustment		Amount after adjustment
Undistributed profits	487,060,672	2,152,119	489,212,791
Minority interest	393,255,538	806,736	394,062,274

For the lease liabilities and right-of-use assets recognized for individual transactions that occurred between the beginning of the financial statement presentation period (i.e. 1 January 2022) and the implementation date (1 January 2023) during which this interpretation was first implemented, as well as the estimated liabilities and corresponding assets related to the disposal obligation recognized, the Company shall handle them in accordance with the provisions of Interpretation 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

According to the provisions of Interpretation No. 16, the Company has adjusted the relevant items on the balance sheet as follows:

Balance Sheet Items	Before	2022.12.31	
		Accumulated impact amount	After
Deferred tax assets	22,347,534	6,524,452	28,871,986
Deferred tax liabilities	16,278,917	186,820	16,465,737
Undistributed profits	370,378,977	5,671,534	376,050,511
Minority interests	367,720,412	666,098	368,386,510

According to the provisions of Interpretation No. 16, the Company has adjusted the relevant items in the income statement as follows:

Income statement item	Six months ended 30 June 2022 (unaudited)		
	Before	Accumulated impact amount	After
Income tax expenses	19,286,537	(4,114,109)	15,172,428
Net profit attributable to shareholders of the parent company	(14,398,632)	3,674,882	(10,723,750)
Profit or loss attributable to minority interests	19,863,841	439,227	20,303,068

2. *Changes in accounting estimates*

None.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

V. TAXATION

1. Major taxes and tax rates

Tax types	Tax basis	Tax rate
Value-added tax	Note 1	13%/9%/6%/5%/3%
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 International Trading (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 International Trading (Hong Kong) Co., Ltd. was registered and established in Hong Kong and in accordance with Hong Kong taxation law its corporate income tax rate was 16.5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All AMOUNTS IN RMB UNLESS OTHERWISE STATED.

The following note items (including the notes to main items of the Company's financial statements) unless otherwise specified, "this period" is from 1 January 2023 to 30 June 2023 and the prior period was from 1 January 2022 to 30 June 2022.

1. Cash and Bank balances

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Cash on hand	7,061,171	7,261,238
Cash in bank	1,210,891,011	728,057,423
Other cash and cash equivalents (Note 1)	146,883,957	155,300,026
Total	1,364,836,139	890,618,687
Including: Overseas deposits (Note 2)	22,748,432	6,419,104

Note 1: As at 30 June 2023, the Group's margin deposits with use restrictions was RMB146,883,957 (31 December 2022: RMB155,300,026), among them, the bill margin deposit was RMB124,753,957 (31 December 2022: RMB155,300,026), and details were referred to Note (VI) 20. Notes payable, the financial margin deposit was RMB22,130,000 (31 December 2022: RMB0).

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

2. Notes receivable

Classification of notes receivable

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Bank acceptance	–	1,004,300
Trade acceptance	–	–
Total	–	1,004,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

3. Accounts receivable

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Accounts receivable	978,434,547	1,014,114,292
Total	978,434,547	1,014,114,292

(1) Presentation of accounts receivable by category:

Category	2023.6.30 (unaudited)				
	Carrying amount		Credit loss allowance		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
Accounts receivable with single provision for credit loss	7,824,333	1	7,824,333	100	-
Accounts receivable with credit loss provision based on portfolio	1,020,734,854	99	42,300,307	4	978,434,547
Total	1,028,559,187	100	50,124,640	5	978,434,547

Category	2022.12.31 (audited)				
	Carrying amount		Credit loss allowance		Net book value
	Amount	Proportion (%)	Amount	Rate (%)	
Accounts receivable with single provision for credit loss	7,824,333	1	7,824,333	100	-
Accounts receivable with credit loss provision based on portfolio	1,054,276,716	99	40,162,424	4	1,014,114,292
Total	1,062,101,049	100	47,986,757	5	1,014,114,292

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

(2) Presentation of accounts receivable according to aging analysis

Aging	2023.6.30 (unaudited)			
	Carrying amount	Proportion %	Credit loss allowance	Net book value
Within 1 year	933,666,979	90	–	933,666,979
1-2 years	29,062,798	3	871,883	28,190,915
2-3 years	9,889,549	1	990,976	8,898,573
3-4 years	5,159,312	1	1,730,994	3,428,318
4-5 years	10,649,789	1	6,400,027	4,249,762
Over 5 years	40,130,760	4	40,130,760	–
Total	1,028,559,187	100	50,124,640	978,434,547

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

Aging	2023.6.30 (unaudited)		
	Carrying amount	Credit loss allowance	Proportion %
Within 1 year	933,666,979	–	0
1-2 years	29,062,798	871,883	3
2-3 years	9,887,303	988,730	10
3-4 years	4,571,091	1,142,773	25
4-5 years	8,499,525	4,249,763	50
Over 5 years	35,047,158	35,047,158	100
Total	1,020,734,854	42,300,307	

Accounts receivable with single provision for credit loss

Company	2023.6.30 (unaudited)			Reason for provision
	Accounts receivable	Credit loss allowance	Proportion %	
Yizhiyao (Tianjin) Technology Development Co., Ltd.	590,468	590,468	100	Cannot be recovered
Datong Yiyang Commercial Co., Ltd.	263,910	263,910	100	Cannot be recovered
Beijing all three six five convenience store chain Co. Ltd.	1,927,910	1,927,910	100	Cannot be recovered
Linlijia (Beijing) Trading Co., Ltd	1,658,197	1,658,197	100	Cannot be recovered
Beijing Yuquan Venture Technology Co., Ltd	369,172	369,172	100	Cannot be recovered
Beijing Cargo Club Co.,Ltd.	3,014,676	3,014,676	100	Cannot be recovered
Total	7,824,333	7,824,333		

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

On 30 June 2023, the total accounts receivable due from MeetAll amounted to RMB7,999,551 was limited by being factored to secure certain bank loans of the Group.

On 31 December 2022, the total accounts receivable due from MeetAll amounted to RMB7,609,413 was limited by being factored to secure certain bank loans of the Group.

According to the factoring agreement signed between the Group and Industrial and Commercial Bank of China Limited Taiyuan Jiefang Road Branch (“Industrial and Commercial Bank of China”), Industrial and Commercial Bank of China provides the Group with bank loans not exceeding the factoring amount of accounts receivable. Industrial and Commercial Bank of China collects the full amount of accounts receivable and only pays the Group amounts exceeding the loan amount. Due to the fact that the Group has not transferred a specific and identifiable portion of its cash flow, nor has it transferred a certain proportion of its total cash flow or a certain proportion of its specific and identifiable portion, the Group is unable to apply a derecognition model to the factoring of 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) 19).

	Factoring accounts receivable on full recourse basis	
	2023.6.30 (unaudited)	2022.12.31 (audited)
Carrying amount of transferred assets	7,999,551	7,609,413
Carrying amount of related liabilities	7,999,551	7,609,413
Net book value	–	–

4. Prepayments

Presentation of prepayments according to aging analysis

Aging	2023.6.30 (unaudited)		2022.12.31 (audited)	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	703,646,272	100	1,022,670,499	100
Total	703,646,272	100	1,022,670,499	100

On 30 June 2023 and 31 December 2022, there was no prepayment from shareholders who held voting shares of more than 5% (including 5%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

5. Other receivables

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Other receivables	205,599,406	169,850,426
Interest receivables	–	–
Dividend receivables	–	–
Total	205,599,406	169,850,426

Details of other receivables

(1) Presentation of other receivables by category

Category	2023.6.30 (unaudited)				
	Carrying amount Amount	Proportion (%)	Credit loss allowance Amount	Rate (%)	Net book value
Other receivables with single provision for credit loss	1,059,651	1	1,059,651	100	–
Other receivables with credit loss provision based on portfolio	210,621,471	99	5,022,065	2	205,599,406
Total	211,681,122	100	6,081,716	3	205,599,406

