



**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 People's Republic of China)

(Stock Code : 814)

**2008 Interim Report**



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### EXECUTIVE DIRECTORS

Mr. Wei Tingzhan (*Chairman*)  
Mr. Li Jianwen  
Ms. Li Chunyan  
Mr. Liu Yuejin

#### NON-EXECUTIVE DIRECTORS

Mr. Gu Hanlin  
Mr. Li Shunxiang

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fan Faming  
Mr. Huang Jiangming  
Mr. Chung Chi Kong, *CPA*

### AUDIT COMMITTEE

2 Mr. Chung Chi Kong, *CPA*  
Mr. Fan Faming  
Mr. Huang Jiangming

### NOMINATION COMMITTEE

Mr. Wei Tingzhan  
Mr. Fan Faming  
Mr. Huang Jiangming

### REMUNERATION COMMITTEE

Mr. Wei Tingzhan  
Mr. Fan Faming  
Mr. Huang Jiangming

### SUPERVISORS

Ms. Qu Xinhua  
Ms. Wang Shuying  
Ms. Yao Jie  
Mr. Chen Zhong  
Ms. Cheng Xianghong  
Mr. Yang Baoqun

### JOINT COMPANY SECRETARIES

Mr. Keung Siu Fai, *CPA*  
Ms. Li Chunyan

### AUTHORISED REPRESENTATIVES

Ms. Li Chunyan  
Mr. Keung Siu Fai, *CPA*

### QUALIFIED ACCOUNTANT

Mr. Keung Siu Fai, *CPA*

### COMPLIANCE ADVISER

DBS Asia Capital Limited

### AUDITORS

Ernst & Young

### LEGAL ADVISERS

**As to Hong Kong law:**  
Richards Butler  
in association with Reed Smith LLP

**As to PRC law:**  
Jun Ze Jun Law Offices

### INVESTORS AND MEDIA RELATION CONSULTANT

iPR Ogilvy Ltd.

## PRINCIPAL BANKERS

### **Agricultural Bank of China**

Tuanjie Lake Branch  
2 Tuanjie Lake North Road  
Chaoyang District  
Beijing PRC

### **Bank of Beijing**

Jiulongshan Branch  
117th Building  
Jinsong Dongkou Nongguang Lane  
Beijing PRC

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

20th Floor  
Alexandra House  
16-20 Chater Road  
Hong Kong

## COMPANY WEBSITE

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

## SHAREHOLDERS' ENQUIRIES CONTACT INFORMATION OF THE COMPANY

Department of Investor Relations  
Tel: 0086-10-64603046  
Fax: 0086-10-64611370

## STOCK CODE

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## FINANCIAL HIGHLIGHTS

The Group achieved the following results during the six-month period ended 30 June 2008:

- Revenue amounted to approximately RMB3,356.8 million, representing a growth of approximately 30.5% as compared with the last corresponding period.
- Gross profit amounted to approximately RMB468.2 million, representing a growth of approximately 38.5% as compared with the last corresponding period.
- Gross profit margin was approximately 13.9%, approximately 0.8% higher than that of the last corresponding period.
- Profit attributable to equity holders amounted to approximately RMB76.4 million, representing a growth of approximately 34.4% as compared with the last corresponding period.
- Same store sales growth was approximately 9.5%.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the six-month period ended 30 June 2008 (the "Reporting Period"), Beijing Jingkelong Company Limited (the "Company" or "JingKelong") and its subsidiaries (collectively the "Group") continued to focus on the operation and development of its retail and wholesale businesses in the region covering Beijing city and certain parts of its periphery (the "Greater Beijing Region").

### RETAIL BUSINESS

#### 1. EXPANSION OF RETAIL NETWORK

##### *Setting up new retail outlets*

During the Reporting Period, the Group stuck to the regional expansion strategy and set up 1 directly-operated hypermarket (net operating area of approximately 7,000 square metres), 3 directly-operated supermarkets (total net operating area of approximately 3,200 square metres) and 9 franchise-operated convenience stores (total net operating area of approximately 1,500 square metres) in the Greater Beijing Region, and transformed 1 directly-operated supermarket whose operating area was comparably smaller than the other supermarkets to a directly-operated convenience store.

The total number of the Group's retail outlets was 222 as at 30 June 2008, including 99 directly-operated outlets, 95 franchise-operated outlets and 28 Shou Lian delegated stores, and the total net operating areas reached approximately 291,000 square metres. The following table sets out the number and net operating areas of the Group's retail outlets as at 30 June 2008:

	Department stores	Hyper- markets	Super- markets	Convenience stores	Total
Number of retail outlets:					
Directly-operated	1	7	42	49	99
Franchise-operated	-	-	1	94	95
Shou Lian delegated stores*	1	5	22	-	28
	2	12	65	143	222
Net operating area (square metres):					
Directly-operated	27,800	60,138	95,886	11,304	195,128
Franchise-operated	-	-	880	17,523	18,403
Shou Lian delegated stores	19,300	23,695	34,292	-	77,287
	47,100	83,833	131,058	28,827	290,818

\* In February 2007, the Company invested RMB50 million for the 11.04% equity interest of Shou Lian Company Limited (“Shou Lian”) and provided delegation of the 45.3% Shou Lian equity interest pursuant to the capital increase agreement and cooperation agreement signed with Shou Lian. Since then, the Group operates Shou Lian’s retail outlets as Shou Lian delegated stores under the franchise agreement signed between the Company and Shou Lian.

### **Redesigning and redecorating Shou Lian delegated stores**

On the base of integrating the business system of Shou Lian delegated stores into the centralized purchase, logistics, settlement and management information system of Jingkelong, the Group began to take steps to improve the operation capability and profitability of Shou Lian delegated stores. The first step is to redesign and redecorate the stores to recover and rationalize the operating area and layout which were reduced and leased to third parties because of the continuing decline of self operating capability in the past. By now, 2 supermarkets have been reopened after finishing redecorating with obviously improved results. The Group expects that the redesign and redecoration will enlarge the operating area of Shou Lian delegated stores, especially extend the live and fresh produce region, and rationalize the percentage of self-operating area to attract more consumers and improve operating performance.

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## **2. LIFTING OPERATION CAPABILITY**

### **Detailed management of logistics infrastructures**

The Group’s strong and modernized logistics infrastructures are the foundation for the Group’s healthy and rapid growth, and upholding scientific detailed management throughout all the process is the key to the realization of the centralized logistics function for cost control and profitability improvement.

