Interim Report 2009

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 : 0814)

CONTENTS

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

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
Tuanjiehu Branch
2 Tuanjiehu 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

SHAREHOLDERS' ENQUIRIES

CONTACT INFORMATION OF THE COMPANY

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

STOCK CODE

814

FINANCIAL HIGHLIGHTS

The Group recorded the following results during the six months ended 30 June 2009:

- Revenue was approximately RMB3,249.3 million, representing a decrease of approximately 3% as compared with the last corresponding period.

- Gross profit was approximately RMB452.5 million, representing a decrease of approximately 2.1% as compared with the last corresponding period.

- Gross profit margin was approximately 13.9%, maintained at approximately the same level of 13.8% of the last corresponding period.

- Profit attributable to equity holders was approximately RMB70.3 million, representing a decrease of approximately 7.9% as compared with the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Since the fourth quarter of 2008, the impact of the global financial crisis on China's economy has become obvious gradually. The drop in resident consumption demand and continuous decline of consumer price index has brought unprecedented challenges to the retail and wholesale businesses of domestic fast moving consumer goods.

Facing the severe macroeconomic situation, Beijing Jingkelong Company Limited (the "Company" or "Jingkelong") and its subsidiaries (collectively the "Group") adopted the counter measures positively during the six months ended 30 June 2009 (the "Reporting Period"). The Group insisted on stable development strategy in developing its distribution network and strived to maintain and expand its market share. On the other hand, the Group reinforced its managerial and administrative expertise, promoted sales by all means and controlled costs and expenses to minimise adverse effect.

RETAIL BUSINESS

DEVELOPMENT OF RETAIL OUTLETS

During the Reporting Period, the Group continued to adhere strictly to the regional development strategy. 14 retail outlets which comprised 6 directly-operated retail outlets (including 1 hypermarket, 2 supermarkets and 3 convenience stores) and 8 franchise-operated convenience stores were set up in Beijing and Langfang of Hebei Province. Under the impact of the financial crisis, one hypermarket was closed. Meanwhile, franchise agreements have been terminated for 12 franchise-operated convenience stores and 1 Shoulian delegated store.

The total number of the Group's retail outlets was 242 as at 30 June 2009, including 114 directly-operated outlets, 102 franchise-operated outlets and 26 Shoulian delegated stores with a total net operating area of approximately 310,000 square metres. The following table sets out the number and net operating area of the Group's retail outlets as at 30 June 2009:

	Department stores	Hyper-markets	Super-markets	Convenience stores	Total
Number of retail outlets:					
Directly-operated	1	7	49	57	114
Franchise-operated	–	–	1	101	102
Shoulian delegated stores	1	2	23	–	26
	2	9	73	158	242
Net operating area (square metres):					
Directly-operated	27,800	60,952	106,319	13,031	208,102
Franchise-operated	–	–	880	18,737	19,617
Shoulian delegated stores	19,300	14,071	48,389	–	81,760
	47,100	75,023	155,588	31,768	309,479

COMMODITY OPTIMISATION

During the Reporting Period, the Group continued to strengthen the development and operation of its in-house branded commodities. Commodities of cotton-knitted category and daily necessities category were key introduced in enlarging our range of in-house branded commodities. Stringent standards are persisted for selecting suppliers to ensure our in-house branded commodities are with high quality and favorable price. The contributions from in-house branded commodities are enhanced gradually.

For the purpose of promoting the competitiveness of live and fresh produce, efforts were made to develop order agriculture procurement bases. During the Reporting Period, vegetables planting order agreements were entered into with three vegetable bases located in Yanqing, Shunyi and Gu'an of Hebei Province, resulting in reducing procurement costs and shortening display cycle. Site package procurement was attempted for certain vegetables products and stratified price sales were conducted in promoting sales of retail outlets.

OPERATION IMPROVEMENT

In order to tackle the adverse impact of the financial crisis and intense competition, marketing methods were continuous enriched in promoting overall marketing level during the Reporting Period. By grasping the market hot spot and consumption demand, enlarging the promotion momentum during the weekends, festivals and holidays, shifting the promotion cycle from 2 weeks to 1 week, replacing single price promotion method with promotion mix including price promotion of more concession, tying promotion, gifts, lucky draw, and planning a large-scale marketing activity for the 15th anniversary of the Company's establishment to activate customers consumption.

During the Reporting Period, the functions of the data analysis system were fully displayed and provided support of scientific data for shop marketing decision-making. Through the comprehensive promotion of the "shop manager information system", the managements of retail outlets were able to conduct digital analysis on the quantity of daily receipt, sales and storage of commodities. The management of sale in retail outlets was thus refined gradually.