Category	2022.12.31 (audited)				
	Carrying amount Amount	Proportion (%)	Credit loss allowance Amount	Rate (%)	Net book value
Other receivables with single provision for credit loss	1,039,651	1	1,039,651	100	–
Other receivables with credit loss provision based on portfolio	174,294,003	99	4,443,577	3	169,850,426
Total	175,333,654	100	5,483,228	3	169,850,426

(2) Presentation of other receivables according to aging analysis

Aging	2023.6.30 (unaudited)			
	Carrying amount	Proportion %	Credit loss allowance	Net book value
Within 1 year	192,438,178	91	–	192,438,178
1-2 years	1,210,104	1	36,303	1,173,801
2-3 years	10,611,318	5	1,061,132	9,550,186
3-4 years	1,994,091	1	912,214	1,081,877
4-5 years	2,910,551	1	1,555,187	1,355,364
Over 5 years	2,516,880	1	2,516,880	–
Total	211,681,122	100	6,081,716	205,599,406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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	49,288	49,288	100	Cannot be recovered
Dumex Baby Food Co., Ltd.	203,923	203,923	100	Cannot be recovered
Naaisi Lishui Sales Co., Ltd.	304,140	304,140	100	Cannot be recovered
Guangzhou Qunhe Cosmetics Co., Ltd.	200,000	200,000	100	Cannot be recovered
Beijing Cargo Club Co.,Ltd.	97,516	97,516	100	Cannot be recovered
Yizhiyao (Tianjin) Technology Development Co., Ltd.	20,000	20,000	100	Cannot be recovered
Total	1,059,651	1,059,651		

Presentation of other receivable according to credit loss allowance by aging analysis

Aging	2023.6.30 (unaudited)		
	Other receivables	Credit loss allowance	Proportion %
Within 1 year	192,438,178	–	0
1-2 years	1,210,104	36,303	3
2-3 years	10,611,318	1,061,132	10
3-4 years	1,442,502	360,626	25
4-5 years	2,710,729	1,355,364	50
Over 5 years	2,208,640	2,208,640	100
Total	210,621,471	5,022,065	

6. Inventories

Presentation of Inventories by category

Item	Carrying amount	2023.6.30 (unaudited)	
		Impairment	Net book value
Merchandise inventory	1,551,916,049	–	1,551,916,049
Raw material	3,536,349	–	3,536,349
Goods in process	–	–	–
Low-value consumables	–	–	–
Total	1,555,452,398	–	1,555,452,398

Item	Carrying amount	2022.12.31 (audited)	
		Impairment	Net book value
Merchandise inventory	1,594,558,113	–	1,594,558,113
Raw material	2,269,875	–	2,269,875
Goods in process	–	–	–
Low-value consumables	–	–	–
Total	1,596,827,988	–	1,596,827,988

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

7. Other current assets

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Deductible input value-added tax	158,460,798	158,285,966
Prepaid lease expenses	299,894	132,407
Prepaid heating expenses	–	3,791,278
Other prepaid expenses (Note)	1,688,265	1,475,239
Receivable return cost	6,354,777	5,553,187
Total	166,803,734	169,238,077

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

8. Other equity instrument investment

Presentation of other equity instrument investment

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Yibin Wushang Equity		
Interest Investment Fund (Limited Partnership)	43,000,000	43,000,000
Total	43,000,000	43,000,000

Note: Chaopi Trading, the subsidiary of the Company, subscribed for the Yibin Wushang Equity Investment Fund (limited partnership) by monetary funds RMB43 million with a fund share of 4.2480% in December 2022.

9. Other non-current financial assets

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Classified financial assets at fair value through profit or loss	67,162,674	72,026,699
Including: Debt instrument investments	–	–
Equity instrument investments (Note)	67,162,674	72,026,699
Subtotal	67,162,674	72,026,699
Less: Current portion that matures within one year	–	–
Total	67,162,674	72,026,699

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 held a fund share of 11,638,983.05 shares. In August 2021 and September 2022, 10% (1,163,898 shares) and 1,582,900 shares were sold, and the remaining fund shares held were 8,892,185.05 shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

10. Investment properties

Investment properties under the cost method

Item	Buildings	Land use rights	Total
I. Original carrying amount			
1. 2022.12.31 (audited)	139,248,592	122,900,708	262,149,300
2. Increase in the period	–	–	–
(1) Transferred from fixed assets	–	–	–
(2) Increase in business combination	–	–	–
3. Decrease in the period	–	–	–
(1) Transferred to the fixed assets	–	–	–
(2) Transferred to intangible assets	–	–	–
4. 2023.6.30 (unaudited)	139,248,592	122,900,708	262,149,300
II. Accumulated depreciation and amortization			
1. 2022.12.31 (audited)	75,801,984	33,505,102	109,307,086
2. Increase in the period	2,582,156	1,716,600	4,298,756
(1) Accrual or amortization	2,582,156	1,716,600	4,298,756
(2) Transferred from fixed assets	–	–	–
(3) Increase in business combination	–	–	–
3. Decrease in the period	–	–	–
(1) Transferred to the fixed assets	–	–	–
(2) Transferred to intangible assets	–	–	–
4. 2023.6.30 (unaudited)	78,384,140	35,221,702	113,605,842
III. Net book value			
1. 2023.6.30 (unaudited)	60,864,452	87,679,006	148,543,458
2. 2022.12.31 (audited)	63,446,608	89,395,606	152,842,214

As at 30 June 2023 and 31 December 2022, there was no investment properties that were pledged to secure certain of the Group's long-term bank loans.

As at 30 June 2023 and 31 December 2022, all land use rights in the investment properties of the Group are medium-term lease.

11. Fixed assets

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Fixed assets	741,805,883	769,170,217
Disposal on fixed assets	17,736,623	17,605,692
Total	759,542,506	786,775,909

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

(1) Details of fixed assets

Item	Buildings	Machinery and equipment	Electronic devices and others	Transportation vehicles	Total
I. Original carrying amount					
1. 2022.12.31 (audited)	1,133,827,202	786,532,772	175,776,484	48,435,870	2,144,572,328
2. Increase in the period	4,474,990	5,396,390	3,755,416	1,697,252	15,324,048
(1) Purchase	-	2,580,422	2,777,366	1,122,969	6,480,757
(2) Transferred from the construction in process	4,474,990	2,815,968	978,050	574,283	8,843,291
(3) Transferred from the investment properties	-	-	-	-	-
(4) Accept donations	-	-	-	-	-
3. Decrease in the period	-	5,939,280	4,558,343	3,597,787	14,095,410
(1) Disposal or retirement	-	5,939,280	4,558,343	3,597,787	14,095,410
(2) Transferred to the investment properties	-	-	-	-	-
4. 2023.6.30 (unaudited)	1,138,302,192	785,989,882	174,973,557	46,535,335	2,145,800,966
II. Accumulative depreciation					
1. 2022.12.31 (audited)	541,969,664	641,008,589	147,588,445	44,835,413	1,375,402,111
2. Increase in the period	19,818,378	12,179,374	6,360,867	3,728,647	42,087,266
(1) Accrual	19,818,378	12,179,374	6,360,867	3,728,647	42,087,266
(2) Transferred from the investment properties	-	-	-	-	-
3. Decrease in the period	-	5,454,131	4,346,688	3,693,475	13,494,294
(1) Disposal or Scrap	-	5,454,131	4,346,688	3,693,475	13,494,294
(2) Transferred to investment properties	-	-	-	-	-
4. 2023.6.30 (unaudited)	561,788,042	647,733,832	149,602,624	44,870,585	1,403,995,083
III. Net book value					
1. 2023.6.30 (unaudited)	576,514,150	138,256,050	25,370,933	1,664,750	741,805,883
2. 2022.12.31 (audited)	591,857,538	145,524,183	28,188,039	3,600,457	769,170,217

(2) Disposal on fixed assets

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Housing warehouse	17,605,692	17,605,692
Equipment	130,931	-
Total	17,736,623	17,605,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

12. Construction in progress

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Construction in progress	104,940,492	110,406,206
Engineer material	–	–
Total	104,940,492	110,406,206

