



北京京客隆

商业集团股份有限公司
BEIJING JINGKELONG COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code : 814)



2010
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. Wang Liping
Mr. Chen Liping
Mr. Choi Onward, *CPA*

AUDIT COMMITTEE

Mr. Choi Onward, *CPA*
Mr. Wang Liping
Mr. Chen Liping

REMUNERATION COMMITTEE

Mr. Wang Liping
Mr. Wei Tingzhan
Mr. Chen Liping

NOMINATION COMMITTEE

Mr. Chen Liping
Mr. Wei Tingzhan
Mr. Wang Liping

STRATEGY COMMITTEE

Mr. Wei Tingzhan
Mr. Li Jianwen
Ms. Li Chunyan
Mr. Wang Liping
Mr. Chen Liping

SUPERVISORS

Ms. Liu Wenyu
Ms. Wang Hong
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*

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.

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STOCK CODE

814

FINANCIAL HIGHLIGHTS

The Group achieved the following results during the six months ended 30 June 2010:

- Revenue was approximately RMB3,467.7 million, representing a 6.7% growth as compared with the last corresponding period.
- Gross profit was approximately RMB485.2 million, 7.2% higher than that of the last corresponding period.
- Gross profit margin was approximately 14%, approximately the same level of 13.9% of the last corresponding period.
- Profit attributable to owners of the parent was approximately RMB84.4 million, representing an approximately 20.1% growth as compared with the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2010, although the influence of the global financial crisis on macroeconomy has not yet completely abated, the China economy still achieved quick growth under the comprehensive economical recovery in 2009 and the good overall development of national economy. Under the driven force of expanding domestic demand policy, the domestic consumable market which was important for promoting economic growth also maintained stable and quick growth.

Facing the complex economic situation and the gradually intense market competition, Beijing Jingkelong Company Limited (the "Company" or "Jingkelong") and its subsidiaries (collectively the "Group") firmly grasped every opportunity and positively adopted counter measures in steadily promoting the synchronistic development of its retail and wholesale businesses and achieved a stable growth of operating results during the six months ended 30 June 2010 (the "Reporting Period").

RETAIL BUSINESS

STEADY DEVELOPMENT OF RETAIL NETWORK

During the Reporting Period, the Group continued to adhere strictly to the regional development strategy. 8 retail outlets which comprised 5 directly-operated retail outlets (including 2 supermarkets and 3 convenience stores) and 3 franchise-operated convenience stores were set up in Beijing and Langfang of Hebei Province. Meanwhile, 1 supermarket was closed due to government land area relocation and franchise agreements have been terminated for 9 franchise-operated convenience stores and 1 Shoulian delegated store.

The total number of the Group's retail outlets was 243 as at 30 June 2010, including 120 directly-operated outlets, 100 franchise-operated outlets and 23 Shoulian delegated stores with a total net operating area of approximately 285,000 square metres. The following table sets out the number and net operating area of the Group's retail outlets as at 30 June 2010:

	Department stores	Hypermarkets	Supermarkets	Convenience stores	Total
Number of retail outlets:					
Directly-operated	1	7	51	61	120
Franchise-operated	-	-	1	99	100
Shoulian delegated stores	1	2	20	-	23
	2	9	72	160	243
Net operating area (square metres):					
Directly-operated	27,800	54,120	99,918	13,988	195,826
Franchise-operated	-	-	880	18,345	19,225
Shoulian delegated stores	19,300	14,071	36,349	-	69,720
	47,100	68,191	137,147	32,333	284,771

FURTHER PERFECTION OF CENTRALISED PROCUREMENT AND DISTRIBUTION SYSTEMS

With the establishment of the specialised procurers system by the last year end, the basis of examination and assessment of results and effectiveness was formed after the completion of setting the frame and targets in examining and assessing the results and effectiveness of the procurers system. The establishment of the convenience stores commodity management division and the business recruitment function division in the procurement center according to operation requirements has centralised the management and unified the operations of commodity procurement function in convenience stores and the previously separate management of business recruitment function in each operational department. The centralisation of the Group's procurement and management systems has further perfected.