SERVICE PROMOTION

Strengthening competitiveness in service and brand are both the development directions of retail business. Strengthening of service and marketing will become the key factors for enterprises to promote their brand value and competitiveness. During the Reporting Period, the Group continued to develop its membership reward card functions and strengthened member services in order to attract and retain key customers and promote customer loyalty. Member's rewards were adjusted from a yearly basis to a combination of quarterly and yearly basis and quarterly reward activities were launched. Meanwhile, playbills of member commodities were introduced and the functions of "cents storage" implemented in membership reward cards were further extended which stimulated members' purchase and attracted more new members. During the Reporting Period, approximately 132,000 new membership rewards cards were issued and total number of members increased to approximately 1,320,000.

In respect of measures for customer convenience service, apart from adherence to traditional services, certain new services according to customers demands were timely introduced, such as installation of payment terminals, addition of wheelchairs and mechanical type three-dimensional garages and other facilities in certain retail outlets which not just offered convenience to customers but also, to a certain extent, enhanced the corporate image of Jingkelong.

OPERATION RESULTS (UNAUDITED)

The following table sets out an analysis of the retail revenue and gross profit margin contributed by the Group's directly-operated hypermarkets, supermarkets and convenience stores and commissions earned from concessionaire sales.

	For the six months ended 30 June		
	2009	2008	**Increase/**
	RMB'000	RMB'000	**(Decrease)**
		(Restated)	**(%)**
Directly-operated retail outlets:			
Hypermarkets	**505,507**	495,672	**2.0**
Supermarkets	**948,562**	947,181	**0.2**
Convenience stores	**136,030**	135,610	**0.3**
Total	**1,590,099**	1,578,463	**0.7**
Gross profit margin (%)	**16.5**	16.9	**(0.4)**
Commissions from concessionaire sales	**11,020**	10,803	**2.0**
Including Jiulong department store	**11,020**	8,622	**27.8**
Total retail revenue	**1,601,119**	1,589,266	**0.7**

The revenue of the directly-operated retail outlets during the Reporting Period maintained at approximately the same amount of the last corresponding period.

The decrease in gross profit margin generated from the directly-operated retail outlets from approximately 16.9% in the first half of 2008 to approximately 16.5% in the Reporting Period was mainly due to the Group carried out more promotion activities to maintain its market share during the unfavourable economy situation and intense competition of domestic retail market.

WHOLESALE BUSINESS

Due to the depression of macroeconomic, shrinking in market consumption, decrease in consumption of upscale wines and significant falling in price of edible oil, the Group's wholesale business has been under unprecedented impact during the Reporting Period. Nevertheless, our wholesale operation and management team still tackle to overcome difficulties, take all possible means for market development and stabilise operating results.

Along with the gradual recovery of market environment, our wholesale business has resumed gradually. Our operation and management team believes that our wholesale business will be optimistic and positive in the second half of the year.

Operation results (Unaudited)

The wholesale revenue and gross profit margin is analysed as follows:

	For the six months ended 30 June		
	2009 RMB'000	2008 RMB'000	**Increase/ (Decrease) (%)**
Revenue recognised by Chaopi Trading and its subsidiaries	**1,658,204**	1,839,997	**(9.9)**
Less: Intersegment sales	**(239,624)**	(305,995)	
Sales to franchisees	**226,296**	222,676	
Consolidated wholesale revenue	**1,644,876**	1,756,678	**(6.4)**
Gross profit margin* (%)	**10.8**	10.0	**0.8**

*: *This represents gross profit margin recognised by Chaopi Trading and its subsidiaries including intersegment sales.*

The decrease in wholesale revenue recognised by Chaopi Trading and its subsidiaries of approximately 9.9% during the Reporting Period was primarily due to the drop in sales of upscale wines as a result of the unfavourable economic situation and significant fall in price of edible oil.

The increase in gross profit margin from approximately 10.0% in the first half of 2008 to approximately 10.8% during the Reporting Period was mainly because of the continuous adjustment of our commodity mix.

FINANCIAL RESULTS (UNAUDITED)

	For the six months ended 30 June		
	2009 RMB'000	2008 RMB'000 (Restated)	**Increase/ (Decrease) (%)**
Revenue	**3,249,298**	3,350,689	**(3.0)**
Gross profit	**452,543**	462,126	**(2.1)**
Gross profit margin (%)	**13.9**	13.8	**0.1**
Profit for the period	**87,926**	98,173	**(10.4)**
Net profit margin (%)	**2.7**	2.9	**(0.2)**
Profit attributable to equity holders of the parent	**70,340**	76,361	**(7.9)**
Net profit margin attributable to equity holders of the parent (%)	**2.2**	2.3	**(0.1)**

Revenue

The Group's revenue decreased by approximately 3%, from approximately RMB3,350.7 million in the first half of 2008 to approximately RMB3,249.3 million during the Reporting Period primarily due to the decrease in wholesale revenue of approximately 6.4%.

Gross profit and gross profit margin

During the Reporting Period, the gross profit of the Group was approximately RMB452.5 million, representing a decrease of approximately 2.1% compared with approximately RMB462.1 million of the last corresponding period. The decrease was in line with the decline in revenue. The gross profit margin maintained at approximately the same level during the first half of 2008 and 2009.