(1) Details of construction in progress

Item	2023.6.30 (unaudited)			2022.12.31 (audited)		
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
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	4,389,215	–	4,389,215	3,059,215	–	3,059,215
System Software Project	39,952,332	–	39,952,332	39,952,332	–	39,952,332
Other	7,121,309	–	7,121,309	13,917,023	–	13,917,023
Total	104,940,492	–	104,940,492	110,406,206	–	110,406,206

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

Item	Budget amount	2022.12.31 (audited)	Increase in the period	Transferred to fixed assets, intangible assets or long-term prepaid expenses	Other deduction	2023.6.30 (unaudited)
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	4,976,372	3,059,215	1,330,000	–	–	4,389,215
System Software Project	73,739,627	39,952,332	–	–	–	39,952,332
Others	220,654,902	13,917,023	12,890,174	17,220,283	2,465,605	7,121,309
Total	408,074,173	110,406,206	14,220,174	17,220,283	2,465,605	104,940,492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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
Pingfang Project	60	60	425,988	-	-	Own funds and bank loans
Pingfang Refrigeratory Project	27	27	-	-	-	Own funds and bank loans
Logistics center renovation	88	88	-	-	-	Own funds and bank loans
System Software Project	54	54	-	-	-	Own funds and bank loans
Others	12	12	428,962	123,133	3	Own funds and bank loans
Total			854,950	123,133		Own funds and bank loans

13. The right-of-use asset

Item	Buildings	Total
I. Original carrying amount		
1. 2022.12.31 (audited)	1,228,758,846	1,228,758,846
2. Increase in the period	40,066,424	40,066,424
Asset lease	40,066,424	40,066,424
3. Decrease in the period	21,452,465	21,452,465
(1) Early termination of asset lease	2,448,647	2,448,647
(2) Lease expires	-	-
(3) Lease change remeasurement	19,003,818	19,003,818
4. 2023.6.30 (unaudited)	1,247,372,805	1,247,372,805
II. Accumulative depreciation		
1. 2022.12.31 (audited)	465,136,956	465,136,956
2. Increase in the period	78,459,319	78,459,319
Accrual	78,459,319	78,459,319
3. Decrease in the period	6,137,687	6,137,687
(1) Dispose	1,117,827	1,117,827
(2) Termination of asset lease	-	-
(3) Lease change remeasurement	5,019,860	5,019,860
4. 2023.6.30 (unaudited)	537,458,588	537,458,588
III. Net book value		
1. 2023.6.30 (unaudited)	709,914,217	70,9914,217
2. 2022.12.31 (audited)	763,621,890	763,621,890

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

14. Intangible assets

Item	Land use rights	Software	Operation rights of distribution network	Total
I. Original carrying amount				
1. 2022.12.31 (audited)	348,321,534	63,010,163	34,261,049	445,592,746
2. Increase in the period	–	3,245,877	–	3,245,877
(1) Purchase	–	3,245,877	–	3,245,877
(2) Transferred from the construction in process	–	–	–	–
(3) Transferred from the investment properties	–	–	–	–
(4) Business mergers increase	–	–	–	–
3. Decrease in the period	–	–	–	–
4. 2023.6.30 (unaudited)	348,321,534	66,256,040	34,261,049	448,838,623
II. Accumulated amortization				
1. 2022.12.31 (audited)	96,034,564	41,914,983	33,239,582	171,189,129
2. Increase in the period	5,172,472	2,608,655	574,853	8,355,980
(1) Accrual	5,172,472	2,608,655	574,853	8,355,980
(2) Transferred from the investment properties	–	–	–	–
(3) Business mergers increase	–	–	–	–
3. Decrease in the period	–	–	–	–
4. 2023.6.30 (unaudited)	101,207,036	44,523,638	33,814,435	179,545,109
III. Net book value				
1. 2023.6.30 (unaudited)	247,114,498	21,732,402	446,614	269,293,514
2. 2022.12.31 (audited)	252,286,970	21,095,180	1,021,467	274,403,617

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

15. Goodwill

Original carrying amount of goodwill

Name of the investee or item resulting in goodwill	2022.12.31 (audited)	Increase in the period		Decrease in the period		2023.6.30 (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 2023 and 31 December 2022, 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.

According to the “Asset Evaluation Report on the Recoverable Amount of the Goodwill of Beijing Jingkelong Company Limited, which is involved in the goodwill impairment test of Beijing Jingkelong Company Limited for the purpose of financial reporting” issued by Beijing Huaya Zhengxin Asset Evaluation Co., Ltd., which is engaged by the Group, and the goodwill of the relevant asset group formed by the acquisition of 100% equity of Beijing Shoulian Supermarket Co., Ltd. and 86% equity of Beijing Jingchao Commercial Group Co., Ltd (Hua Ya Zheng Xin Ping Bao Zi [23] No. 01-0021), the recoverable amount of the asset group or combination of asset groups containing goodwill of Shouchao Group is higher than the book value of the asset group containing the overall goodwill, and there is no need to recognize the impairment loss of goodwill in the current period.

16. Long-term prepaid expenses

Item	2022.12.31 (audited)	Increase in the period	Amortization in the period	Other deduction	2023.6.30 (unaudited)	Other reduces reasons
Transferred from construction in progress to leasehold improvements	176,114,532	8,437,745	27,908,852	-	156,643,425	-
Total	176,114,532	8,437,745	27,908,852	-	156,643,425	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

17. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets without offset

Item	2023.6.30 (unaudited)		2022.12.31 (audited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax asset
Taxable government grants	17,982,646	4,495,662	21,830,069	5,457,517
Unrealized profits from internal transactions	3,251,961	812,990	4,523,842	1,130,960
Implementation of the new lease standard	787,052,060	196,763,015	860,298,278	215,074,568
Total	808,286,667	202,071,667	886,652,189	221,663,045

(2) Deferred tax liabilities without offset

Item	2023.6.30 (unaudited)		2022.12.31 (audited)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value adjustment of assets received through non-monetary asset exchange	7,740,416	1,935,104	8,273,636	2,068,409
Changes in fair value of financial assets measured at fair value through profit or loss for the current period	58,246,794	14,561,698	63,110,819	15,777,705
Capitalized interest adjustment of borrowing costs	16,000	4,000	16,000	4,000
Difference between the fair value and the carrying amount of subsidiary merger and acquisition	2,575,002	643,751	2,004,851	501,213
Implement new leasing guidelines	709,914,217	177,478,558	763,621,890	190,905,469
Total	778,492,429	194,623,111	837,027,196	209,256,796

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

(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 2023.6.30 (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 2022.12.31 (audited)
Deferred tax assets	179,281,913	22,789,754	192,791,059	28,871,986
Deferred tax liabilities	179,281,913	15,341,198	192,791,059	16,465,737

18. Other non-current assets

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Long-term receivables due from Shoulian Group (Note 1)	40,523,145	42,529,170
Security deposit	32,802,905	40,427,743
Prepaid construction fees	1,426,872	1,363,818
Shuangqiao Project (Note 2)	50,232,653	50,232,653
Total	124,985,575	134,553,384

Note 1: On 30 June 2023, such long-term receivables consist of borrowings lent by Shoulian Supermarket and Lianchao Company to Shoulian Group due on 31 December 2022 as agreed upon, on 31 December 2021 Shoulian Supermarket and Lianchao Company signed supplementary agreements with Shoulian Group respectively, and the two parties agreed that the repayment date would be 31 December 2024, the long-term receivables bear interest at 3.85% per annum interest will be calculated at the one-year loan market quoted rate (LPR) from 1 January 2022. 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.