In respect of the operation of live and fresh produce including pork, beef, mutton, vegetables and fruits, the Group's live and fresh produce logistics center unified the functions of procurement, processing and distribution. In order to further widen the base construction and procurement sources of live and fresh produce in the live and fresh produce logistics center, the procurement, processing and distribution of live and fresh produce have been specially divided resulting in segregation of the procurement and distribution functions. An independent live and fresh produce procurement center solely responsible for the procurement task of live and fresh produce and exploring superior base procurement sources in terms of variety, rank, price, freshness and other aspects was established. Process controls were conducted from the variety choice, rank choice, quality specification, procurement inspection and so on in guaranteeing the quality and safety of live and fresh produce. The live and fresh logistics center is exclusively responsible for the production, processing and distribution of live and fresh produce. By segregating the tasks of procurement, production, processing and sale, the centralisation and standardisation of management in various areas were achieved, thus promoting the effectiveness of economy of scale.

For the purpose of promoting the distribution efficiency of the normal temperature logistics center and also fulfilling the special demand of multiple small quantity deliveries to convenience stores, the upgrading of the normal temperature logistics center and the construction projects of the distribution system of convenience stores were launched with the completion of the scene technological transformation plan and work flow restoration demand after full investigations and studies.

STANDARDISATION OF SHOP CONSTRUCTION

Scale development is essential for chain-operation and management standardisation assures the quality of the scale development of chain-operation. During the Reporting Period, the operational functions and post responsibilities of the headquarters in various operational departments were reformed to strengthen the standardisation of operational management in retail outlets and shop supervision. The headquarters operational department is responsible for effective implementation of operation supervision and promotion of the execution in each retail outlet to ensure the headquarters plans and flow requests were completely adopted in their daily operational management. The chain-operation was thus unified and further realised management standardisation.

During the Reporting Period, the issues that the overall marketing image was not unified, for example, the present promotional price tags of each retail outlet were not unified and the POP propaganda image was not unified were tackled. The unification of design and production, including the creation of 5 types of low-price promotional price tags exclusively for members, marketing subject POP and display boards has reduced marketing cost, strengthened marketing effect and unified the shop appearance resulting in promotion of the overall marketing image.

UNIFICATION OF COMMODITY MARKETING

The Group followed its 2010 overall marketing plan designed to carry out for the first time subject promotion activities every two months as its series marketing idea. The subject of “Nine huge promotions, Weekly Shocks” has been adopted during the New Year Day and Spring Festival, as they are the sale key points during the year. The subject of “Full Benefits from Green Consumption” was used in March and April because of the “3.15-Consumers’ right Protection Day”. The subject of “Blooming Love, Grateful Returns – 16 Week-Promotions” was used in May and June for the celebration of the Company’s establishment day. Accordingly, a clear master line subject could be thoroughly adopted in the every two months series activities. Meanwhile, the unified design of corresponding subject POP was displayed in the retail outlets in transmitting a clear marketing subject to consumers. Moreover, a host activity or series of subject promotions were arranged in each DM activity as marketing subject. Taking the 16th anniversary ceremony as the subject during May and June, series of subject activities such as half price for the second item of a hundred kinds of commodities, the super combination, one Yuan for an additional item, free delivery of the second item, suppliers special and so on were launched during the 8 DM activities. The marketing effect was thus strengthened through the adoption of clear subject marketing lines and corresponding series of promotional activities.

ENHANCEMENT OF MEMBER SERVICES

The activity of “Jingkelong member day” was launched for the purpose of transforming commodity price marketing to customer marketing. Starting from April, Tuesday in the second week of each month has been designated as “Jingkelong member day”, promotion activities for members such as double reward points for member consumption and discounted price on commodities designated for members, and various free services were arranged. Moreover, various activities such as organising health knowledge courses and visiting production sites of suppliers have attracted potential customers and promoted consumption. The model of “Jingkelong cents storage” was further promoted to members in effectively enhancing the service level to the loyal consumer group and also the brand influence of Jingkelong. During the Reporting Period, over 200,000 membership cards were issued and the number of members increased to approximately 1,700,000.

OPERATION RESULTS (UNAUDITED)

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

	For the six months ended 30 June		
	2010	2009	Increase
	RMB'000	RMB'000	(%)
Directly-operated retail outlets:			
Hypermarkets	525,436	505,507	3.9
Supermarkets	1,014,556	948,562	7.0
Convenience stores	141,598	136,030	4.1
Department store	15,884	11,020	44.1
(Including commission)	(12,425)	(11,020)	12.7
Total retail revenue	1,697,474	1,601,119	6.0
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	16.8	16.5	0.3

The retail revenue of the Group increased by approximately 6% during the Reporting Period, which was mainly attributable to (i) an overall same store sales growth of approximately 5.7%, and (ii) contributions from the retail outlets opened in the second half of 2009 and the Reporting Period.