Profit attributable to equity holders of the parent

During the Reporting Period, profit attributable to equity holders of the parent decreased by approximately 7.9% from approximately RMB76.4 million in the first half of 2008 to approximately RMB70.3 million. The decrease in profit was mainly attributable to the decrease in gross profit.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2009, the Group had non-current assets of approximately RMB1,764.5 million, which mainly comprised property, plant and equipment of approximately RMB1,589.7 million, and non-current liabilities of approximately RMB51.4 million, which mainly comprised interest-bearing bank and other borrowings of approximately RMB30.3 million.

As at 30 June 2009, the Group had net current liabilities of approximately RMB221.7 million. Current assets mainly comprised cash and cash equivalents of approximately RMB485.6 million, inventories of approximately RMB600.1 million, trade receivables of approximately RMB1,014 million and prepayments, deposits and other receivables of approximately RMB274.1 million. Current liabilities mainly comprised trade and bills payables of approximately RMB699.8 million, interest-bearing bank and other borrowings of approximately RMB1,113.9 million, short-term debentures of RMB370 million and, other payables and accruals of approximately RMB434.5 million.

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 30 June 2009, the Group had an aggregate borrowings (all denominated in RMB) of approximately RMB1,514.1 million, which consisted of secured short-term bank loans of approximately RMB468.2 million, unsecured short-term bank loans of RMB250 million, secured non-current bank loans of approximately RMB30.3 million, unsecured short-term other loans of approximately RMB395.6 million and unsecured short-term debentures of RMB370 million (fixed interest rate of 6.8% per annum). All the Group's bank loans bear fixed interest rates ranging from 4.9% to 6.7% per annum. All the Group's other loans bear a fixed interest rate of 5.3% per annum. 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 RMB746.9 million as at 30 June 2009.

Certain of the Group's time deposits of approximately RMB22.5 million were pledged for bills payable of approximately RMB74.8 million as at 30 June 2009.

The Group's net gearing ratio* was approximately 67.5% as at 30 June 2009 which was higher than that as at 31 December 2008, being approximately 57.8%. The increase was primarily due to an increase of bank loans and other borrowings during the Reporting Period.

* *Represented by: (Total borrowings (including debentures) – pledged deposits, and cash and cash equivalents)/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 2009 the Group employed 5,033 full-time employees and 1,899 temporary employees in the PRC. The total staff costs (including directors' and supervisors' remunerations) of the Group for the Reporting Period amounted to approximately RMB208.9 million (corresponding period of 2008: RMB176.4 million). The staff emolument (including directors and supervisors emoluments) of the Group are based on duty (position), experience, performance, and market rates, in order to maintain their remunerations at a competitive level.

CONTINGENT LIABILITIES

As at 30 June 2009, 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 2009 are set out in note 26 of the interim condensed consolidated financial statements.

PROSPECTS

As the impact from the financial crisis may not be fully resolved in the second half of 2009, difficulties, pressure and challenges will continue to be encountered by enterprises during their development. However, gradual improvement of China's macroeconomic environment and the continuous increase in positive factors during economical movement has led the national economy starting to stand firmly and rise. Meanwhile, domestic demand is the major strength for accelerating growth in economy and the maintenance, prosperity and stabilisation of social consumables will bring more development opportunities to the Group. We still maintain an optimistic anticipation of our business prospect.

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 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.

DIRECTORS' 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 Company's 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 Company's Articles of Association contains no express provision for the directors' retirement by rotation and thus deviate 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, has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting, including the review of the Group's 2009 unaudited interim consolidated results. The Audit Committee considered that the interim financial report for the six months ended 30 June 2009 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.

DISCLOSURE OF INTERESTS

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

As at 30 June 2009, 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	395,992	0.17	0.10
Liu Yuejin	Personal	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	Personal	375,151	0.16	0.09
Yao Jie	Personal	125,051	0.05	0.03

Save as disclosed above, as at 30 June 2009, 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 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 2009, so far as is known to the directors, supervisors or chief executive of the Company, the persons (other than a director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the domestic shares of the Company

Name	**Capacity**	**Number of domestic shares held**	**Approximate percentage of total issued domestic shares (%)**	**Approximate percentage of total issued shares (%)**
Beijing Chaoyang Auxiliary Food Company	Beneficial owner	167,409,808	72.77	40.61