Note 2: On 24 November 2022, the Company signed the Land return and handover record with the People's Government of Guanzhuang Township, Chaoyang District, Beijing and the Xianninghou Villagers' Committee of Guanzhuang Township, Chaoyang District, Beijing to return the land involved in the Shuangqiao Project. At the same time, the Company has sued the People's Government of Guanzhuang Township, Chaoyang District, Beijing and the Guanzhuang Agriculture and Industry Association, Chaoyang District, Beijing in July 2022, request the defendant to return the compensation fee of RMB45,132,000 and the interest of RMB46,248,112 during the period of the defendant's occupation of the compensation fee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

19. Short-term borrowings

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Accounts receivable secured loan (Note 1)	7,999,551	7,609,413
Guaranteed loan (Note 2)	2,125,253,276	1,767,347,107
Unsecured loan (Note 3)	501,000,000	435,160,000
Pledged Loan (Note 4)	70,027,910	-
Undue interest payable	3,114,772	3,373,810
Total	2,707,395,509	2,213,490,330

As at 30 June 2023, and 31 December 2022, the short-term borrowings above bore annual interest rates ranging from 2.8% to 6.75% and 2.85% to 4.30% respectively without any due but unsettled ones.

Note 1: As at 30 June 2023, such short-term loan was obtained by several accounts receivable factoring of the Company totaling to RMB7,999,551 (31 December 2022: RMB7,609,413), and details were referred to Note (VI) 3.

Note 2: As at 30 June 2023, such short-term loans include RMB719,210,000, which was borrowed by Chaopi Trading, a subsidiary of the Company, with a surety provided by the Company; RMB44,500,000, which was borrowed by a subsidiary of Chaopi Trading, with a surety provided by the Company; RMB611,543,276, which was borrowed by a subsidiary of Chaopi Trading with a surety offered by Chaopi Trading and another RMB750,000,000 was borrowed by the Company with the surety provided by Chaopi Trading.

As at 31 December 2022, such short-term loans include RMB571,781,694, which was borrowed by Chaopi Trading, a subsidiary of the Company, with a surety provided by the Company; RMB49,500,000, which was borrowed a subsidiary of the Chaopi Trading, with a surety provided by the Company; RMB596,065,413, which was borrowed by a subsidiary of Chaopi Trading with a surety offered by Chaopi Trading; RMB550,000,000 was borrowed by the Company with the surety provided by Chaopi Trading.

Note 3: As at 30 June 2023, the credit loans included RMB250,000,000 and RMB100,000,000 borrowed by the Company granted by Industrial and Commercial Bank of China Co., Ltd. Chaoyang Sub-branch and China CITIC Bank Beijing branch on an unsecured basis; The credit loans included RMB10,000,000, RMB10,000,000, RMB10,000,000 and RMB121,000,000 borrowed by the subsidiary of Chaopi Trading that granted by Beijing Rural Commercial Bank Co., Ltd. Central Business District Sub-branch, Bank of Beijing Jiulongshan Sub-branch, Beijing Rural Commercial Bank Co., Ltd. Nanmofang Branch and China CITIC Bank Beijing Xidan sub-branch on an unsecured basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

As at 31 December 2022, the credit loans included RMB250,000,000 respectively granted by Industrial and Commercial Bank of China Co., Ltd. Beijing Chaoyang Sub-branch on an unsecured basis. The credit loans included RMB145,160,000 borrowed by the Company's subsidiary Chaopi Trading that granted by China CITIC Bank Beijing Xidan Sub-branch on an unsecured basis. The credit loans included RMB10,000,000, RMB10,000,000 and RMB10,000,000 borrowed by the subsidiary of Chaopi Trading that granted by China Everbright Bank Co., Ltd. Beijing East Chang'an Avenue Sub-branch, China Everbright Bank Co., Ltd. Beijing Tongzhou Sub-branch, Beijing Rural Commercial Bank Business Center Sub-branch on an unsecured basis.

Note 4: As at 30 June 2023, pledged loan is that Chaopi Trading provided a pledge guarantee to HSBC Bank (China) Co., Ltd. Beijing Branch with a time deposit certificate of RMB22,130,000 under its name for Beijing Chaopi International Trading (Hongkong), a subsidiary of Chaopi Trading, and the loan amount obtained was USD9,691,371, which was converted into RMB70,027,910 at the exchange rate of USD to RMB7.2258 on 30 June 2023.

As 31 December 2022, no pledged Loan occurred.

20. Notes payable

Category	2023.6.30 (unaudited)	2022.12.31 (audited)
Bank acceptances	699,593,466	846,578,955
Total	699,593,466	846,578,955

As at 30 June 2023, security deposit for the issuance of bank acceptances above amounted to RMB124,753,957 (31 December 2022: RMB155,300,026).

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

21. Accounts payable

(1) *Accounts payable are listed below according to the nature of the amount:*

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Purchase	639,081,729	857,203,456
Total	639,081,729	857,203,456

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

(2) The aging of accounts payable is as follows

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Within 1 year	602,385,167	830,347,926
1 to 2 years	22,448,755	8,037,613
2 to 3 years	4,623,900	7,459,344
Over 3 years	9,623,907	11,358,573
Total	639,081,729	857,203,456

22. Payments received in advance

Details of payments received in advance

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Rent received in advance	23,404,587	10,860,356
Total	23,404,587	10,860,356

23. Contract Liability

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Procurements received in advance	333,014,749	406,071,621
Total	333,014,749	406,071,621

24. Payroll payable

(1) Details of payroll payable

Item	2022.12.31 (audited)	Increase in the period	Decrease in the period	2023.6.30 (unaudited)
1. Short-term remuneration	1,713,302	327,521,014	327,631,274	1,603,042
2. Post-employment benefits- defined contribution plans (Note)	–	34,814,175	34,802,554	11,621
3. Dismissal compensation	–	3,136,808	3,136,808	–
4. Other welfare due within one year	–	–	–	–
Total	1,713,302	365,471,997	365,570,636	1,614,663

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

(2) Short-term remuneration

Item	2022.12.31 (audited)	Increase in the period	Decrease in the period	2023.6.30 (unaudited)
1) Wages or salaries, bonus, allowance, subsidies	–	271,992,651	271,992,651	–
2) Staff welfare	–	12,268,445	12,268,445	–
3) Social security	–	20,440,463	20,433,350	7,113
Including: Medical insurance	–	19,352,689	19,345,787	6,902
Work injury insurance	–	702,294	702,083	211
Maternity insurance	–	385,480	385,480	–
4) Housing funds	–	16,905,875	16,905,875	–
5) Labor union expenses and employees' education expenses	1,713,302	5,913,580	6,030,953	1,595,929
Total	1,713,302	327,521,014	327,631,274	1,603,042

(3) Details of defined contribution plan

Item	2022.12.31 (audited)	Increase in the period	Decrease in the period	2023.6.30 (unaudited)
1) Basic retirement insurance	–	33,780,362	33,769,093	11,269
2) Unemployment insurance	–	1,033,813	1,033,461	352
3) Annuity	–	–	–	–
Total	–	34,814,175	34,802,554	11,621

Note: 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 RMB33,780,362 and RMB1,033,813 to retirement insurance and unemployment insurance accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

25. Taxes payable

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Value-added tax	21,944,887	19,113,504
Corporate income tax	11,594,394	27,324,536
Personal income tax	3,288,693	431,779
City construction and maintenance tax	401,520	497,977
Education surcharge	352,194	288,836
Stamp duty	836,221	1,031,842
Local education surcharge	234,604	187,400
Other	–	29,513
Total	38,652,513	48,905,387

26. Other payables

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

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Other payables	251,128,074	192,885,527
Interest payables	–	–
Dividend payables	42,564,710	6,956,028
Total	293,692,784	199,841,555

(2) Details of other payables

Presentation of other payables by nature of accounts

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Construction fees payable	34,203,344	32,739,928
Deposit	74,772,802	71,646,160
Others	142,151,928	88,499,439
Total	251,128,074	192,885,527

(3) Details of dividend payables

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Ordinary shares dividend	–	–
Other minority shareholders' dividend	42,564,710	6,956,028
Total	42,564,710	6,956,028

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

27. Non-current liabilities due within one year

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Leases liability due within one year	169,548,744	189,705,641
Total	169,548,744	189,705,641

28. Other current liabilities

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Refund payable	7,166,744	6,300,801
Accrued expenses	11,366,349	13,258,086
Output tax to be transferred	35,398,923	49,883,276
Total	53,932,016	69,442,163