During the Reporting Period, the Group continued to expand the sourcing bases of live and fresh produce and introduce new commodities in over 70 counties of 18 provinces in China. For example, the daily sales volume of papaya reached the highest 6-7 tons from 1.5-2.5 tons after the papaya sourcing base was built up in Hainan province and relevant marketing and promotional activities were introduced. Meanwhile, the Group paid more attention to cost control by supervising all the leaks throughout the centralized process with no ignorance. For example, the expense for logistics turnover boxes was controlled effectively by way of transforming the management model for logistics turnover boxes with a purpose to make all the parties including the live and fresh produce logistics center, retail outlets, suppliers and transportation parties to be responsible for the management of logistics turnover boxes.

As for the normal-temperature logistics center, GPS supervisor management system was installed and implemented on the transportation vehicles, working situation and condition of the transportation vehicles could be real-time monitored and adjusted which is helpful for promoting transportation efficiency.

#### ***Application of the digital information in daily business operation***

The Group continued to implement the consumer-oriented operation concept, convert the traditional marketing experience to digital marketing and carry out consumer-dividing marketing on the base of analysis of consumer characteristics and behavior. During the Reporting Period, installation and trial application of the data application system in 5 supermarkets have been finished for comprehensively promoting the application of data application system in the operation management divisions, retail outlets and purchasing division during the second half of current year.

#### ***Implementation of difference management***

Along with the expansion of new retail outlets from concentrating in Chaoyang District to the 17 districts among the 18 districts of Beijing, the Group began to implement regional marketing strategy. On the basis of studying regional consuming behavior and characteristics, the Group conducted difference management and marketing promotion in line with the location and maturity of retail outlets. During the period from March to May of current year, the Group carried out special marketing and promotional activities for live and fresh produce in supermarkets located in Tongzhou District of Beijing which contributed to promoting the volume of customers and sales growth of these stores.

#### ***Consolidation of consumer loyalty***

During the Reporting Period, the Group continued to consolidate consumer loyalty. As at 30 June 2008, the total number of Jingkelong members exceeded 1 million. The Group kept carrying out promotional activities such as offering special discount prices and members' reward.



### 3. OPERATION RESULTS OF RETAIL BUSINESS

#### Revenue and Gross profit (Unaudited)

	For the six months ended 30 June		
	2008 RMB'000	2007 RMB'000	Increase (%)
Revenue	<b>1,595,388*</b>	1,348,894	<b>18.3</b>
Gross profit	<b>283,562*</b>	202,785	<b>39.8</b>

\* Approximately RMB10.85 million out of the total retail revenue and approximately RMB10.85 million out of the total retail gross profit were the results mainly generated from the operation of Jiulong department store, which commenced business at the end of 2007. The Company entered into concessionaire agreements with certain concessionaires for allowing them to occupy designated areas in the department store and establish their own sales counters for their products. The Company charged each concessionaire a commission (represents the revenue and gross profit as noted above) calculated at an agreed percentage rate of the gross turnover of respective concessionaire.

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During the Reporting Period, the Group's revenue and gross profit of retail business increased by approximately 18.3% and 39.8%, respectively.

#### *Different types of retail format*

#### Revenue and Gross profit (Unaudited)

	For the six months ended 30 June			For the six months ended 30 June		
	2008 Revenue RMB'000	2007 Revenue RMB'000	Increase (%)	2008 Gross profit RMB'000	2007 Gross profit RMB'000	Increase (%)
Directly-operated						
Hypermarkets	<b>497,581</b>	402,701	<b>23.6</b>	<b>82,664</b>	61,132	<b>35.2</b>
Supermarkets	<b>950,830</b>	823,703	<b>15.4</b>	<b>167,822</b>	123,340	<b>36.1</b>
Convenience stores	<b>136,132</b>	122,490	<b>11.1</b>	<b>22,231</b>	18,313	<b>21.4</b>

**Gross profit margin (Unaudited)**

<b>Directly-operated</b>	<b>For the six months ended 30 June</b>		
	<b>2008 Gross profit margin (%)</b>	2007 Gross profit margin (%)	<b>Increase (%)</b>
Hypermarkets	<b>16.6</b>	15.2	<b>1.4</b>
Supermarkets	<b>17.7</b>	15.0	<b>2.7</b>
Convenience stores	<b>16.3</b>	15.0	<b>1.3</b>
<b>Average</b>	<b>17.2</b>	15.0	<b>2.2</b>

During the Reporting Period, the revenue generated from the hypermarket operation was approximately RMB497.6 million, representing approximately 31.2% of the total retail revenue of the Group; the revenue generated from the supermarket operation was approximately RMB950.8 million, representing approximately 59.6% of the total retail revenue of the Group and the revenue generated from the convenience store operation was approximately RMB136.1 million, representing approximately 8.5% of the total retail revenue of the Group.

The increase in revenue of approximately 23.6%, 15.4% and 11.1% of the hypermarket operation, supermarket operation and convenience store operation respectively, was mainly attributable to the new stores opened in the second half of 2007 and the Reporting Period.

The increase in gross profit of approximately 35.2%, 36.1% and 21.4% of the hypermarket operation, supermarket operation and convenience store operation respectively, was mainly contributed by (i) the new stores opened in the second half of 2007 and the Reporting Period; (ii) the gross profit margin increased from 15.0% to 17.2%.

The increase in gross profit margin generated from the retail operation from approximately 15.0% in the first half of 2007 to approximately 17.2% in the Reporting Period, was mainly contributed by (i) higher gross profit margin generated by self-operated live and fresh produce, (ii) better bargaining power with suppliers due to increase in purchase volume, and (iii) continuous optimization of product mix.

## WHOLESALE BUSINESS

The integrated development of wholesale and retail businesses is the Group's unique business mode and one of its incomparable competitive advantages. In order to enhance the operation results, the Group endeavored to extend its wholesale business in respect of operation location, commodity category coverage and regional sole distributorship brands of products.

During the Reporting Period, the Group continued to consolidate the wholesale distribution operation in Northern, Eastern China and Bohai Bay Economic Rim, wholesale distribution network has obtained leading position in Tianjin and achieved excellent performance in Taiyuan of Shanxi province and Shijiazhuang of Hebei province.

The number of regional sole distributorship brands reached 67 with new regional sole distributorship in respect of 6 brands being obtained during the Reporting Period. Total revenue of these regional sole distributorship brands as a percentage to the Group's total wholesale business turnover (exclude sales to Shou Lian) accounted for approximately 49.5% which contributed to the maintenance and improvement of gross profit margin of wholesale business.