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 (%)
Montpelier Investment Management LLP *(Note 1)*	23,355,000 (L)	12.82	5.67
Genesis Asset Managers, LLP *(Note 2)*	21,499,000 (L)	11.80	5.22
JP Morgan Chase & Co. *(Note 3)*	20,090,000 (L) 18,142,000 (P)	11.03 9.96	4.87 4.40
Value Partners Limited *(Note 4)*	14,953,000 (L)	8.21	3.63
Value Partners Group Limited *(Note 5)*	14,953,000 (L)	8.21	3.63
Cheah Capital Management Limited *(Note 6)*	14,953,000 (L)	8.21	3.63
Cheah Company Limited *(Note 7)*	14,953,000 (L)	8.21	3.63
Hang Seng Bank Trustee International Limited *(Note 8)*	14,953,000 (L)	8.21	3.63
Cheah Cheng Hye *(Note 9)*	14,953,000 (L)	8.21	3.63
To Hau Yin *(Note 10)*	14,953,000 (L)	8.21	3.63
Schroder Investment Management (Hong Kong) Limited *(Note 11)*	13,036,000 (L)	7.16	3.16
Templeton Asset Management Ltd. *(Note 12)*	9,123,000 (L)	5.01	2.21

(L) –Long Position
(P) –Lending Pool

Notes:

1. These 23,355,000 H shares were held by Montpelier Investment Management LLP in its capacity as an investment manager.

2. These 21,499,000 H shares were held by Genesis Asset Managers, LLP in its capacity as an investment manager.

3. These 20,090,000 H shares were held by JP Morgan Chase & Co. of which 18,142,000 H shares were in its capacity as a custodian corporation/an approved lending agent and the other 1,948,000 H shares were in its capacity as an investment manager.

4. These 14,953,000 H shares were held by Value Partners Limited in its capacity as an investment manager.

5. Value Partners Group Limited had a 100% direct interest in Value Partners Limited and was therefore deemed to have an interest in the 14,953,000 H shares in which Value Partners Limited was interested in.

6. Cheah Capital Management Limited had a 35.65% deemed interest in Value Partners Group Limited was therefore deemed to have an interest in the 14,953,000 H shares in which Value Partners Limited was interested in.

7. Cheah Company Limited had a 100% deemed interest in Cheah Capital Management Limited and was therefore deemed to have an interest in the 14,953,000 H shares in which Value Partners Limited was interested in.

8. These 14,953,000 H shares were held by Hang Seng Bank Trustee International Limited in its capacity as a trustee.

9. These 14,953,000 H shares were held by Cheah Cheng Hye in the capacity as the founder of a discretionary trust.

10. These 114,953,000 shares were held by To Hau Yin in the capacity as the spouse of Cheah Cheng Hye.

11. These 13,036,000 H shares were held by Schroder Investment Management (Hong Kong) Limited in its capacity as an investment manager.

12. These 9,123,000 H shares were held by Templeton Asset Management Ltd. 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 2009, 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
14 August 2009

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 20 to 44, which comprise the interim condensed consolidated statement of financial position of Beijing Jingkelong Company Limited and its subsidiaries as of 30 June 2009 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months period then ended and explanatory notes (collectively referred to as "Interim Condensed Consolidated Financial Statements"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on 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.

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. Consequently, it 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 are 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

14 August 2009

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

Six months ended 30 June 2009

	Notes	Six months ended 30 June **2009** **RMB'000** **(Unaudited)**	 2008 RMB'000 (Unaudited) (Restated)
REVENUE	*4*	**3,249,298**	3,350,689
Cost of sales		**(2,796,755)**	(2,888,563)
Gross profit		**452,543**	462,126
Other income and gains	*4*	**221,995**	164,125
Selling and distribution costs		**(363,735)**	(314,231)
Administrative expenses		**(131,679)**	(109,884)
Other expenses		**(15,569)**	(17,723)
Operating profit		**163,555**	184,413
Finance costs	*5*	**(43,682)**	(43,754)
PROFIT BEFORE TAX	*6*	**119,873**	140,659
Tax	*7*	**(31,947)**	(42,486)
PROFIT FOR THE PERIOD		**87,926**	98,173
Attributable to:			
Equity holders of the parent		**70,340**	76,361
Minority interests		**17,586**	21,812
		87,926	98,173
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	*9*	**17.1 cents**	18.5 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2009

	Note	Six months ended 30 June **2009** **RMB'000** **(Unaudited)**	 2008 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD		**87,926**	98,173
Net gain/(loss) on available-for-sale investment revaluation	*13*	**1,546**	(2,344)
Other comprehensive income/(loss) for the period, net of tax		**1,546**	(2,344)
Total comprehensive income for the period, net of tax		**89,472**	95,829
Attributable to:			
Equity holders of the parent		**71,886**	74,017
Minority interests		**17,586**	21,812
		89,472	95,829