The increase in gross profit margin generated from the directly-operated hypermarkets, supermarkets and convenience stores to approximately 16.8% in the Reporting Period was mainly due to (i) better bargaining power with suppliers due to an increase in purchase volume, and (ii) continuous optimisation of product mix.

WHOLESALE BUSINESS

In order to tackle the gradually intense business competition, the Group developed more operating channels of its wholesale business. While promoting its city market share diligently, the Group was also positively prepared to develop in the Beijing peripheral general rural market. A special suburb market operational and management department has been established to deeply investigate and explore the operational pattern in the rural wholesale market of Beijing suburb and seize for new sales locations to enhance market share.

The Group continued to strengthen its logistics and distribution system construction to support the rapid development of its wholesale business. A new warehouse was built in the distribution center for planning the introduction of an auto-allocation assembly line in enhancing the service level to customers.

OPERATION RESULTS (UNAUDITED)

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

	For the six months ended 30 June		
	2010 RMB'000	2009 RMB'000	Increase/ (Decrease) (%)
Revenue recognised by Chaopi Trading and its subsidiaries	1,833,277	1,658,204	10.6
Less: Intersegment sales	(259,637)	(239,624)	
Sales to franchisees	193,673	226,296	
Consolidated wholesale revenue	1,767,313	1,644,876	7.4
Gross profit margin* (%)	10.3	10.8	(0.5)

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

The increase in wholesale revenue recognised by Chaopi Trading and its subsidiaries of approximately 10.6% during the Reporting Period was primarily due to (i) various huge promotion activities which were arranged with suppliers to strengthen market share, (ii) the increase in sales of upscale wines and edible oil, (iii) increase in sole distributorship brands, and (iv) continuous optimisation of product mix.

The decrease in gross profit margin to approximately 10.3% during the Reporting Period was mainly because of the launching of various huge promotion activities with suppliers in view of the recovery of market condition to increase market share.

FINANCIAL RESULTS (UNAUDITED)

	For the six months ended 30 June		
	2010 RMB'000	2009 RMB'000	Increase (%)
Revenue	3,467,722	3,249,298	6.7
Gross profit	485,183	452,543	7.2
Gross profit margin (%)	14.0	13.9	0.1
Profit for the period	103,428	87,926	17.6
Net profit margin (%)	3.0	2.7	0.3
Profit attributable to owners of the parent	84,449	70,340	20.1
Net profit margin attributable to owners of the parent (%)	2.4	2.2	0.2

REVENUE

The increase of the Group's revenue of approximately 6.7% during the Reporting Period was primarily due to the increase in retail and wholesale revenue of approximately 6% and 7.4%, respectively.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group increased by approximately 7.2% as compared with the last corresponding period. The increase was in line with the increase in revenue. The gross profit margin maintained at approximately the same level during the first half of 2010 and 2009.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, profit attributable to owners of the parent increased by approximately 20.1% as compared with the last corresponding period. The increase was mainly attributable to the increase in gross profit, and other income and gains.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2010, the Group had non-current assets of approximately RMB1,828.8 million, which mainly comprised property, plant and equipment of approximately RMB1,659 million, and non-current liabilities of approximately RMB344.1 million which mainly comprised interest-bearing bank loans of RMB320 million.

As at 30 June 2010 the Group had net current assets of approximately RMB73.2 million. Current assets mainly comprised cash and cash equivalents of approximately RMB499.5 million, inventories of approximately RMB727.1 million, trade receivables of approximately RMB1,104.8 million and prepayments, deposits and other receivables of approximately RMB376 million. Current liabilities mainly comprised trade and bills payables of approximately RMB785.1 million, interest-bearing bank loans of approximately RMB1,434.7 million and, other payables and accruals of approximately RMB489.5 million.

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 30 June 2010, the Group had an aggregate bank borrowings (all denominated in RMB) of approximately RMB1,754.7 million, which consisted of secured short-term bank loans of approximately RMB24.7 million, unsecured short-term bank loans of RMB1,410 million and secured non-current bank loans of RMB320 million. All the Group's bank loans bear fixed interest rates ranging from 4.4% to 5.4% 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 net book value of approximately RMB217.6 million, and the Group's time deposits of approximately RMB7.4 million as at 30 June 2010.