### Operation results (Unaudited)

	For the six months ended 30 June		
	2008 RMB'000	2007 RMB'000	Increase (%)
Total revenue	<b>2,062,673</b>	1,410,755	<b>46.2</b>
Less: Intersegment sales	<b>(305,995)</b>	(190,058)	<b>61.0</b>
Consolidated revenue	<b>1,756,678</b>	1,220,697	<b>43.9</b>
Consolidated gross profit	<b>183,561</b>	134,295	<b>36.7</b>
Gross profit margin* (%)	<b>10.0</b>	9.6	<b>0.4</b>

\* Include intersegment sales and exclude sales to Shou Lian

The increase in consolidated revenue of approximately 43.9% during the Reporting Period primarily due to (i) the sales to Shou Lian of approximately RMB205.6 million during the Reporting Period; (ii) the tremendous expansion of wholesale business arising from the rapid expansion of domestic retail business, resulting in increase in demand of the Group's products, (iii) contribution of sales by Chaopi Zhongde, Chaopi Huilong and Chaopi Taiyuan with businesses commenced in mid and late 2007 respectively, (iv) increase in number of regional sole distributorship brands, and (v) continuous optimization of product mix.

The increase in gross profit margin from approximately 9.6% in the first half of 2007 to approximately 10.0% during the Reporting Period mainly because of (i) better bargaining power with suppliers due to increase in purchase volume, (ii) increase in regional sole distributorship brands with higher gross profit margin, and (iii) continuous optimization of product mix.

## FINANCIAL REVIEW

### Financial results (Unaudited)

	<b>For the six months ended 30 June</b>	
	<b>2008 RMB'000</b>	2007 RMB'000
Revenue	<b>3,356,811</b>	2,572,208
Gross profit	<b>468,248</b>	337,995
Gross profit margin (%)	<b>13.9</b>	13.1
Profit for the period	<b>98,173</b>	72,852
Profit attributable to equity holders of the parent	<b>76,361</b>	56,819
Net profit margin attributable to equity holders of the parent (%)	<b>2.3</b>	2.2

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### Revenue

The Group's revenue increased by approximately 30.5% from approximately RMB2,572.2 million in the first half of 2007 to approximately RMB3,356.8 million during the Reporting Period primarily due to the increase in retail and wholesale revenue by approximately 18.3% and 43.9%, respectively.

### Gross profit and gross profit margin

During the Reporting Period, the gross profit of the Group was approximately RMB468.2 million, representing an increase of approximately 38.5% compared with approximately RMB338.0 million of last corresponding period. The increase was in line with the increase in revenue. The increase in gross profit margin from approximately 13.1% in the first half of 2007 to approximately 13.9% during the Reporting Period was attributable to the increase in gross profit margins of the retail and wholesale businesses.

## Profit for the period

Profit for the period increased by approximately 34.8% from approximately RMB72.9 million in the first half of 2007 to approximately RMB98.2 million during the Reporting Period. The increase in profit matched with the sound growth of revenue and gross profit during the Reporting Period.

## CAPITAL STRUCTURE

During the Reporting Period, there has been no change in the capital structure of the Company.

## LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group mainly financed its operations through internally generated cash flows, bank and other borrowings and the placement of H shares in October 2007.

As at 30 June 2008, the Group had non-current assets of approximately RMB1,658.5 million, which mainly comprised property, plant and equipment of approximately RMB1,490.0 million and non-current liabilities of approximately RMB94.2 million mainly comprised interest-bearing bank and other borrowings of approximately RMB78.5 million.

As at 30 June 2008, the Group had net current liabilities of approximately RMB162.3 million. Current assets mainly comprised cash and cash equivalents of approximately RMB585.9 million, inventories of approximately RMB661.2 million, trade receivables of approximately RMB771.1 million and prepayments, deposits and other receivables of approximately RMB229.4 million. Current liabilities mainly comprised trade and bills payables of approximately RMB988.1 million, interest-bearing bank and other borrowings of approximately RMB1,278.8 million and, other payables and accruals of approximately RMB143.6 million.



## INDEBTEDNESS

As at 30 June 2008, the Group had aggregate borrowings of approximately RMB1,357.3 million, consisted of secured short-term bank loans of approximately RMB813.8 million, unsecured short-term bank loans of RMB165.0 million, secured long-term bank loans of RMB78.5 million and unsecured short-term other borrowing of RMB300.0 million. The secured bank loans were secured by certain of the Group's buildings, investment properties and lease prepayments for land use rights with an aggregate carrying value of approximately RMB608.6 million as at 30 June 2008.

The Group's net gearing ratio\* was approximately 54.0% as at 30 June 2008 which was higher than approximately 37.4% as at 31 December 2007. The increase was primarily due to an increase of bank loans and other borrowing and acquisition of property, plant and equipment during the Reporting Period.

\* 
$$\frac{\text{(Total borrowings (including debentures) – pledged deposits, and cash and cash equivalents)}}{\text{Total equity}}$$

## FOREIGN CURRENCY RISK

The Group's operating revenues and expenses 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 2008, the Group employed 5,585 full-time employees in the PRC. The total staff costs (including directors' and supervisors' remunerations) of the Group for the Reporting Period amounted to approximately RMB176.4 million (corresponding period of 2007: RMB142.0 million). The staff emolument (including directors and supervisors) of the Group are based on duty (position), experience, performance, and market rates, in order to maintain their remunerations at a competitive level.

During the Reporting Period, specialized training seminars such as pre-job training, staff back-up support, etc. had been conducted for about 7,812 staff to enhance their technical and professional knowledge.

## CONTINGENT LIABILITIES

As at 30 June 2008, the Group did not have any significant contingent liabilities.

## POST BALANCE SHEET EVENTS

The post balance sheet events of the Group as at 30 June 2008 are set out in note 25 of the interim condensed consolidated financial statements.

## STRATEGIES AND PLANS

The Group will reinforce its leading retail and wholesale operation position in the fast moving consumer goods market in the Greater Beijing Region by carrying out the following strategies and plans, amongst other things:

- In terms of development strategy, on the one hand, to open more new stores in the Greater Beijing Region, and build new wholesale distribution network in Northern, Eastern China and Bohai Bay Economic Rim in the second half of this year and in the coming years, and speed up development by various methods such as organic growth, merger and acquisition; on the other hand, to take continuous effective measures to improve management and performance of the existing retail and wholesale distribution network for healthy expansion of scale.
- In terms of enhancement of logistics infrastructure, the automatic classifying and picking equipment have been introduced from Japan in the Reporting Period and will be installed and put into use in the second half of current year to improve the hourly picking capability to 10,000 pieces.

## OTHER INFORMATION

### CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "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, saving for the directors' retirement by rotation as set out below.