Accrued expenses

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Accrued rent expenses	191,633	499,556
Accrued audit expenses	–	745,283
Others	11,174,716	12,013,247
Total	11,366,349	13,258,086

29. Lease liability

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Lease Payments	915,029,016	1,004,392,418
Less: Unrecognized financing charges	127,976,956	144,094,140
Reclassified to non-current liabilities due within one year	169,548,744	189,705,641
Net lease liability	617,503,316	670,592,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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	3,847,423	Other income	3,847,423
Ease the employment pressure	1,752,863	Other income	1,752,863
Other	1,595,849	Other income	1,595,849
Total	7,196,135		7,196,135

31. Deferred income

Item	2022.12.31 (audited)	Increase in the period	Decrease in the period	2023.6.30 (unaudited)	Reasons
Government grants	21,830,069	–	3,847,423	17,982,646	
Total	21,830,069	–	3,847,423	17,982,646	

Including, the project related to Government grants:

Item	2022.12.31 (audited)	Increase in the period	Included non-operating income	Included other income	Other change	2023.6.30 (unaudited)	Related to assets/income
Agricultural Super Matchmaking Pilot Project	556,523	–	–	281,167	–	275,356	Related to assets
Chaoyang District Finance Bureau life service industry development guidance funds	1,895,319	–	–	210,591	–	1,684,728	Related to assets
Central Finance promotes the development of special funds for the service industry (2015.01-2023.12)	532,381	–	–	266,190	–	266,191	Related to assets
Logistics standardization pilot project in 2017	1,624,315	–	–	188,511	–	1,435,804	Related to assets
Logistics standardization pilot project in 2015	801,126	–	–	283,537	–	517,589	Related to assets
Other	16,420,405	–	–	2,617,427	–	13,802,978	Related to assets
Total	21,830,069	–	–	3,847,423	–	17,982,646	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

Government grants include:

- (1) 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.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) In 2015, the Company received government grants totaling RMB5,865,700 from Beijing Municipal Commission of Commerce and Beijing Finance Bureau and as a special funding for upgrading business facilities program. The deferred income was recognized upon receipt of the financial allocations, meanwhile the deferred assets were divided by ratio of the initial entry value of assets, and deferred income would be amortized in the estimated useful life (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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

- (7) 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.
- (8) 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.
- (9) 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.
- (10) 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.
- (11) 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.
- (12) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

- (13) 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.
- (14) 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.
- (15) 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.
- (16) 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.
- (17) 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.
- (18) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

- (19) 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.
- (20) In 2020, the Company received government grants totaling RMB1,783,294 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.
- (21) In 2021, the Company received government grants totaling RMB356,600 from Logistics Service Center of Chaoyang District, Beijing 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 (4 years) of the related assets, recorded in the profit and loss in current period and subsequent related periods.
- (22) In 2021, the Company received government grants totaling RMB470,000 from Beijing Energy Conservation and Environmental Protection Center as a special funds for energy conservation and emission reduction technology transformation 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.
- (23) In 2021, the Company received government grants totaling RMB836,500 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.
- (24) In 2022, the Company received government grants totaling RMB870,000 from Beijing Energy Conservation and Environmental Protection Center as a special funds for energy conservation and emission reduction technology transformation 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.
- (25) In 2022, the Company received government grants totaling RMB1,903,100 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

- (26) In 2022, the Company received government grants totaling RMB1,156,600 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.

32. Estimated liabilities

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Pending litigation	–	10,018,930
Total	–	10,018,930

Note: On 31 August 2022, the Company received the civil judgement (2022) J0106 MC No.6227 about a dispute case concerning the Company's early termination of the contract for the House Lease Agreement signed with Beijing Yuquan Xingye Investment Management Company ("Yuquan Xingye") served by the People's Court of Fengtai District, Beijing, which ruled that the Company should pay a penalty of RMB10,018,930 to Yuquan Xingye. In September 2022, the Company has filed an appeal to the Beijing Second Intermediate People's Court, on 27 February 2023, the Beijing Second Intermediate People's Court Municipality (2022) J02 MZ No.14416 Civil Judgment rejected the appeal and upheld the original judgment. 10 May 2023, the Company paid Yuquan Xingye a penalty of RMB10,018,930.

33. Share capital

Item	2022.12.31 (audited)	New issue of shares	Changes in the period Capitalization of surplus			Subtotal	2023.6.30 (unaudited)
			Bonus issue	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

34. Capital reserves

Item	2022.12.31 (audited)	Increase in the period	Decrease in the period	2023.6.30 (unaudited)
Capital premium	609,790,884	–	–	609,790,884
Equity transaction with minority shareholders of subsidiaries	(10,308,923)	–	–	(10,308,923)
Other capital reserves	5,695,493	–	–	5,695,493
Total	605,177,454	–	–	605,177,454

35. Surplus reserves

Item	2022.12.31 (audited)	Increase in the period	Decrease in the period	2023.6.30 (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 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Undistributed profits at the beginning of year before adjustment	376,050,511	487,060,672
Adjustment of the total undistributed profits at the beginning of the year (increase+, decrease -)	–	2,152,119
Undistributed profits at the beginning of year after adjustment	376,050,511	489,212,791
Add: Net profit attributable to the shareholders of the parent company for the year	(48,579,117)	(10,723,750)
Less: Appropriation to statutory surplus reserve	–	–
Ordinary shares' dividends payable	–	20,611,000
Other	–	–
Undistributed profits at the end of the year	327,471,394	457,878,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

Dividend

A final dividend of RMB0 per share, in respect of year ended at 31 December 2022 (the previous corresponding period: RMB0.05 per share in respect of the year ended 31 December 2021) was declared and paid to the shareholders of the Company. The aggregated amount of the final dividend declared and paid was RMB0 (Prior period: RMB20,611,000).

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2023 (the last corresponding period: nil).

37. Operating income and operating costs

(1) Operating income and operating costs

Item	Six months ended 30 June 2023 (unaudited)		Six months ended 30 June 2022 (unaudited)	
	Income	Cost	Income	Cost
Principal operating	4,141,055,856	3,629,579,404	4,866,000,697	4,234,465,952
Other operating	441,384,376	14,885,636	466,501,560	10,813,971
Total	4,582,440,232	3,644,465,040	5,332,502,257	4,245,279,923

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

Item	Six months ended 30 June 2023 (unaudited)		Six months ended 30 June 2022 (unaudited)	
	Principal operating income	Principal operating costs	Principal operating income	Principal operating costs
Retail	1,597,403,595	1,363,164,412	1,788,526,692	1,487,279,100
Wholesale	2,532,098,310	2,259,710,687	3,071,446,723	2,742,771,362
Others	11,553,951	6,704,305	6,027,282	4,415,490
Total	4,141,055,856	3,629,579,404	4,866,000,697	4,234,465,952

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

38. Taxes and surcharges

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
City construction and maintenance tax	4,597,445	7,427,746
Building tax	9,430,580	8,761,421
Land tax	550,798	506,085
Vehicle and vessel use tax	68,597	72,034
Stamp tax	2,890,801	2,909,786
Environment protect tax	6,220	8,840
Others	6,554	6,311
Total	17,550,995	19,692,223

39. Selling expenses

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Wages and salaries	236,687,170	233,988,459
Depreciation and amortization expenses	151,028,633	166,166,674
Service fee	177,673,306	149,297,391
Promotional expenses	52,398,188	125,576,085
Utility fee	26,752,216	27,905,608
Shipping fee	13,010,833	22,954,777
Security fee	17,286,538	18,118,978
Repair fee	5,157,782	11,052,587
Warehousing fee	938,164	4,895,645
Cleaning fee	8,601,797	8,272,193
Lease expenses	4,870,671	11,271,580
Advertising fee	4,588,138	3,892,395
Coal fee	7,983,589	7,806,059
Others	20,845,293	21,220,451
Total	727,822,318	812,418,882