Certain of the Group's time deposits of approximately RMB29.7 million were pledged for bills payable of approximately RMB98.4 million as at 30 June 2010.

The Group's net gearing ratio* was approximately 78.2% as at 30 June 2010 which was higher than that as at 31 December 2009, being approximately 72.6%. The increase was primarily due to the increase of bank loans 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 2010 the Group employed 4,980 full-time employees and 1,835 temporary employees in the PRC. The total staff costs (including directors' and supervisors' remunerations) of the Group for the Reporting Period amounted to approximately RMB196 million (corresponding period of 2009: RMB208.9 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 2010, the Group did not have any significant contingent liabilities.

POST BALANCE SHEET EVENT

The post balance sheet event of the Group as at 30 June 2010 is set out in note 25 of the interim condensed consolidated financial statements.

PROPOSED A SHARE ISSUE

The matters in relation to the Proposed A Share Issue were considered and approved at the extraordinary general meeting, and the respective class meetings of the H Shareholders and Domestic Shareholders held on 4 May 2010. On 1 July 2010, the China Securities Regulatory Commission has formally accepted the application of the Company regarding the initial public offering of A Shares. For details of the Proposed A Share Issue, please refer to the circular of the Company dated 19 March 2010.

CONVERSION OF CHAOPI TRADING INTO A JOINT STOCK LIMITED COMPANY

Pursuant to the approval of Beijing Administration for Industry and Commerce on 31 May 2010, Beijing Chaopi Trading Company Limited (“Chaopi Trading”), an approximately 79.85% directly owned subsidiary of the Company, was converted from a limited liability company into a joint stock limited company with registered capital of RMB368,000,000. There is no change in the registered and paid-up capital of Chaopi Trading and the equity interest owned by the Company in Chaopi Trading in relation to the conversion of Chaopi Trading into a joint stock limited company.

ACQUISITION OF 20% EQUITY INTEREST OF JINGKELONG LANGFANG

On 12 January 2010, the Company acquired a 20% equity interest in Beijing Jingkelong (Langfang) Company Limited (“Jingkelong Langfang”) from China Fortune Land Development Co., Ltd., the minority shareholder of Jingkelong Langfang, at a consideration of RMB5,980,000. After such acquisition, Jingkelong Langfang became wholly owned by the Company. Further details of this acquisition are set out in the announcement of the Company dated 12 January 2010.

INCREASE OF INTEREST IN CHAOPI HUILONG

During the Reporting Period, Chaopi Trading acquired an interest of approximately 16.3% in Beijing Chaopi Huilong Trading Company Limited (“Chaopi Huilong”) from a minority shareholder of Chaopi Huilong by cash of approximately RMB1,956,000. After such acquisition, the Group’s indirect equity interest in Chaopi Huilong increased from approximately 45.83% to 58.85%.

ESTABLISHMENT OF A SUBSIDIARY

During the Reporting Period, the Group through its non-wholly owned subsidiary, Beijing Chaopi Jinglong Oil Sales Company Limited (Chaopi Jinglong”), established a subsidiary, Beijing Chaopi Yuli Trading Company Limited (“Chaopi Yuli”) to engage in wholesale of edible oil. The Group holds an indirect equity interest of approximately 43.3% in Chaopi Yuli. The registered capital of Chaopi Yuli is RMB12 million and has been fully paid up by Chaopi Jinglong.

STRATEGIES AND PLANS

During the second half of current year, the Group will continue to insist on its designated development strategy in the following aspects:

- To accelerate network development. To complete the plan set at the beginning of the year to establish 2 hypermarkets, 8 supermarkets and 10 directly-operated convenience stores per annum. To further consolidate the coverage of its wholesale network in suburb area and other towns and expand market share.
- To complete the procurers system. To provide innovation in profit pattern of brand development, commodity structure adjustment and shop layout resources for the gradual formation of an entire process of purchase and sales responsibility system in the procurement department. Thus, the benefit of consolidating resources of chain-operation and the promotion of corporate core competitiveness can be achieved.