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	Notes	**30 June 2009 RMB'000 (Unaudited)**	31 December 2008 RMB'000 (Audited) (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**1,589,728**	1,528,479
Investment properties	*11*	**7,745**	7,783
Lease prepayments for land use rights	*12*	**89,500**	74,549
Available-for-sale investments	*13*	**2,631**	1,085
Intangible assets		**7,926**	8,583
Other long term lease prepayments		**66,965**	67,434
Total non-current assets		**1,764,495**	1,687,913
CURRENT ASSETS			
Available-for-sale investments	*13*	**–**	50,000
Inventories	*14*	**600,122**	710,080
Trade receivables	*15*	**1,014,032**	970,086
Prepayments, deposits and other receivables		**274,083**	272,700
Loan receivable	*16*	**50,000**	50,000
Pledged deposits	*17*	**22,451**	30,387
Cash and cash equivalents	*17*	**485,633**	543,028
Total current assets		**2,446,321**	2,626,281
CURRENT LIABILITIES			
Trade and bills payables	*18*	**699,764**	798,976
Debentures	*19*	**370,000**	370,000
Tax payable		**49,434**	72,510
Other payables and accruals		**434,475**	493,764
Interest-bearing bank and other borrowings	*20*	**1,113,860**	1,008,513
Deferred income-current portion		**489**	4,282
Total current liabilities		**2,668,022**	2,748,045
NET CURRENT LIABILITIES		**(221,701)**	(121,764)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,542,794**	1,566,149

	Notes	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited) (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,542,794**	1,566,149
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*20*	**30,250**	56,000
Deferred income		**2,800**	2,932
Deferred tax liabilities		**11,142**	11,601
Other long term payable		**7,240**	7,000
Total non-current liabilities		**51,432**	77,533
Net assets		**1,491,362**	1,488,616
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*21*	**412,220**	412,220
Reserves		**898,119**	826,233
Proposed final dividend		**–**	86,566
		1,310,339	1,325,019
Minority interests		**181,023**	163,597
Total equity		**1,491,362**	1,488,616

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2009

	Attributable to equity holders of the parent									
	Issued capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Proposed final dividend RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
Six months ended 30 June 2009 (Unaudited)										
At 1 January 2009	412,220	605,171	5,121	735	79,687	86,566	135,519	1,325,019	163,597	1,488,616
Profit for the period	–	–	–	–	–	–	70,340	70,340	17,586	87,926
Other comprehensive income for the period, net of tax	–	–	–	1,546	–	–	–	1,546	–	1,546
Total comprehensive income for the period, net of tax	–	–	–	1,546	–	–	70,340	71,886	17,586	89,472
2008 dividend declared	–	–	–	–	–	(86,566)	–	(86,566)	–	(86,566)
Dividends paid to minority equity holders	–	–	–	–	–	–	–	–	(160)	(160)
At 30 June 2009	412,220	605,171*	5,121*	2,281*	79,687*	–	205,859*	1,310,339	181,023	1,491,362
Six months ended 30 June 2008 (Unaudited/Restate)										
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
Other comprehensive loss for the period, net of tax	–	–	–	(2,344)	–	–	–	(2,344)	–	(2,344)
Total comprehensive income for the period, net of tax	–	–	–	(2,344)	–	–	76,361	74,017	21,812	95,829
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)
At 30 June 2008	412,220	605,171	5,121	986	58,204	–	163,171	1,244,873	157,067	1,401,940

* *These reserve accounts as at 30 June 2009 comprised the consolidated reserves of RMB898,119,000 in the interim condensed consolidated statements of financial position.*

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash inflow from operating activities	**34,338**	19,076
Net cash outflow from investing activities	**(77,285)**	(145,071)
Net cash inflow/(outflow) from financing activities	**(44,448)**	209,988
Net (decrease)/increase in cash and cash equivalents	**(87,395)**	83,993
Cash and cash equivalents at beginning of period	**543,028**	501,940
Cash and bank balances at end of period	**455,633**	585,933

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009

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 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 2009 (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 2008. 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 2009, the Group had net current liabilities of RMB221,701,000 (31 December 2008: RMB121,764,000). 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 these Interim Condensed Consolidated Financial Statements on a going concern basis.

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting polices 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 2008, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRS") and interpretations as noted below:

HKFRS 8 *Operating Segments*

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 *Segment Reporting*, and disclosures about each of these segments are shown in note 3.

HKAS 1 (Revised) *Presentation of Financial Statements*

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HK(IFRIC) – Int 13 *Customer Loyalty Programmes*

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. The Group maintains a loyalty points programme, *Consumption Points*, within its retail segment which allows customers to accumulate points when they purchase goods in the Group's retail outlets. The points can then be redeemed for discount or free goods, subject to a minimum number of points being obtained. The Group has historically recorded selling expense and liability at the time of sale based on the costs expected to be incurred to redeem the discount or supply goods in the future. HK(IFRIC) – Int 13 has no specific provisions on transition. Therefore, the Group has followed HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, applying the changes retrospectively. The prior period financial information has therefore been restated.

Under the new policy, consideration received is allocated between the goods sold and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

As a result of the adoption of HK(IFRIC) – Int 13, the following adjustments were made to the financial information of prior period:

For the six months ended 30 June 2008:

Net decrease in revenue:	RMB6,122,000
Net decrease in selling expense:	RMB6,122,000

As at 31 December 2008:

Net increase in deferred income	RMB4,015,000
Net decrease in other payables and accruals	RMB4,015,000

The restatement of financial information of prior period had no impact on the Group's earnings per share.