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

40. Administrative expenses

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Wages and salaries	128,784,827	120,705,311
Depreciation and amortization expenses	5,554,802	5,076,472
Service fee	1,801,747	1,256,164
Inventory count loss	1,172,250	2,352,682
Audit fees	231,038	1,105,793
Consulting fee	1,039,882	1,170,922
Others	4,431,285	4,489,656
Total	143,015,831	136,157,000

41. Financial expenses

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Interest expenses	57,058,472	68,261,278
Including: Lease liability interest expense	15,746,252	20,015,056
Less: Capitalized interest expenses	123,133	90,566
Interest income	(3,094,898)	(4,341,169)
Bank charges	2,594,937	4,190,950
Exchange losses (gains)	1,732,726	(624,105)
Total	58,168,104	67,396,388

42. Other income

(1) Details of other income

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)	The amount included in the current year non-recurring gains and losses
Government grants	7,196,135	7,042,528	7,196,135
Other	19,582	-	19,582
Total	7,215,717	7,042,528	7,215,717

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

(2) Details of government grants

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Government reserve expense	–	34,034
Ease the employment pressure	1,752,863	2,125,115
Asset-related government grants amortization for the current year	3,847,423	4,202,237
Other	1,595,849	681,142
Total	7,196,135	7,042,528

43. Investment income

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Purchase of structured deposit investment income	–	1,785,996
Investment income from disposal of long- term equity investment	–	–
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	–	1,785,996

44. Gains from changes in fair values

Sources of gains from changes in fair values	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Trading financial assets	(4,864,025)	(8,128,666)
Including: classified financial assets at fair values through profits or losses (exclude gains from changes in fair value of derivative instruments)	(4,864,025)	(8,128,666)
classified financial assets at fair values through profits or losses (gains from changes in fair value of derivative instruments)	–	–
Total	(4,864,025)	(8,128,666)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

45. Credit impairment loss

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Note receivable and accounts receivable credit losses	(2,137,883)	(5,469,511)
Other receivables credit losses	(605,986)	(148,622)
Total	(2,743,869)	(5,618,133)

46. Gain on disposal of assets

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)	The amount included in the current year non-recurring gains and losses
Gain on disposal of non-current assets	823,858	527,328	823,858
Total	823,858	527,328	823,858

47. Non-operating income

(1) Details of non-operating income

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)	The amounts included in non-recurring gains and losses for the year
Total gains on spoilage and obsolescence of non-current assets	17,153	6,395	17,153
Including: Gains on spoilage and obsolescence of non-current assets of fixed assets	17,153	6,395	17,153
Government grants	–	–	–
Compensation for breach of contract	1,140,689	1,114,801	1,140,689
Others	1,533,863	1,342,608	1,533,863
Total	2,691,705	2,463,804	2,691,705

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

48. Non-operating expenses

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)	The amounts included in non-recurring gains and losses for the year
Losses on spoilage and obsolescence of non- current assets	129,269	24,524,782	129,269
Fine	151,619	115,138	151,619
Others	1,248,239	239,032	1,248,239
Total	text-align: right;"> 1,529,127	text-align: right;"> 24,878,952	text-align: right;"> 1,529,127

49. Income tax expense

(1) Details of income tax expense

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Current income tax expense	25,836,208	22,067,307
Deferred income tax expense	4,957,688	(6,894,879)
Total	text-align: right;"> 30,793,896	text-align: right;"> 15,172,428

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

Item	Six months ended 30 June 2023 (unaudited)
Total profit	(6,987,797)
Income tax expenses calculated at appropriate tax rate	(1,746,949)
Effect of subsidiary companies to adapt different tax rates	(268,591)
Effect of adjusting the previous years' income tax	(1,738,382)
Effect of non-taxable income	-
Effect of non-deductible costs, expenses and losses	1,937,022
Effect of using deductible losses of previously unrecognized deferred tax assets	(429,068)
Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets in the period	33,039,864
Total	text-align: right;"> 30,793,896

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

50. Earnings per share

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Net profit for the period attributable to shareholders of the parent company	(48,579,117)	(10,723,750)
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 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Calculated based on the net profit attributable to ordinary shareholders of the parent company: Basic earnings per share	(0.12)	(0.03)

51. Items in the cash flow statements

(1) Other cash received relating to operating activities

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Income of rent	116,520,527	90,137,591
Income of scrap sales	1,150,271	1,214,870
Income of franchise	25,245	40,204
Income of government grant	3,348,713	4,542,094
Recovered deposit	18,315,261	7,239,069
Transportation fee income	8,417,377	9,591,879
Others	4,010,445	17,944,661
Total	151,787,839	130,710,368

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

(2) Other cash paid relating to operating activities

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Selling expenses (except rent)	233,435,646	304,543,775
Administrative expenses	8,936,488	10,679,798
Rent	5,478,487	9,246,792
Deposit and margin	15,808,266	17,600,994
Bank charges	2,594,937	3,946,509
Others	12,218,504	3,161,053
Total	278,472,328	349,178,921

(3) Receive other cash related to investment activities

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Current Borrowings	–	60,000,000
Total	–	60,000,000

(4) Paying other cash related to investment activities

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Bill margin	400,000	66,649,744
Borrowings from minority shareholders of subsidiaries	776,642	–
Lease deposit	340,000	–
Total	1,516,642	66,649,744

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Bill margin	40,841,991	47,448,365
Repayment of lease liabilities principal and interest	110,685,658	83,069,261
Repayment of loans to minority shareholders of subsidiaries	495,430	–
Total	152,023,079	130,517,626

52. Supplementary information to the cash flow statement

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

Supplementary information	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
1. Reconciliation of net profits and cash flow from operating activities:		
Net profits	(37,781,693)	9,579,318
Add: Provision for impairment losses on assets	–	–
Credit impairment loss	2,743,869	5,618,133
Depreciation of fixed assets	42,087,266	45,939,540
Depreciation of right-of-use assets	78,459,319	87,637,999
Depreciation of investment property	4,298,756	4,345,282
Amortization of intangible assets	8,355,980	8,724,086
Amortization of long-term prepaid expenses	27,908,852	52,483,433
Net Losses on disposal of fixed assets, intangible assets and other long-term assets	(823,858)	(527,328)
Losses arising from the scrapped fixed assets	112,116	1,082,522
Losses (Gains) on changes in fair value	4,864,025	8,128,666
Financial expenses	58,668,065	67,546,607
Losses arising from investments	–	(1,785,996)
Amortization of government grants related to assets	3,847,423	4,202,237
Decrease in deferred tax assets	6,082,234	(4,860,676)
Increase in deferred tax liabilities	(1,124,539)	(2,034,202)
Decrease(Increase) in inventories	41,375,590	264,310,441
Decrease in operating receivables	319,657,266	29,215,859
Increase in operating payables	(365,229,410)	156,383,605
Net cash flows from operating activities	193,501,261	735,989,526
2. Net changes in cash and cash equivalents:		
Closing balance of cash	1,217,952,182	936,102,881
Less: Opening balance of cash	735,318,661	1,018,462,092
Net increase in cash and cash equivalents	482,633,521	(82,359,211)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

(2) Cash and cash equivalents

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Cash		
Including: Cash on hand	7,061,171	7,470,595
Bank deposits on demand	1,210,891,011	928,632,286
Closing balance of cash and cash equivalents	1,217,952,182	936,102,881