- To continue the shop standardisation and perfection construction. To formulate shop conditions, operation variety, commodity display and other unification standards, and to strengthen supervision of shop operation for the gradual perfection of operational standardisation in retail outlets.
- To enhance modernisation of logistics level by continuous perfection of logistics and distribution systems. To complete the transformation of the normal temperature logistics center during the year resulting in the addition of more than 20 piers and conveyer belts in enhancing the capability of mechanical delivery. To start RF approval process and paperless information transmission in greatly promoting working efficiency and reducing mistakes.
- To continue the process of the Proposed A Share Issue.

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.

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

Pursuant to the ordinary resolutions passed at the 2009 Annual General Meeting held on 10 June 2010, the respective terms of Mr. Wei Tingzhan, Mr. Li Jianwen, Ms. Li Chunyan, Mr. Liu Yuejin, Mr. Gu Hanlin, Mr. Li Shunxiang, Mr. Fan Faming, Mr. Huang Jiangming and Mr. Chung Chi Kong as a director has been early terminated with effect from 10 June 2010. Each of Mr. Wei Tingzhan, Mr. Li Jianwen, Ms. Li Chunyan and Mr. Liu Yuejin has been re-elected as an executive director for a three-year term commencing from 10 June 2010. Each of Mr. Gu Hanlin and Mr. Li Shunxiang has been re-elected as a non-executive director for a three-year term commencing from 10 June 2010. Each of Mr. Wang Liping, Mr. Chen Liping and Mr. Choi Onward has been appointed as a new independent non-executive director for a three-year term commencing from 10 June 2010. Accordingly, the board of directors (the "Board") of the Company currently consists of four executive directors (Mr. Wei Tingzhan, Mr. Li Jianwen, Ms. Li Chunyan and Mr. Liu Yuejin), two non-executive directors (Mr. Gu Hanlin and Mr. Li Shunxiang) and three independent non-executive directors (Mr. Wang Liping, Mr. Chen Liping and Mr. Choi Onward). Mr. Wei Tingzhan serves as the chairman of the Board. Mr. Choi Onward is also an independent non-executive director of China ITS (Holdings) Co., Ltd. which was listed on the Main Board of the Stock Exchange on 15 July 2010.

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

Following the early termination of the respective terms of Mr. Fan Faming, Mr. Huang Jiangming and Mr. Chung Chi Kong as an independent non-executive director on 10 June 2010, Mr. Chung Chi Kong has also ceased to be the chairman of the audit committee (the "Audit Committee") of the Company, and Mr. Fan Faming and Mr. Huang Jiangming have both ceased to be the members of the Audit Committee. Pursuant to the resolutions passed at the Board meeting (the "Board Resolutions") held on 10 June 2010, Mr. Choi Onward has been appointed as the chairman, and Mr. Wang Liping and Mr. Chen Liping as members of the Audit Committee.

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 2010 unaudited interim consolidated results. The Audit Committee considered that the interim financial report for the six months ended 30 June 2010 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.

CHANGE OF MEMBERS OF THE NOMINATION COMMITTEE AND THE REMUNERATION COMMITTEE

Following the early termination of the respective terms of Mr. Fan Faming and Mr. Huang Jiangming as an independent non-executive director on 10 June 2010, Mr. Fan Faming and Mr. Huang Jiangming have both ceased to be the members of the nomination committee (the "Nomination Committee") and the remuneration committee (the "Remuneration Committee") of the Company with effect from 10 June 2010. Pursuant to the Board Resolutions, Mr. Chen Liping has been appointed as the chairman, and Mr. Wei Tingzhan and Mr. Wang Liping as members of the Nomination Committee. Moreover, Mr. Wang Liping has been appointed as the chairman, and Mr. Wei Tingzhan and Mr. Chen Liping as members of the Remuneration Committee.

ESTABLISHMENT OF THE STRATEGY COMMITTEE

Pursuant to the Board Resolutions, the first session of the strategy committee (the "Strategy Committee") of the Company which consists of Mr. Wei Tingzhan (chairman), Mr. Li Jianwen, Ms. Li Chunyan, Mr. Wang Liping and Mr. Chen Liping has been established for a three-year term commencing from 10 June 2010. The main duties of the Strategy Committee are to conduct research on the development strategy and consider the strategic plans of the Company, and to make recommendations to the Board for decision making on strategic development.