### *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, all the directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding their securities transactions throughout the Reporting Period.

## **THE BOARD**

Provision A4.2 of the 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 Articles of Association of the Company stipulates that each director shall be elected by the general meeting of the Company for a term of not more than 3 years, and eligible for re-election upon the expiry of the term. Having taken into account of the continuity of the Group's operation and management policies, the Articles of Association contains no express provision for the directors' retirement by rotation and thus deviating from the aforementioned provision of the Code.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") together with the management of the Company and the independent auditors, have considered and reviewed the accounting principles and practices adopted by the Group and have discussed matters in relation to internal control and financial reporting, including the review of the Group's 2008 unaudited interim consolidated results. The Audit Committee considered that the interim financial report for the six-month period ended 30 June 2008 is in compliance with the relevant accounting standards, requirements of the Stock Exchange and the Laws of Hong Kong, and appropriate disclosures have been made.

## **REMUNERATION COMMITTEE**

The remuneration committee of the Company (the "Remuneration Committee") has discussed and considered the regulation on remuneration of the Company's senior management and criterion for performance based salary of the senior management from 2008 to 2010. The Remuneration Committee resolved to submit the above to the board of the Company for consideration.

## **DISCLOSURE OF INTERESTS**

### ***DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES***

As at 30 June 2008, the interests and positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the

Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules, were as follows:

## Long positions in the domestic shares of the Company

Name	Capacity	Number of domestic shares held	Approximate percentage of total issued domestic shares (%)	Approximate percentage of total issued shares (%)
Wei Tingzhan	Personal	1,417,237	0.62	0.34
Li Jianwen	Personal	1,354,712	0.59	0.33
Li Chunyan	Personal	208,417	0.09	0.05
	Beneficiary (Note 1)	187,575	0.08	0.04
Liu Yuejin	Beneficiary (Note 2)	375,151	0.16	0.09
Gu Hanlin	Personal	1,417,237	0.62	0.34
Li Shunxiang	Personal	5,210,428	2.26	1.26
Yang Baoqun	Personal	1,042,086	0.45	0.25
Qu Xinhua	Personal	833,669	0.36	0.20
Wang Shuying	Beneficiary (Note 3)	375,151	0.16	0.09
Yao Jie	Beneficiary (Note 4)	125,050	0.05	0.03

### Notes:

1. These 187,575 domestic shares are held by Shanxi Trust Company Limited ("Shanxi Trust") as trust property, the beneficiary of which is Ms. Li Chunyan.
2. These 375,151 domestic shares are held by Shanxi Trust as trust property, the beneficiary of which is Mr. Liu Yuejin.
3. These 375,151 domestic shares are held by Shanxi Trust as trust property, the beneficiary of which is Ms. Wang Shuying.
4. These 125,050 domestic shares are held by Shanxi Trust as trust property, the beneficiary of which is Ms. Yao Jie.

Save as disclosed above, as at 30 June 2008, none of the directors, supervisors or chief executive of the Company nor 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 2008, 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***

<b>Name</b>	<b>Capacity</b>	<b>Number of domestic shares held</b>	<b>Approximate percentage of total issued domestic shares (%)</b>	<b>Approximate percentage of total issued shares (%)</b>
Beijing Chaoyang Auxiliary Food Company	Beneficial owner	167,409,808	72.77	40.61
Shanxi Trust	Trustee (Note)	26,635,710	11.58	6.46

*Note:* These 26,635,710 domestic shares are trust property, the beneficiaries of which are 122 employees and officers of the Company.



**Positions in the H shares of the Company**

<b>Name</b>	<b>Total number of H shares held</b>	<b>Approximate percentage of total issued H shares (%)</b>	<b>Approximate percentage of total issued shares (%)</b>
Genesis Asset Managers, LLP (Note 1)	24,227,000 (L)	13.30	5.88
JP Morgan Chase & Co. (Note 2)	22,022,000 (L) 22,022,000 (P)	12.09 12.09	5.34 5.34
UOB Asset Management Limited ("UOB Asset") (Note 3)	19,793,000 (L)	10.87	4.80
United Overseas Bank Limited ("UOB") (Note 4)	19,793,000 (L)	10.87	4.80
Montpelier Asset Management Limited (Note 5)	16,478,000 (L)	9.05	4.00
Schroder Investment Management (Hong Kong) Limited (Note 6)	13,036,000(L)	7.16	3.16
Montpelier Global Funds Limited – The Montpelier Fund ("Montpelier Funds") (Note 7)	9,208,000(L)	5.05	2.23

(L) –Long Position

(P) –Lending Pool

**Notes:**

1. These 24,227,000 H shares were held by Genesis Asset Managers, LLP in its capacity as an investment manager.
2. These 22,022,000 H shares were held by JP Morgan Chase & Co. in its capacity as a custodian corporation/an approved lending agent.
3. These 19,793,000 H shares were held by UOB Asset in its capacity as an investment manager.
4. UOB Asset is a subsidiary of UOB and UOB was therefore deemed to have an interest in the 19,793,000 H shares in which UOB Asset was interested in.
5. These 16,478,000 H shares were held by Montpelier Asset Management Limited in its capacity as an investment manager.
6. These 13,036,000 H shares were held by Schroder Investment Management (Hong Kong) Limited in its capacity as an investment manager.
7. These 9,208,000 H shares were held by Montpelier Funds in its capacity as a beneficial owner.

Save as disclosed above, as far as is known to the directors, supervisors or chief executive of the Company, as at 30 June 2008, no other persons (not being a director, supervisor or chief executive of the Company) had, or were deemed or taken to have any interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

By order of the Board  
**Wei Tingzhan**  
*Chairman*

Beijing, PRC  
15 August 2008

# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the board of directors of

## **Beijing Jingkelong Company Limited**

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

## Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 21 to 42, which comprise the interim condensed consolidated balance sheet of Beijing Jingkelong Company Limited and its subsidiaries as of 30 June 2008 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six months period then ended, and other explanatory notes (collectively referred to as "Interim Condensed Consolidated Financial Statements"). The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of the Interim Condensed Consolidated Financial Statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this Interim Condensed Consolidated Financial Statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Condensed Consolidated Financial Statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of Interim Condensed Consolidated 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 in accordance with Hong Kong Standards on Auditing 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.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Condensed Consolidated Financial Statements is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