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	10,000,000	Sales of daily necessities, Wujinzaodian, 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	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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 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 Huaqing Beverage Co.,Ltd. (Chaopi Huaqing)*	Limited company	Beijing, PRC	Wholesale	80,000,000	Wholesale of drinks and food	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	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, Wujinjiadian, 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, Wujinjiadian, 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	
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	63.88	80	Yes	
Shandong Chaopai Trading Co., Ltd. (Shandong Chaopi)*	Limited company	Jinan, PRC	Wholesale	26,000,000	Wholesale of package service, packed food and storage service	51.9	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	55.9	70	Yes	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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 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.	51.9	65	Yes	
Beijing Chaopi Hongchen Trading Co., Ltd. (Chaopi Hongchen)*	Limited company	Beijing, PRC	Wholesale	1,000,000	Wholesale of cosmetics	51.9	65	Yes	
Beijing Chaopi Shengshi Trading Co., Ltd. (Chaopi Shengshi)*	Limited company	Beijing, PRC	Wholesale	25,000,000	Wholesale of cosmetics etc.	51.9	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	
Beijing Chaopi Xinyishangzhen Food Co., Ltd. (Xinyishangzhen)*	Limited company	Beijing, PRC	Wholesale	40,000,000	Sale of food, 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 products and nut products (roasted and fried), candied fruit, fruit products (dried fruit products), etc.	47.91	100	Yes	
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	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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 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 Jiushengmingpin Trading Co., Ltd (Chaopi Jiusheng) *	Limited company	Beijing, PRC	Wholesale	30,000,000	Wholesale of general merchandise	79.85	100	Yes	
Beijing Chaopi Huansheng International Trading Company Limited (Chaopi Huansheng) *	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	
Chaopi International Trading (Hong Kong) Co., Ltd. (International Trading Hong Kong) *	Limited company	HongKong, PRC	Wholesale	HKD5,000,000	Engaged in the import and export of goods and technology, food distribution, etc.	79.85	100	Yes	

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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	Limited Liability Company (Sole proprietorship of legal person)	Beijing	Zhao Yanchuan	Sales of food and oil products	72,000	40.61	40.61	Beijing Chaoyang State owned Capital Operation and Management Co., Ltd	911100001016370698

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 Hongchaoweiy State-owned Assets Management Co., Ltd. ("Hongchaoweiy")	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

4. 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 2023 (unaudited) Amount	Six months ended at 30 June 2022 (unaudited) Amount
Chaofu Company	The Company	Rental expenses	Price negotiated	Note	309,141	309,141
Hongchaoweiy	Chaopi Trading, a subsidiary of the Company	Rental expenses	Price negotiated	Note	472,260	472,260
Hongchaoweiy	The Company	Rental expenses	Price negotiated	Note	3,695,933	3,695,933
Jinchaoyang	The Company	Rental expenses	Price negotiated		1,834,125	1,834,125

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

Note: 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 Beijing Hongchao Weiye SOE Management Company Limited (“Hongchao Weiye”). 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. According to relevant agreements and documents, from 1 January 2015, the Company’s annual rental fee to Chaofu Company was restored to the lease agreement signed before 18 June 2012.

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

On 1 July 2011, the Company’s subsidiary Chaopi Trading entered into lease contracts with Hongchao Weiye to renew the leasing of properties under the original contractual terms at annual rent of RMB920,853 effecting from 1 July 2011. On 1 July 2012, the Company’s subsidiary Chaopi Trading entered into supplemental agreements to the aforesaid lease contracts with Hongchao Weiye, pursuant to which the annual rents for such properties were adjusted to RMB2,808,259 effecting from the same day with incremental by 3% every five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

On 18 December 2013, the Company entered into supplemental agreements to the aforesaid lease contracts with Hongchao Weiye. Considering the Company paid relevant construction fees on the rebuild project of certain of the properties in previous years and the renovation project conducted by the Company on behalf of Hongchao Weiye, Hongchao Weiye will compensate the Company for the cost of construction costs and related taxes paid (“agent construction fees”) on property renovation project and re-build project of RMB86,742,211, including RMB41,265,838 recorded in other receivables and RMB45,476,373 recorded in long-term receivables. Meanwhile, agent construction fees receivables of RMB22,197,108 recorded in other receivables will immediately offset the rent payable to Hongchao Weiye at the end of 2013 as agreed by both parties. From the 1 January 2014 to 31 December 2023, the fees on the rebuild project of certain properties in previous years and the renovation project conducted by the Company on behalf of Hongchao Weiye will offset the rent to the Hongchao Weiye at end of every year.

On 25 November 2014, the Company entered into supplemental agreements again to terminate the two supplemental agreements assigned on 1 July 2012 and 18 December 2013 respectively. From 1 July 2014 to 31 December 2023, the annual rents of such properties were adjusted to revert to the amount in the agreements on 1 July 2011, which were RMB7,344,499 and RMB920,853 respectively with incremental by 3% every five years. Meanwhile, for the rest of agent construction fee amounted to RMB58,164,490 on 30 June 2014, Hongchao Weiye won't take the responsibility of paying the funds back when the original agreement and supplemental agreements are executed efficiently. The aforesaid rest of agent construction fee is undertaken and amortized by the Company.

(2) *Related party loans*

Lessor	Lessee	Type of lease	Pricing basis of related party transaction	Six months ended at 30 June 2023 (unaudited) Amount	Six months ended at 30 June 2022 (unaudited) Amount
Shoulian Group	Shoulian Supermarket, a subsidiary of the Company	Loan	Price negotiated	7,923,145	12,042,800
		Interest		156,171	302,837
Shoulian Group	Lianchao Limited, a subsidiary of the Company	Loan	Price negotiated	32,600,000	32,600,000
		Interest		564,392	573,746

(3) *Compensation for key management personnel*

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Compensation for key management:	2,637,176	2,385,838

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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	2023.6.30 (unaudited)	2022.12.31 (audited)
Other receivables			
Shoulian Group	Borrowings	2,377,933	1,657,370
Right-of-use asset			
Hongchaoweiyi	Lease	3,108,825	7,248,469
Chaofu Company	Lease	266,483	528,622
Jinchaoyang	Lease	1,431,127	2,838,920
Other non-current assets			
Shoulian Group	Loan	40,523,145	42,529,170

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

Item	Nature of Payment	2023.6.30 (unaudited)	2022.12.31 (audited)
Non-current liabilities due within one year			
Hongchaoweiyi	Lease	3,566,694	6,976,760
Chaofu Company	Lease	294,034	581,176
Jinchaoyang	Lease	1,744,498	3,448,100
Lease liability			
Hongchaoweiyi	Lease	–	–
Chaofu Company	Lease	–	–
Jinchaoyang	Lease	–	–

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	2023.6.30 (unaudited)	2022.12.31 (audited)
1st year subsequent to the balance sheet date	6,311,460	12,622,919
2nd year subsequent to the balance sheet date	–	–
3rd year subsequent to the balance sheet date	–	–
Subsequent periods	–	–
Total	6,311,460	12,622,919

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

The above related party transactions under paragraph 4 of Note (IX) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

X. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

Capital commitments

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Acquisition of fixed assets		
Authorized but not contracted	437,469,816	418,185,535
Contracted but not provided	71,745,597	114,739,418
Total	509,215,413	532,924,953

2. Contingencies

Contingencies arising from pending litigation

On 8 July 2022, the Company filed a lawsuit with the People's Court of Chaoyang District, Beijing. The cause of the lawsuit was to request confirmation of the invalidity of the "Land Acquisition and Compensation Agreement" and the "Supplementary Agreement on the" Land Acquisition and Compensation Agreement "signed with the People's Government of Guanzhuang Township, Chaoyang District, Beijing and the Guanzhuang Farmers' Federation of Industry and Commerce, Chaoyang District, Beijing, And return the compensation fee of RMB45,132,000 already paid by the company and the interest during the defendant's occupation of the compensation fee. The Chaoyang District People's Court of Beijing has filed a case with No. 60627 of the People's Court of 2022 Jing 0105 Min Chu, and as of now, the court has not yet ruled on this matter.

XI. SIGNIFICANTE SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

As at the date of this balance sheets, save as disclosed in this report, no other important events significantly affecting the operation and financial performance of the Group have occurred since 30 June 2023.

XII. OTHER SIGNIFICANTE EVENTS

1. Disclosure of fair value

1.1 Assets measured at fair value

Item	First level fair value measurement	The end of the fair value		Total
		Second level fair value measurement	Third level fair value measurement	
Continuous fair value measurement				
Other equity instruments	-	-	4,300,000	43,000,000
Other non-current financial assets	67,162,674	-	-	67,162,674
Total liabilities consistently measured at fair value	67,162,674	-	4,300,000	110,162,674

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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.