RE-ELECTION, RESIGNATION AND APPOINTMENT OF SUPERVISORS

Pursuant to the ordinary resolutions passed at the 2009 Annual General Meeting held on 10 June 2010, the respective terms of Ms. Qu Xinhua, Mr. Yang Baoqun, Mr. Chen Zhong and Ms. Cheng Xianghong as a supervisor has been early terminated with effect from 10 June 2010. Mr. Yang Baoqun has been re-elected as a supervisor and each of Mr. Chen Zhong and Ms. Cheng Xianghong, has been re-elected as an independent supervisor for a three-year term with effect from 10 June 2010. Ms. Liu Wenyu has been appointed a new supervisor for a three-year term with effect from 10 June 2010. Ms. Wang Shuying has resigned as a staff-appointed supervisor with effect from 10 June 2010. Ms. Yao Jie and Ms. Wang Hong have respectively been re-elected and appointed as supervisors for a three-year term with effect from 10 June 2010. Accordingly, the supervisory committee (the "Supervisory Committee") of the Company currently consists of four shareholders-appointed supervisors (Ms. Liu Wenyu, Mr. Yang Baoqun, Mr. Chen Zhong and Ms. Cheng Xianghong) and two staff-appointed supervisors (Ms. Yao Jie and Ms. Wang Hong). Ms. Liu Wenyu serves as the chairman of the Supervisory Committee.

DISCLOSURE OF INTERESTS

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, 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	1,062,937	0.46	0.26
Li Shunxiang	Personal	5,210,428	2.26	1.26

Name	Capacity	Number of domestic shares held	Approximate percentage of total issued domestic shares (%)	Approximate percentage of total issued shares (%)
Yang Baoqun	Personal	1,042,086	0.45	0.25
Liu Wenyu	Personal	265,151	0.12	0.06
Yao Jie	Personal	125,051	0.05	0.03
Wang Hong	Personal	82,525	0.04	0.02

Save as disclosed above, as at 30 June 2010, none of the directors, supervisors or chief executive of the Company nor any of their associates had any interest and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, 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 (%)
JP Morgan Chase & Co. (Note 1)	29,173,000 (L) 20,779,000 (P)	16.02 11.41	7.08 5.04
Value Partners Limited (Note 2)	23,965,000 (L)	13.15	5.81
Value Partners Group Limited (Note 3)	23,965,000 (L)	13.15	5.81
Cheah Capital Management Limited (Note 4)	23,965,000 (L)	13.15	5.81
Cheah Company Limited (Note 5)	23,965,000 (L)	13.15	5.81
Hang Seng Bank Trustee International Limited (note 6)	23,965,000 (L)	13.15	5.81
Cheah Cheng Hye (note 7)	23,965,000 (L)	13.15	5.81
To Hau Yin (Note 8)	23,965,000 (L)	13.15	5.81
Schroder Investment Management (Hong Kong) Limited (Note 9)	13,036,000 (L)	7.16	3.16
Genesis Asset Managers, LLP (Note 10)	12,749,000 (L)	7.00	3.09
Commonwealth Bank of Australia (Note 11)	12,730,000 (L)	6.99	3.09
Templeton Asset Management Ltd. (Note 12)	11,346,000 (L)	6.23	2.75

(L) –Long Position
(P) –Lending Pool

Notes:

- These 29,173,000 H shares were held by JP Morgan Chase & Co. of which 20,779,000 H shares were in its capacity as a custodian corporation/an approved lending agent and the other 8,394,000 H shares were in its capacity as an investment manager.
- These 23,965,000 H shares were held by Value Partners Limited in its capacity as an investment manager.

3. Value Partners Group Limited had a 100% direct interest in Value Partners Limited and was therefore deemed to have an interest in the 23,965,000 H shares in which Value Partners Limited was interested in.
4. Cheah Capital Management Limited had a 31.19% deemed interest in Value Partners Group Limited and was therefore deemed to have an interest in the 23,965,000 H shares in which Value Partners Limited was interested in.
5. Cheah Company Limited had a 100% deemed interest in Cheah Capital Management Limited and was therefore deemed to have an interest in the 23,965,000 H shares in which Value Partners Limited was interested in.
6. These 23,965,000 H shares were held by Hang Seng Bank Trustee International Limited in its capacity as a trustee.
7. These 23,965,000 H shares were held by Cheah Cheng Hye in the capacity as the founder of a discretionary trust.
8. These 23,965,000 H shares were held by To Hau Yin in the capacity as the spouse of Cheah Cheng Hye.
9. These 13,036,000 H shares were held by Schroder Investment Management (Hong Kong) Limited in its capacity as an investment manager.
10. These 12,749,000 H shares were held by Genesis Asset Managers, LLP in its capacity as an investment manager.
11. Commonwealth Bank of Australia had a 100% deemed interest in a corporation holding the 12,730,000 H shares and was therefore deemed to have an interest in the 12,730,000 H shares.
12. These 11,346,000 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 2010, 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
13 August 2010