The Group also adopted a number of insignificant amendments to standards and interpretations. These are described under note 2.3 of the Group's annual financial statements for the year ended 31 December 2008.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their business operation and has three reportable operating segments 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 department stores, 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.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, which is measured the same with operating profit or loss in the condensed consolidated financial statements. Group's income tax is managed on a group basis and is not allocated to operating segments.

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.

Operating segments

The following tables present revenue and profit regarding the Group's operating segments for the six months ended 30 June 2009 and 2008, respectively.

Six months ended 30 June 2009 (Unaudited)

	Retailing RMB'000	**Wholesaling RMB'000**	**Others RMB'000**	**Eliminations RMB'000**	**Consolidated RMB'000**
Segment revenue:					
Sales to external customers	**1,601,119**	**1,644,876**	**3,303**	**–**	**3,249,298**
Intersegment sales	**–**	**239,624**	**2,547**	**(242,171)**	**–**
Total	**1,601,119**	**1,884,500**	**5,850**	**(242,171)**	**3,249,298**
Results					
Segment profit before tax	**57,105**	**63,475**	**(707)**	**–**	**119,873**

Six months ended 30 June 2008 (Unaudited/Restated)

	Retailing RMB'000	Wholesaling RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:					
Sales to external customers	1,589,266	1,756,678	4,745	–	3,350,689
Intersegment sales	–	305,995	4,140	(310,135)	–
Total	1,589,266	2,062,673	8,885	(310,135)	3,350,689
Results					
Segment profit before tax	65,637	75,758	(736)	–	140,659

The following table present segment assets of the Group's operating segment as at 30 June 2009 and 31 December 2008, respectively.

	Retailing RMB'000	Wholesaling RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment assets					
As at 30 June 2009 (Unaudited)	**2,748,578**	**1,543,274**	**5,201**	**(86,237)**	**4,210,816**
As at 31 December 2008 (Audited)	2,710,577	1,654,737	5,008	(56,128)	4,314,194

The Group has not placed reliance on any single external customers, amounting to 10% or more of its revenues.

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:

	Six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited) (Restated)
Revenue		
Sale of merchandise and produce:		
Retailing	**1,590,099**	1,578,463
Wholesaling*	**1,644,876**	1,756,678
	3,234,975	3,335,141
Commission from concessionaire sales	**11,020**	10,803
Others	**3,303**	4,745
Total revenue	**3,249,298**	3,350,689

* *Included in the balance are sales to franchises amounting to RMB226,296,000 (the six months ended 30 June 2008: RMB222,676,000).*

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income and gains		
Income from suppliers:		
Promotion income	**139,245**	99,907
Display space leasing fee and others	**18,458**	16,285
	157,703	116,192
Gross rental income	**39,330**	32,689
Net compensation on demolished property	**1,579**	1,231
Interest income	**14,386**	4,689
Government grants	**1,137**	2,586
Others	**7,860**	6,738
Total other income and gains	**221,995**	164,125

5. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	**21,814**	27,119
Interest on debentures wholly repayable within five years	**12,650**	12,362
Interest on other borrowing wholly repayable within five years	**9,458**	6,083
	43,922	45,564
Less: Interest capitalised	**(240)**	(1,810)
	43,682	43,754

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**2,796,755**	2,888,563
Depreciation:		
Property, plant and equipment	**69,889**	53,860
Investment properties	**434**	173
	70,323	54,033
Amortisation of intangible assets	**903**	817
Recognition of lease prepayments for land use rights	**1,226**	911
Minimum lease payments under operating lease on properties	**57,852**	45,557
Losses/(gains) on disposal of items of property, plant and equipment	**23**	(573)
Reversal of impairment of trade receivables	**–**	(2,492)
Staff costs:		
Directors' emoluments	**6,000**	6,708
Other staff costs		
Wages, salaries and social security costs	**190,047**	157,206
Retirement benefits contributions	**12,886**	12,477
	202,933	169,683
Staff costs	**208,933**	176,391
Foreign exchange differences	**120**	272

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 are subject to corporate income tax at a rate of 25% on their respective taxable income.

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax – PRC	**32,406**	42,806
Deferred income tax	**(459)**	(320)
	31,947	42,486

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:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	**119,873**	140,659
Income tax at PRC statutory income tax rate	**29,968**	35,165
Expenses not deductible for tax	**1,123**	5,800
Tax losses not recognised	**1,012**	1,692
Others	**(156)**	(171)
Tax charge at the Group's effective rate	**31,947**	42,486

8. INTERIM DIVIDEND

The board of the Company did not recommend the payment of any interim dividend for the six months ended 30 June 2009 (the six months ended 30 June 2008: 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.

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the parent	**70,340**	76,361

	Number of shares Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Shares:		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	**412,220,000**	412,220,000

Diluted earnings per share is not presented for the six months ended 30 June 2009 and 2008 as there were no diluting events in existence during the relevant periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2009, the Group acquired buildings, leasehold improvements, machinery, office equipment, motor vehicle, and construction in progress with an aggregate cost of approximately RMB131.7 million.