## **Ernst & Young**

*Certified Public Accountants*

18th Floor, Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

15 August 2008

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2008

	Notes	Six months ended 30 June	
		2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
REVENUE	4	<b>3,356,811</b>	2,572,208
Cost of sales		<b>(2,888,563)</b>	(2,234,213)
Gross profit		<b>468,248</b>	337,995
Other income and gains	4	<b>164,125</b>	131,335
Selling and distribution costs		<b>(320,353)</b>	(238,777)
Administrative expenses		<b>(109,884)</b>	(93,882)
Other expenses		<b>(17,723)</b>	(16,842)
Finance costs	6	<b>(43,754)</b>	(15,097)
PROFIT BEFORE TAX	5	<b>140,659</b>	104,732
Tax	7	<b>(42,486)</b>	(31,880)
<b>PROFIT FOR THE PERIOD</b>		<b>98,173</b>	72,852
Attributable to:			
Equity holders of the parent		<b>76,361</b>	56,819
Minority interests		<b>21,812</b>	16,033
		<b>98,173</b>	72,852
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic (RMB)	9	<b>18.5 cents</b>	14.8 cents

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Notes	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	<b>1,490,033</b>	1,296,834
Investment properties	11	<b>8,067</b>	8,240
Lease prepayments for land use rights	12	<b>75,551</b>	76,462
Interests in associates		<b>202</b>	202
Available-for-sale investments		<b>51,336</b>	53,680
Intangible assets		<b>8,254</b>	7,964
Other long term lease prepayments		<b>25,033</b>	20,299
<b>Total non-current assets</b>		<b>1,658,476</b>	1,463,681
<b>CURRENT ASSETS</b>			
Inventories	13	<b>661,173</b>	599,550
Trade receivables	14	<b>771,062</b>	743,006
Prepayments, deposits and other receivables		<b>229,386</b>	197,610
Loans receivable	15	<b>50,000</b>	50,000
Investment deposit		<b>-</b>	100,000
Pledged deposits	16	<b>13,858</b>	19,414
Cash and cash equivalents	16	<b>585,933</b>	501,940
<b>Total current assets</b>		<b>2,311,412</b>	2,211,520
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	17	<b>988,064</b>	997,417
Debentures	18	<b>-</b>	370,000
Tax payable		<b>63,055</b>	60,006
Other payables and accruals		<b>143,593</b>	147,850
Interest-bearing bank and other borrowings	19	<b>1,278,750</b>	577,462
Deferred income		<b>267</b>	267
<b>Total current liabilities</b>		<b>2,473,729</b>	2,153,002
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>(162,317)</b>	58,518
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,496,159</b>	1,522,199



	<i>Notes</i>	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,496,159</b>	1,522,199
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	19	<b>78,500</b>	100,375
Deferred income		<b>3,066</b>	3,199
Deferred tax liabilities		<b>12,653</b>	12,333
<b>Total non-current liabilities</b>		<b>94,219</b>	115,907
<b>Net assets</b>		<b>1,401,940</b>	1,406,292
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	20	<b>412,220</b>	412,220
Reserves		<b>832,653</b>	758,636
Proposed final dividend		-	72,139
		<b>1,244,873</b>	1,242,995
<b>Minority interests</b>		<b>157,067</b>	163,297
<b>Total equity</b>		<b>1,401,940</b>	1,406,292

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2008

	Attributable to equity holders of the parent									
	Issued capital	Share premium account	Capital reserve	Available-for-sale investment revaluation reserve	Statutory surplus reserve	Proposed final dividend	Retained profits	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Six months ended 30 June 2008 (Unaudited)</b>										
At 1 January 2008	412,220	605,171	5,121	3,330	58,204	72,139	86,810	1,242,995	163,297	1,406,292
Profit for the period	-	-	-	-	-	-	76,361	76,361	21,812	98,173
Total income and expense for the period	-	-	-	-	-	-	76,361	76,361	21,812	98,173
2007 dividend declared	-	-	-	-	-	(72,139)	-	(72,139)	-	(72,139)
Acquisition of minority interests	-	-	-	-	-	-	-	-	(756)	(756)
Dividends paid to minority equity holders	-	-	-	-	-	-	-	-	(27,286)	(27,286)
Change in fair value of available-for-sale investments	-	-	-	(2,344)	-	-	-	(2,344)	-	(2,344)
At 30 June 2008	412,220	605,171*	5,121*	986*	58,204*	-	163,171*	1,244,873	157,067	1,401,940
<b>Six months ended 30 June 2007 (Unaudited)</b>										
At 1 January 2007	384,620	442,230	5,121	2,749	43,049	57,693	49,511	984,973	89,672	1,074,645
Profit for the period	-	-	-	-	-	-	56,819	56,819	16,033	72,852
Total income and expense for the period	-	-	-	-	-	-	56,819	56,819	16,033	72,852
2006 dividend declared	-	-	-	-	-	(57,693)	-	(57,693)	-	(57,693)
Dividends paid to minority equity holders	-	-	-	-	-	-	-	-	(19,566)	(19,566)
Cash contribution from minority equity holders	-	-	-	-	-	-	-	-	51,106	51,106
Acquisition of minority interests	-	-	-	-	-	-	-	-	(2,202)	(2,202)
Utilisation of statutory surplus reserve to increase the registered capital of a subsidiary	-	-	-	-	(899)	-	-	(899)	-	(899)
At 30 June 2007	384,620	442,230	5,121	2,749	42,150	-	106,330	983,200	135,043	1,118,243

\* These reserve accounts as at 30 June 2008 comprised the consolidated reserves of RMB832,653,000 in the interim condensed consolidated balance sheet.

## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2008

	<b>Six months ended 30 June</b>	
	<b>2008</b> <b>RMB'000</b> <b>(Unaudited)</b>	2007 RMB'000 (Unaudited)
Net cash inflow from operating activities	<b>19,076</b>	105,030
Net cash inflow/(outflow) from investing activities	<b>(145,071)</b>	208,115
Net cash inflow/(outflow) from financing activities	<b>209,988</b>	(271,153)
Net increase in cash and cash equivalents	<b>83,993</b>	41,992
Cash and cash equivalents at beginning of period	<b>501,940</b>	540,290
Cash and cash equivalents at end of period	<b>585,933</b>	582,282

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2008

## 1. CORPORATE INFORMATION

Beijing Jingkelong Company Limited (the "Company") is a joint stock limited company incorporated in the People's Republic of China (the "PRC"). The Company's H shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM") on 25 September 2006. On 26 February 2008, the Company migrated from the GEM to the Main Board of the Stock Exchange.

The registered office of the Company is located at 45 Xinyuan Street, Chaoyang District, Beijing, the PRC. The principal place of business of the Company in Hong Kong is located at 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the retail and wholesale distribution of daily consumer products in the region covering the Beijing city and certain parts of its periphery.