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 accompanying interim condensed consolidated financial statements set out on pages 21 to 40, which comprise the interim condensed consolidated statement of financial position of Beijing Jingkelong Company Limited and its subsidiaries as of 30 June 2010 and the related interim condensed consolidated income statements, 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.

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

13 August 2010

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
REVENUE	4	3,467,722	3,249,298
Cost of sales		(2,982,539)	(2,796,755)
Gross profit		485,183	452,543
Other income and gains	4	257,582	221,995
Selling and distribution costs		(405,961)	(363,735)
Administrative expenses		(128,713)	(131,679)
Other expenses		(21,438)	(15,569)
Operating profit		186,653	163,555
Finance costs	5	(47,077)	(43,682)
PROFIT BEFORE TAX	6	139,576	119,873
Income tax expenses	7	(36,148)	(31,947)
PROFIT FOR THE PERIOD		103,428	87,926
Attributable to:			
Owners of the parent		84,449	70,340
Minority interests		18,979	17,586
		103,428	87,926
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)			
– For profit for the period	9	20.5 cents	17.1 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2010

	Note	Six months ended 30 June	
		2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD		103,428	87,926
Other comprehensive income/(loss) for the period, net of tax	13	(142)	1,546
Total comprehensive income for the period		103,286	89,472
Attributable to:			
Owners of the parent		84,307	71,886
Minority interests		18,979	17,586
		103,286	89,472

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,659,020	1,666,608
Investment properties	11	7,569	7,793
Lease prepayments for land use rights	12	87,045	88,271
Available-for-sale investments	13	4,103	4,293
Intangible assets		6,427	7,330
Other long term lease prepayments		64,617	64,532
Total non-current assets		1,828,781	1,838,827
CURRENT ASSETS			
Inventories	14	727,102	785,251
Trade receivables	15	1,104,836	1,198,390
Prepayments, deposits and other receivables		375,990	430,566
Loan receivable	16	50,000	50,000
Pledged deposits	17	37,097	51,999
Cash and cash equivalents	17	499,512	413,811
Total current assets		2,794,537	2,930,017
CURRENT LIABILITIES			
Trade and bills payables	18	785,085	1,031,207
Tax payable		11,228	50,005
Other payables and accruals		489,506	544,630
Interest-bearing bank and other borrowings	19	1,434,688	1,575,980
Deferred income-current portion		865	910
Total current liabilities		2,721,372	3,202,732
NET CURRENT ASSETS/(LIABILITIES)		73,165	(272,715)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,901,946	1,566,112

	<i>Notes</i>	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,901,946	1,566,112
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	19	320,000	6,000
Deferred income		2,531	2,665
Deferred tax liabilities		11,164	11,671
Other long term payables		10,400	8,900
Total non-current liabilities		344,095	29,236
Net assets		1,557,851	1,536,876
EQUITY			
Equity attributable to owners of the parent			
Issued capital	20	412,220	412,220
Reserves		982,876	902,038
Proposed final dividend		-	74,200
Minority interests		1,395,096	1,388,458
		162,755	148,418
Total equity		1,557,851	1,536,876

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2010

	Attributable to equity holders of the parent									
	Issued capital	Share premium account	Capital reserve	Available-for-sale	Statutory surplus reserve	Proposed final dividend	Retained profits	Total	Minority interests	Total equity
				investment revaluation reserve						
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Six months ended										
30 June 2010 (Unaudited)										
At 1 January 2010	412,220	605,171	5,121	2,957	96,156	74,200	192,633	1,388,458	148,418	1,536,876
Total comprehensive income for the period	-	-	-	(142)	-	-	84,449	84,307	18,979	103,286
2009 dividend declared	-	-	-	-	-	(74,200)	-	(74,200)	-	(74,200)
Acquisition of minority interests	-	-	(3,469)	-	-	-	-	(3,469)	(4,467)	(7,936)
Capitalisation upon the conversion into a joint stock limited company of a subsidiary **	-	-	35,850	-	(15,389)	-	(20,461)	-	-	-
Dividends paid to minority equity holders	-	-	-	-	-	-	-	-	(175)	(175)
At 30 June 2010	412,220	605,171*	37,502*	2,815*	80,767*	-	256,621*	1,395,096	162,755	1,557,851
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
Total comprehensive income for the period	-	-	-	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

* These reserve accounts as at 30 June 2010 comprised the consolidated reserves of RMB982,876,000 (30 June 2009: RMB898,119,000) in the interim condensed consolidated statements of financial position.