As at 30 June 2009, the Group's buildings with net book values of approximately RMB656.3 million (31 December 2008: RMB503 million) were pledged to secure certain bank loans granted to the Group (note 20).

11. INVESTMENT PROPERTIES

As at 30 June 2009, the Group's investment properties with an aggregate carrying amount of RMB6.3 million (31 December 2008: RMB6.7 million) were pledged to secure certain bank loans granted to the Group (note 20).

12. LEASE PREPAYMENTS FOR LAND USE RIGHTS

As at 30 June 2009, the Group's lease prepayments for land use rights with an aggregate carrying amount of RMB84.3 million (31 December 2008: RMB69 million) were pledged to secure certain bank loans granted to the Group (note 20).

13. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Listed equity investments in the PRC, at fair value	**2,631**	1,085
Unlisted equity investments, at cost	**1,188**	51,188
Less: impairment loss of equity investment	**(1,188)**	(1,188)
	–	50,000
	2,631	51,085
Less: current portion included in equity investment, at cost	**–**	(50,000)
	2,631	1,085

During the six months ended 30 June 2009, the gross gain of the Group's available-for-sale investments of RMB1,546,000 (the six months ended 30 June 2008: loss of RMB2,344,000) was recognised as other comprehensive income.

On 23 December 2008, the Group entered into a sale and purchase agreement with Beijing Jinyang Jiulong Trading Company Limited, an independent third party, to dispose of its 11.04% equity interest in Beijing Shoulian Trading Company Limited ("Shoulian"), for a cash consideration of RMB50,000,000. The disposal transaction was completed in January 2009.

14. INVENTORIES

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Merchandise and produce for resale	**593,062**	698,084
Raw materials	**5,060**	10,606
	598,122	708,690
Low value consumables	**2,000**	1,390
	600,122	710,080

15. TRADE RECEIVABLES

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Trade receivables	**1,014,912**	970,966
Impairment	**(880)**	(880)
	1,014,032	970,086

The Group normally allows a credit period of not more than 60 days to its customers. A longer credit period is granted to its major 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 1,950 (31 December 2008: 2,500) customers with amount ranging from RMB0.001 million to RMB437.9 million (31 December 2008: RMB0.001 million to RMB344.3 million). Trade receivables are non-interest-bearing except for amounts due from Shoulian which bore interest rate of 5.3% per annum.

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:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Within 2 months	**545,573**	620,419
2 to 6 months	**220,650**	223,477
6 months to 1 year	**229,314**	126,184
1 to 2 years	**18,495**	6
	1,014,032	970,086

Included in the Group's trade receivables as at 30 June 2009 was an amount of approximately RMB437.9 million due from one of the Group's major customers, Shoulian, and the overdue balance was approximately RMB239.7 million. A repayment agreement was entered into between the Group and Shoulian in July 2009 whereby the latter agreed to settle the remaining outstanding balance with regular monthly payments starting from August 2009. In the opinion of directors, no impairment is necessary in view of the following considerations:

– The subsequent settlement of the outstanding balance of approximately RMB31.3 million as at the date of this report;

– During the six months ended 30 June 2009, the business of Shoulian has shown improvements as the result of undergoing a series of renovation and improvements of its retail outlets; and

– Shoulian arranges to pledge five pieces of land and related buildings situated in Beijing with total value of not less than RMB136 million to the Company in the second half of 2009 to secure the overdue trade receivable.

16. LOAN RECEIVABLE

As at 30 June 2009, loan receivable represented an entrusted loan made by the Company to a third party through Bank of Beijing. The entrusted loan was unsecured, bears an annual interest rate of 5.3% and will mature on 25 May 2010. The carrying amount of the loan receivable approximates to its fair value.

17. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Cash and bank balances	**455,633**	543,028
Pledged time deposits for the bills payable with original maturity of less than three months when acquired	**22,451**	12,645
Pledged time deposits for the secured bank loans with original maturity of less than three months when acquired	**–**	17,742
Non-pledged time deposits with original maturity of more than three months when acquired	**30,000**	–
	508,084	573,415
Less: pledged time deposits with original maturity of less than three months when acquired	**(22,451)**	(30,387)
Cash and cash equivalents	**485,633**	543,028

18. 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:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Within 2 months	**569,076**	702,836
2 to 6 months	**121,072**	90,293
6 months to 1 year	**6,330**	2,815
1 to 2 years	**1,999**	1,035
Over 2 years	**1,287**	1,997
	699,764	798,976

As at 30 June 2009, the bills payable of the Group amounting to RMB74.8 million (31 December 2008: RMB42 million) was secured by certain of the Group's pledged time deposits amounting to approximately RMB22.5 million (31 December 2008: RMB12.6 million) (note 17).

19. DEBENTURES

On 14 July 2008, the Company issued debentures in aggregate amounting to RMB370 million, with a term of maturity of one year. The 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. The debentures were settled on 16 July 2009.