In the opinion of the directors, the controlling shareholder of the Company is Beijing Chaoyang Auxiliary Food Company ("Chaoyang Auxiliary"), a state-owned enterprise established in the PRC.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2008 (the "Interim Condensed Consolidated Financial Statements") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The Interim Condensed Consolidated Financial Statements does not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2007. The Interim Condensed Consolidated Financial Statements are presented in Renminbi ("RMB") and all values are rounded to nearest thousand, except when otherwise indicated.

As at 30 June 2008, the Group had net current liabilities of RMB162,317,000. Based on the Group's history of obtaining financing, available banking facilities, operating performance, working capital forecast and financial obligations in the next twelve months, the directors consider that there are sufficient financial resources available to the Group to meet its liabilities as when fall due and to carry on its businesses in the foreseeable future. Accordingly, the directors have prepared the Interim Condensed Consolidated Financial Statements on a going concern basis.

## 2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007, except for the adoption of the new and revised Hong Kong Financial Reporting Standards and interpretations as noted below.

HK(IFRIC)-Int 11	<i>HKFRS 2 – Group and Treasury Share Transactions</i>
HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	<i>HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

The adoption of the above new and revised standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the Interim Condensed Consolidated Financial Statements.

## 3. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as the Group's customers and operations are located in the PRC.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (i) the retailing segment engages in the distribution of live and fresh produce, dry products, beverages, processed food and daily necessities through the hypermarkets, supermarkets and/or convenience stores of the Group (the "Retail Outlets");
- (ii) the wholesaling segment engages in the wholesale supply of daily consumer products to consumers, including the Retail Outlets, other retail operators, and trading companies; and
- (iii) the "others" segment comprises, principally, the production of plastic packing materials, and the installation and maintenance of commercial equipment.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the six months periods ended 30 June 2008 and 2007.

### Six months ended 30 June 2008 (Unaudited)

	Retailing RMB'000	Wholesaling RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
<b>Segment revenue:</b>					
Sales to external customers	1,595,388	1,756,678	4,745	-	3,356,811
Intersegment sales	-	305,995	4,140	(310,135)	-
Other income and gains	138,996	35,768	251	(10,890)	164,125
<b>Total</b>	<b>1,734,384</b>	<b>2,098,441</b>	<b>9,136</b>	<b>(321,025)</b>	<b>3,520,936</b>
<b>Segment results</b>	<b>95,932</b>	<b>89,217</b>	<b>(736)</b>	<b>-</b>	<b>184,413</b>
Finance costs	(30,295)	(22,085)	-	8,626	(43,754)
Profit before tax					140,659
Tax					(42,486)
Profit for the period					<u>98,173</u>
<b>Assets and liabilities:</b>					
Segment assets	2,636,398	1,467,458	5,513	(139,481)	<u>3,969,888</u>
Segment liabilities	(1,615,965)	(1,087,923)	(3,541)	139,481	<u>(2,567,948)</u>
<b>Other segment information:</b>					
Capital expenditure:					
Property, plant and equipment	221,158	26,995	7	-	248,160
Intangible assets	1,107	-	-	-	1,107
Depreciation:					
Property, plant and equipment	43,346	10,469	45	-	53,860
Investment properties	173	-	-	-	173
Amortisation of intangible assets					
	257	560	-	-	817
Recognition of lease prepayments for land use rights					
	911	-	-	-	911

**Six months ended 30 June 2007 (Unaudited)**

	Retailing RMB'000	Wholesaling RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
<b>Segment revenue:</b>					
Sales to external customers	1,348,894	1,220,697	2,617	-	2,572,208
Intersegment sales	125,897	190,058	4,981	(320,936)	-
Other income and gains	112,689	23,707	269	(5,330)	131,335
<b>Total</b>	<b>1,587,480</b>	<b>1,434,462</b>	<b>7,867</b>	<b>(326,266)</b>	<b>2,703,543</b>
<b>Segment results</b>					
	69,746	56,792	222	-	126,760
Corporate and unallocated expense – foreign exchange difference					(6,931)
Finance costs	(7,495)	(12,932)	-	5,330	(15,097)
Profit before tax					104,732
Tax					(31,880)
Profit for the period					<u>72,852</u>
<b>Assets and liabilities:</b>					
Segment assets	1,952,043	1,151,477	5,137	(264,901)	<u>2,843,756</u>
Segment liabilities	(1,159,908)	(827,247)	(3,259)	264,901	<u>(1,725,513)</u>
<b>Other segment information:</b>					
Capital expenditure:					
Property, plant and equipment	103,290	8,544	-	-	111,834
Intangible assets	736	5,600	-	-	6,336
Depreciation:					
Property, plant and equipment	29,004	5,879	47	-	34,930
Investment properties	422	-	-	-	422
Amortisation of intangible assets					
	201	93	-	-	294
Recognition of lease prepayments for land use rights					
	376	-	-	-	376
Impairment loss on items of property, plant and equipment					
	1,000	-	-	-	1,000



#### 4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after deduction of relevant taxes and allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	<b>Six months ended 30 June</b>	
	<b>2008</b> <b>RMB'000</b> <b>(Unaudited)</b>	2007 RMB'000 (Unaudited)
<b>Revenue</b>		
Sale of merchandise and produce:		
Retailing	<b>1,595,388</b>	1,348,894
Wholesaling	<b>1,756,678</b>	1,220,697
	<b>3,352,066</b>	2,569,591
Others	<b>4,745</b>	2,617
<b>Total revenue</b>	<b>3,356,811</b>	2,572,208
<b>Other income and gains</b>		
Income from suppliers:		
Promotion income	<b>99,907</b>	59,190
Display space leasing fee	<b>6,192</b>	31,703
Others	<b>10,093</b>	7,361
	<b>116,192</b>	98,254
Gross rental income	<b>32,689</b>	20,550
Net compensation on demolished property	<b>1,231</b>	3,000
Interest income	<b>4,689</b>	5,357
Government grants	<b>2,586</b>	133
Others	<b>6,738</b>	4,041
<b>Total other income and gains</b>	<b>164,125</b>	131,335

## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<b>Six months ended 30 June</b>	
	<b>2008</b> <b>RMB'000</b> <b>(Unaudited)</b>	2007 RMB'000 (Unaudited)
Cost of inventories sold	<b>2,888,563</b>	2,234,213
Depreciation:		
Property, plant and equipment	<b>53,860</b>	34,930
Investment properties	<b>173</b>	422
	<b>54,033</b>	35,352
Amortisation of intangible assets	<b>817</b>	294
Recognition of lease prepayments for land use rights	<b>911</b>	376
Minimum lease payments under operating lease on properties	<b>45,557</b>	39,053
Gains on disposal of items of property, plant and equipment	<b>(573)</b>	–
Impairment/(reversal of impairment) of trade and other receivables	<b>(2,492)</b>	59
Impairment loss on items of property, plant and equipment	–	1,000
Staff costs:		
Directors' and supervisors' emoluments	<b>7,339</b>	6,449
Other staff costs		
Wages, salaries and social security costs	<b>156,848</b>	125,800
Retirement benefits contributions	<b>12,204</b>	9,748
	<b>169,052</b>	135,548
	<b>176,391</b>	141,997
Foreign exchange difference	<b>272</b>	6,931

## 6. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2008</b> <b>RMB'000</b> <b>(Unaudited)</b>	2007 RMB'000 (Unaudited)
Interest on bank loans wholly repayable within five years	<b>27,119</b>	16,871
Interest on debentures wholly repayable within five years	<b>12,362</b>	–
Interest on other borrowings wholly repayable within five years	<b>6,083</b>	8,414
	<b>45,564</b>	25,285
Less: Interest capitalised	<b>(1,810)</b>	(10,188)
	<b>43,754</b>	15,097

## 7. TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group is not liable for income tax in Hong Kong as it did not have assessable income currently arising in Hong Kong. Under the prevailing PRC income tax law, the Group and its associates are subject to corporate income tax at a rate of 25% on their respective taxable income for the six months period ended 30 June 2008 (the six months period ended 30 June 2007: 33%)

	<b>Six months ended 30 June</b>	
	<b>2008</b> <b>RMB'000</b> <b>(Unaudited)</b>	2007 RMB'000 (Unaudited)
Current income tax – PRC	<b>42,806</b>	35,041
Deferred income tax	<b>(320)</b>	(3,161)
	<b>42,486</b>	31,880

A reconciliation of tax expense applicable to profit before tax at the statutory rate to tax expense at the Group's effective rate, and a reconciliation of the statutory rate to the effective tax rate, are as follows:

	<b>Six months ended 30 June</b>	
	<b>2008</b> <b>RMB'000</b> <b>(Unaudited)</b>	2007 RMB'000 (Unaudited)
Profit before tax	<b>140,659</b>	104,732
Income tax at PRC statutory income tax rate	<b>35,165</b>	34,562
Effect of changes in tax rate	-	(4,965)
Expenses not deductible for tax	<b>5,800</b>	1,502
Tax losses not recognised	<b>1,692</b>	121
Others	<b>(171)</b>	660
Tax charge at the Group's effective rate	<b>42,486</b>	31,880

#### 8. INTERIM DIVIDEND

The board of the Company did not recommend the payment of any interim dividend for the six months period ended 30 June 2008 (the six months period ended 30 June 2007: Nil).

#### 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period.

	<b>Six months ended 30 June</b>	
	<b>2008</b> <b>RMB'000</b> <b>(Unaudited)</b>	2007 RMB'000 (Unaudited)
<i>Earnings:</i>		
Profit attributable to ordinary equity holders of the parent	<b>76,361</b>	56,819

	<b>Number of shares</b>	
	<b>Six months ended 30 June</b>	
	<b>2008 (Unaudited)</b>	2007 (Unaudited)
<i>Shares:</i>		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	<b>412,220,000</b>	384,620,000

Diluted earnings per share is not presented for the six months periods ended 30 June 2007 and 2008 as there were no diluting events in existence during the relevant periods.

#### **10. PROPERTY, PLANT AND EQUIPMENT**

During the six months period ended 30 June 2008, the Group acquired buildings, leasehold improvements, machinery, office equipment, motor vehicles, and construction in progress with an aggregate cost of approximately RMB248.2 million. Property, plant and equipment with an aggregate net book value of RMB1.1 million were disposed of during the six months period ended 30 June 2008.

As at 30 June 2008, the Group's buildings with net book values of approximately RMB531.7 million (31 December 2007: RMB381 million) were pledged to secure certain bank loans granted to the Group (note 19).

#### **11. INVESTMENT PROPERTIES**

As at 30 June 2008, all the Group's investment properties with an aggregate carrying amount of RMB6.7 million (31 December 2007: RMB5.3 million) were pledged to secure certain bank loans granted to the Group (note 19).

#### **12. LEASE PREPAYMENTS FOR LAND USE RIGHTS**

As at 30 June 2008, the Group's lease prepayments for land use rights with an aggregate carrying amount of RMB70.2 million (31 December 2007: RMB66 million) were pledged to secure certain bank loans granted to the Group (note 19).

**13. INVENTORIES**

	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Merchandise and produce for resale	<b>652,360</b>	586,793
Raw materials	<b>7,075</b>	8,213
	<b>659,435</b>	595,006
Low-value consumables	<b>1,738</b>	4,544
	<b>661,173</b>	599,550

**14. TRADE RECEIVABLES**

	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Trade receivables	<b>775,065</b>	749,457
Impairment	<b>(4,003)</b>	(6,451)
	<b>771,062</b>	743,006

The Group normally allows a credit period of not more than 60 days to its customers and an extension of credit period is granted to some customers with long term relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group's trade receivables comprised about 3,500 customers which amount ranging from RMB0.1 million to RMB237.3 million. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables of the Group as at the balance sheet date, based on the invoice date and net of provision, is as follows:

	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Within 2 months	<b>603,029</b>	602,686
2 to 6 months	<b>162,203</b>	136,353
6 months to 1 year	<b>5,230</b>	3,855
1 to 2 years	<b>600</b>	112
	<b>771,062</b>	743,006

#### 15. LOANS RECEIVABLE

As at 30 June 2008, loans receivable represented the designated loan lent by the Company to a third party through Bank of Beijing. The entrusted loan was unsecured, bearing an annual interest rate of 7.47% with a term of maturity of one year.

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#### 16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Cash and bank balances	<b>585,933</b>	501,940
Pledged time deposits for the bills payable with original maturity of less than three months when acquired	<b>13,858</b>	9,000
Pledged time deposits for the secured bank loans with original maturity of less than three months when acquired	-	10,414
	<b>599,791</b>	521,354
Less: Pledged time deposits with original maturity of less than three months when acquired	<b>(13,858)</b>	(19,414)
Cash and cash equivalents	<b>585,933</b>	501,940



**17. TRADE AND BILLS PAYABLES**

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Within 2 months	<b>864,343</b>	919,937
2 to 6 months	<b>86,928</b>	69,554
6 months to 1 year	<b>33,403</b>	3,270
1 to 2 years	<b>1,420</b>	431
Over 2 years	<b>1,970</b>	4,225
	<b>988,064</b>	997,417

As at 30 June 2008, the bills payable of the Group amounting to RMB46.1 million was secured by certain of the Group's pledged time deposits amounting to approximately RMB13.9 million (note 16).