1.3 Basis for determining the market value of continuous and non continuous third level fair value measurement items

The Company's other equity instrument investments refer to non listed company equity investments that are designated to be measured at fair value with changes recognized in other comprehensive income and have no control, joint control, or significant impact. If there have been no significant changes in the operating environment, business situation, or financial condition of the invested party, the company shall measure the fair value based on the investment cost as a reasonable estimate; When there is a significant change in the above situation but there is insufficient recent information on its fair value, the company will use the net assets of the invested unit as the basis for a reasonable estimate of fair value for measurement.

2. Segment reporting

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

Six months ended 30 June 2023 (unaudited)

Item	Retailing	Wholesaling	Others	Inter-segment offset	Total
Operating income					
External revenue	1,740,904,125	2,826,937,214	14,598,893	-	4,582,440,232
Inter-segment revenue	39,661,213	171,226,922	7,232,694	(218,120,829)	-
Total	1,780,565,338	2,998,164,136	21,831,587	(218,120,829)	4,582,440,232
Total profit	(70,946,176)	61,890,861	2,067,518	-	(6,987,797)
Income tax expenses	5,514,449	25,262,843	16,604	-	30,793,896
Net profit	(76,460,625)	36,628,018	2,050,914	-	(37,781,693)
Supplementary information:					
Depreciation and amortization expenses	119,955,904	40,163,127	991,142	-	161,110,173
Impairment losses on credits	7,499	2,736,370	-	-	2,743,869
Capital expenditures	34,222,577	29,594,985	256,425	-	64,073,987

Six months ended 30 June 2022 (unaudited)

Item	Detailing	Wholesaling	Others	Inter-segment offset	Total
Operating income					
External revenue	1,966,122,702	3,357,406,266	8,973,289	-	5,332,502,257
Inter-segment revenue	11,274,335	197,260,006	10,700,741	(219,235,082)	-
Total	1,977,397,037	3,554,666,272	19,674,030	(219,235,082)	5,332,502,257
Total profit	(46,866,932)	72,546,168	(927,490)	-	24,751,746
Income tax expenses	(720,125)	15,753,165	139,388	-	15,172,428
Net profit (loss)	(46,146,807)	56,793,003	(1,066,878)	-	9,579,318
Supplementary information:					
Depreciation and amortization expenses	152,718,969	43,280,799	3,130,572	-	199,130,340
Impairment losses on credits	-	5,618,133	-	-	5,618,133
Capital expenditures	186,489,094	4,436,875	25,813	-	190,951,782

2023.6.30 (unaudited)

Item	Retailing	Wholesale	Others	Inter-segment offset	Total
Total assets	3,234,237,012	4,825,858,442	276,575,446	(868,409,001)	7,468,261,899
Total liabilities	2,525,433,775	3,948,273,338	27,935,438	(890,884,631)	5,610,757,920

2022.6.30 (unaudited)

Item	Detailing	Wholesale	Others	Inter-segment offset	Total
Total assets	3,859,122,732	4,557,456,001	260,917,244	(962,258,243)	7,715,237,734
Total liabilities	2,974,711,863	3,691,171,696	17,625,885	(974,670,781)	5,708,838,663

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Current assets	4,974,772,496	4,864,324,269
Less: Current liabilities	4,959,930,760	4,843,812,766
Net current assets	14,841,736	20,511,503

Total assets less current liabilities

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Total assets	7,468,261,899	7,493,614,494
Less: Current liabilities	4,959,930,760	4,843,812,766
Total assets less current liabilities	2,508,331,139	2,649,801,728

4. Lease

(1) The Group as lessee

① Right-of-use and lease liabilities refer to Note (VI) 13, 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	4,870,671	-	-
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	35,763,719	-	-
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”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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	110,627,145
Payments for short-term leases and low-value assets (applicable to simplified)	Cash outflow from operating activities	5,894,757
Variable lease payments paid that are not included in the lease liability	Cash outflow from operating activities	–
Total	–	116,521,902

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	35,763,719
Revenue related to variable lease payments that are not included in the measurement of lease receipts	–	–
Total		35,763,719

Note: Which including RMB35,763,719 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

② Collection of lease payments

<u>Item</u>	Amount of undiscounted lease payments to be received
1 st year subsequent to the balance sheet date	119,350,416
2 nd year subsequent to the balance sheet date	59,566,934
3 rd year subsequent to the balance sheet date	30,660,883
4 th year subsequent to the balance sheet date	20,123,278
5 th year subsequent to the balance sheet date	11,551,471
Subsequent periods	16,615,985
Total	257,868,967

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.

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

1. Accounts receivable

(1) *Presentation of accounts receivable by category*

Category	2023.6.30 (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	163,479,914	100	-	-	163,479,914
Total	163,479,914	100	-	-	163,479,914

Category	2022.12.31 (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	175,125,919	100	-	-	175,125,919
Total	175,125,919	100	-	-	175,125,919

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

(2) Accounts receivable according to aging analysis:

Aging	2023.6.30 (unaudited)			
	Carrying amount	Proportion (%)	Credit loss provision	Net book value
Within 1 year	163,479,914	100	–	163,479,914
1-2 years	–	–	–	–
2-3 years	–	–	–	–
3-4 years	–	–	–	–
4-5 years	–	–	–	–
Over 5 years	–	–	–	–
Total	163,479,914	100	–	163,479,914

Accounting receivable according to credit loss allowance by aging analysis

Aging	2023.6.30 (unaudited)		
	Accounting receivable	Credit loss provision	Proportion (%)
Within 1 year	163,479,914	–	0
1-2 years	–	–	3
2-3 years	–	–	10
3-4 years	–	–	25
4-5 years	–	–	50
Over 5 years	–	–	100
Total	163,479,914	–	100

2. Other receivables

Item	2023.6.30 (unaudited)	2022.12.31 (audited)
Other receivables	835,541,031	568,169,954
Interest receivables	–	–
Dividend receivables	–	–
Total	835,541,031	568,169,954

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

Details of other receivables

(1) Presentation of other receivables by category:

Category	2023.6.30 (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	835,541,031	100	-	-	835,541,031
Total	835,541,031	100	-	-	835,541,031

Category	2022.12.31 (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	-	-	-	-	-
Other receivables for which credit loss allowance is assessed by groups according to credit risk characteristics	568,169,954	100	-	-	568,169,954
Total	568,169,954	100	-	-	568,169,954

(2) Aging analysis of other receivables is as follows

Aging	2023.6.30 (unaudited)			
	Carrying amount	Proportion %	Credit loss provision	Net book value
Within 1 year	835,541,031	100	-	835,541,031
1-2 years	-	-	-	-
2-3 years	-	-	-	-
3-4 years	-	-	-	-
4-5 years	-	-	-	-
Over 5 years	-	-	-	-
Total	835,541,031	100	-	835,541,031

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

Other receivables according to credit loss allowance by aging analyzingsis

Aging	2023.6.30 (unaudited)		
	Other receivables	Credit loss provision	Proportion %
Within 1 year	835,541,031	–	0
1-2 years	–	–	3
2-3 years	–	–	10
3-4 years	–	–	25
4-5 years	–	–	50
Over 5 years	–	–	100
Total	835,541,031	–	

3. Long-term equity investment

(1) Classification of long-term equity investments

Item	2023.6.30 (unaudited)			2022.12.31 (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	2022.12.31 (audited)	Increase in the period	Decrease in the period	2023.6.30 (unaudited)	Provision for impairment for the period	Provision for impairment at period end
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	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

4. Operating income and operating cost

Item	Six months ended 30 June 2023 (unaudited)		Six months ended 30 June 2022 (unaudited)	
	Income	Cost	Income	Cost
Principal operating	1,526,128,210	1,330,341,266	1,674,281,044	1,426,856,832
Other operating	169,992,497	11,671,941	161,816,976	4,193,251
Total	1,696,120,707	1,342,013,207	1,836,098,020	1,431,050,083

5. Investment income

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
Investment income from distributed dividend of subsidiaries	–	23,955,540
Investment gain from buying structured deposit	–	1,418,253
Total	–	25,373,793

BEIJING JINGKELONG COMPANY LIMITED
24 August 2023