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2009		31 December 2008	
	Maturity	**RMB'000**	Maturity	RMB'000
		(Unaudited)		(Audited)
Current				
Bank loans – secured	**2010**	**420,000**	2009	459,138
Bank loans – unsecured	**2010**	**250,000**	2009	205,000
Other loans – unsecured	**2010**	**395,610**	2009	300,000
Current portion of long term bank loans – secured	**2010**	**48,250**	2009	44,375
		1,113,860		1,008,513
Non-current				
Bank loans – secured	**2010 – 2011**	**30,250**	2010 – 2011	56,000
		1,144,110		1,064,513

(a) Bank loans

All of the Group's bank loans, which are denominated in RMB, bear fixed interest rates ranging from 4.9% to 6.7% (31 December 2008: 4.9% to 7.5%) per annum.

(i) Secured bank loans

As at 30 June 2009, the secured bank loans of the Group amounting to RMB498.5 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 RMB656.3 million (note 10), RMB6.3 million (note 11) and RMB84.3 million (note 12), respectively.

As at 31 December 2008, the secured bank loans of the Group amounting to RMB500.4 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 RMB503 million (note 10), RMB6.7 million (note 11), and RMB69 million (note 12), respectively. In addition, the secured bank loans of the Group amounting to RMB59.1 million were secured by certain of the Group's pledged time deposits amounting to RMB17.7 million (note 17).

(ii) Unsecured bank loans

As at 30 June 2009, the unsecured bank loans of the Group amounting to RMB180 million (31 December 2008: RMB185 million) were guaranteed by the Company and RMB70 million (31 December 2008: nil) were guaranteed by Chaoyang Auxiliary.

The entrusted loan from a third party as at 31 December 2008 amounting to RMB20 million has been fully repaid during the period.

(b) Other borrowings

As at 30 June 2009, the unsecured other borrowings of the Group were borrowings from Jiangxi International Trust & Investment Co., Ltd., an independent third party, amounting to an aggregate of RMB395.6 million which were guaranteed by the Company.

As at 31 December 2008, the unsecured other borrowing of the Group was a borrowing from New Time Trust & Investment Company Limited, an independent third party, amounting to RMB300 million which was guaranteed by the Company. The other borrowing was fully settled during the period.

All of the Group's other borrowings as at 30 June 2009 are denominated in RMB and bear a fixed interest rate of 5.3% (31 December 2008: 7.3%) per annum. The carrying amounts of the Group's other borrowings approximate to their fair values.

21. SHARE CAPITAL

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Issued and fully paid:		
230,060,000 domestic shares of RMB1.00 each	**230,060**	230,060
182,160,000 H shares of RMB1.00 each	**182,160**	182,160
	412,220	412,220

22. 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 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Within one year	**55,318**	36,614
In the second to fifth years, inclusive	**126,554**	104,820
After five years	**118,585**	99,112
	300,457	240,546

(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 2009, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Within one year	**89,490**	95,280
In the second to fifth years, inclusive	**419,969**	414,291
After five years	**810,973**	826,815
	1,320,432	1,336,386

A lease that is cancellable only upon the occurrence of some remote contingency is a non-cancellable operating lease as defined under the HKFRS. Pursuant to the relevant lease agreements, the Group is entitled to terminate the underlying lease agreement if the attributable outlets has incurred losses in excess of a prescribed amount or such outlets will not be in a position to continue its business because of losses.

23. COMMITMENTS

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

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Authorised, but not contracted for	**52,963**	54,466
Contracted, but not provided for	**8,771**	4,685
	61,734	59,151

24. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the six months ended 30 June 2009 and 2008:

	Notes	**2009 RMB'000 (Unaudited)**	2008 RMB'000 (Unaudited)
		Six months ended 30 June	
Controlling shareholder:			
Expenses on property leasing	*(i)*	**5,191**	4,166
A subsidiary of controlling shareholder:			
Expenses on property leasing	*(ii)*	**1,050**	1,050

Notes:

(i) The Group entered into lease and supplement agreements with Chaoyang Auxiliary to lease certain properties for operation purposes for lease terms ranging from 10 to 20 years at a basic annual rental expense, including related business taxes and property taxes, in aggregate of approximately RMB10,383,000 for the period from 1 January 2009 to 31 December 2009.

(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 2009 were charged at annual rental expense of approximately RMB2,100,000.

(b) Other transactions with related parties:

The Company's controlling shareholder has guaranteed certain bank loans made to the Group up to RMB70,000,000 as at 30 June 2009, as further detailed in note 20(a)(ii) to these financial statements.

(c) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**10,593**	11,003
Post-employment benefits	**121**	658
Total compensation paid to key management personnel	**10,714**	11,661

25. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2009.

26. POST BALANCE SHEET EVENTS

Save as the event disclosed in note 19, the Group did not have any significant post balance sheet events taken place subsequent to 30 June 2009.

27. 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 14 August 2009.