**18. DEBENTURES**

On 19 December 2007, the Company issued RMB debentures in aggregate amounting to RMB370 million with a term of maturity of 182 days. The RMB debentures were unsecured, interest-bearing at 7.08% per annum and were fully settled during the period.

**19. INTEREST-BEARING BANK AND OTHER BORROWINGS**

	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Bank loans:		
Secured	<b>892,250</b>	477,837
Unsecured	<b>165,000</b>	180,000
	<b>1,057,250</b>	657,837
Other borrowing:		
Unsecured	<b>300,000</b>	20,000
Total bank loans and other borrowing	<b>1,357,250</b>	677,837
Less: Portion classified as current liabilities	<b>(1,278,750)</b>	(577,462)
Long term portion	<b>78,500</b>	100,375

**(a) Bank loans**

All of the Group's bank loans, which are denominated in RMB, bear fixed interest rates ranging from 5.85% to 7.47% (31 December 2007: 5.50% to 7.47%) per annum.

*(i) Secured bank loans*

As at 30 June 2008, the secured bank loans of the Group amounting to RMB892.3 million were secured by certain of the Group's buildings, investment properties and lease prepayments for land use rights with aggregate net book values of approximately RMB531.7 million (note 10), RMB6.7 million (note 11) and RMB70.2 million (note 12), respectively.

As at 31 December 2007, the secured bank loans of the Group amounting to RMB443.1 million were secured by certain of the Group's buildings, investment properties and lease prepayments for land use rights with aggregate net book values of approximately RMB381 million (note 10), RMB5.3 million (note 11) and RMB66 million (note 12), respectively. In addition, the secured bank loans of the Group amounting to RMB34.7 million were secured by certain of the Group's pledged time deposits amounting to RMB10.4 million (note 16).

*(ii) Unsecured bank loans*

As at 30 June 2008, the unsecured bank loans of the Group amounting to RMB145 million (31 December 2007: RMB160 million) were guaranteed by the Company. In addition, there were designated loans as at 30 June 2008 from a third party amounting to RMB20 million (31 December 2007: RMB20 million).

**(b) Other borrowing**

The unsecured other borrowing of the Group as at 30 June 2008 was the borrowing from New Time Trust & Investment Company Limited, an independent third party, amounting to RMB300 million which was guaranteed by the Company.

The Group's other borrowing as at 30 June 2008 is denominated in RMB and bears a fixed interest rate of 7.30% (31 December 2007: 6.57%) per annum.

## 20. ISSUED CAPITAL

	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Issued and fully paid:		
230,060,000 domestic shares of RMB1.00 each	<b>230,060</b>	230,060
182,160,000 H shares of RMB1.00 each	<b>182,160</b>	182,160
	<b>412,220</b>	412,220

## 21. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from 1 to 20 years. The terms of the leases generally also require the tenants to pay security deposits.

As at 30 June 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Within one year	<b>26,034</b>	28,668
In the second to fifth years, inclusive	<b>73,683</b>	83,079
After five years	<b>67,640</b>	76,200
	<b>167,357</b>	187,947

(b) As lessee

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 2 to 20 years.

As at 30 June 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Within one year	<b>80,871</b>	61,246
In the second to fifth years, inclusive	<b>316,364</b>	267,961
After five years	<b>661,900</b>	581,038
	<b>1,059,135</b>	910,245

## 22. COMMITMENTS

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The Group had the following capital commitments, principally for the construction and acquisition of property, plant and equipment, at the balance sheet date:

	<b>30 June 2008 RMB'000 (Unaudited)</b>	31 December 2007 RMB'000 (Audited)
Authorised, but not contracted for	<b>6,848</b>	51,056
Contracted, but not provided for	<b>59,319</b>	56,226
	<b>66,167</b>	107,282

### 23. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties during the six months periods ended 30 June 2008 and 2007:

	Notes	Six months ended 30 June	
		2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Controlling shareholder:			
Expenses on property leasing	(i)	4,166	3,914
A subsidiary of controlling shareholder:			
Expenses on property leasing	(ii)	1,050	-

*Notes:*

- (i) The Group entered into lease and supplement agreements with Chaoyang Auxiliary to lease certain properties for operation purposes for a lease term of 20 years at a basic annual rental expense, including related business taxes and property taxes, in aggregate of approximately RMB8,332,000 for the period from 1 January 2008 to 31 December 2008.
- (ii) Pursuant to a property lease agreement signed between the Company and Beijing Tengyuan Xingye Automobile Service Company Limited, a subsidiary of Chaoyang Auxiliary, the rental expenses for the period ended 30 June 2008 were charged at annual rental expense of approximately RMB2,100,000.

- (b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Short term employee benefits	11,003	7,716
Post-employment benefits	658	1,068
Total compensation paid to key management personnel	11,661	8,784

## 24. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2008.

## 25. POST BALANCE SHEET EVENTS

- (a) On 14 July 2008, the Company issued debentures in aggregate amounting to RMB370 million with a term of maturity of one year. The RMB debentures are unsecured, interest-bearing at 6.8% per annum and are issued through Bank of Beijing. The carrying amounts of the debentures approximate to their fair values.
- (b) On 22 July 2008, the Group, through a non-wholly owned subsidiary, established a subsidiary, Tangshan Chaopi Trading Company Limited ("Chaopi Tangshan"), to engage in the wholesale of general merchandise. The Group holds an indirect effective interest of 76.42% in Chaopi Tangshan. The total equity of Chaopi Tangshan is RMB5 million and has been fully paid up on 9 July 2008.
- (c) On 24 July 2008, the Group, through a non-wholly owned subsidiary, established a subsidiary, Tianjin Chaopi Trading Company Limited ("Chaopi Tianjin"), to engage in the wholesale of general merchandise and provision of storage services. The Group holds an indirect effective interest of 76.42% in Chaopi Tianjin. The total equity of Chaopi Tianjin is RMB15 million and has been fully paid up on 17 July 2008.

Save as the events disclosed above, the Group did not have any significant post balance sheet events taken place subsequent to 30 June 2008.

## 26. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Interim Condensed Consolidated Financial Statements were approved and authorised for issue by the board of directors on 15 August 2008.