** Beijing Chaopi Trading Company Limited, an approximately 79.85% directly owned subsidiary of the Company, was converted from a limited liability company into a joint stock limited company with registered capital of RMB368,000,000 on 31 May 2010. Accordingly, the difference between the amount of share capital issued and the historical net carrying amount of the assets and liabilities as at 31 December 2009, was transferred into capital reserve upon incorporation.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2010

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Net cash inflow from operating activities	67,722	34,338
Net cash outflow from investing activities	(56,924)	(77,285)
Net cash inflow/(outflow) from financing activities	74,903	(44,448)
Net increase/(decrease) in cash and cash equivalents	85,701	(87,395)
Cash and cash equivalents at beginning of period	413,811	543,028
Cash and bank balances at end of period	499,512	455,633

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2010

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 AND ACCOUNTING POLICIES

Basis of presentation

The interim condensed consolidated financial statements for the six months ended 30 June 2010 (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 2009. The Interim Condensed Consolidated Financial Statements are presented in Renminbi ("RMB") and all values are rounded to nearest thousand, except when otherwise indicated.

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 2009, except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and interpretations as noted below:

HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

The standard has been revised to require that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *statement of Cash Flows*, HKAS 12 *Income taxes*, HKAS 21 *The Effects of changes in Foreign Exchange Rates*, HKAS 28 *Investment in Associates* and HKAS 31 *Interest in Joint Ventures*.

The Group also adopted other new and revised standards and interpretations and a number of insignificant amendments to standards and interpretations. They are described under note 2.3 of the Group's annual financial statements for the year ended 31 December 2009.

Other than as further explained above regarding to the impact of the adoption of HKAS 27 (Revised) resulted in changes in accounting policies, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their business operation based on its products and services 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 store, 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, which is measured consistently with profit before tax in the condensed consolidated financial statements.

All assets and liabilities are included in the segment information, no assets nor liabilities are managed on a group basis.

Intersegment sales and transfers are conducted based on mutually-agreed terms.

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

No geographical information is presented as all of the Group's revenue is derived from customers based in the PRC, and all of its assets are located in the PRC.

Operating segments

The following tables present revenue and profit regarding the Group's operating segments for the six months ended 30 June 2010 and 2009, respectively.

Six months ended 30 June 2010 (Unaudited)

	Retailing RMB'000	Wholesaling RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	1,697,474	1,767,313	2,935	3,467,722
Intersegment sales	–	259,637	3,563	263,200
	1,697,474	2,026,950	6,498	3,730,922
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(263,200)</u>
Revenue from operations				<u>3,467,722</u>
Segment results	67,440	72,498	(362)	<u>139,576</u>
Profit before tax				<u>139,576</u>

Six months ended 30 June 2009 (Unaudited)

	Retailing RMB'000	Wholesaling RMB'000	Others RMB'000	Total 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
	1,601,119	1,884,500	5,850	3,491,469
<i>Reconciliation:</i>				
Elimination of intersegment sales				(242,171)
Revenue from operations				<u>3,249,298</u>
Segment results	57,105	63,475	(707)	<u>119,873</u>
Profit before tax				<u>119,873</u>

The following table present segment assets of the Group's operating segment as at 30 June 2010 and 31 December 2009, respectively.

As at 30 June 2010 (Unaudited)

	Retailing RMB'000	Wholesaling RMB'000	Others RMB'000	Consolidated RMB'000
Segment assets	2,957,421	1,698,743	4,531	4,660,695
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(37,377)
Total assets				<u>4,623,318</u>

As at 31 December 2009 (Audited)

	Retailing RMB'000	Wholesaling RMB'000	Others RMB'000	Consolidated RMB'000
Segment assets	2,973,279	1,831,721	4,719	4,809,719
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(40,875)
Total assets				<u>4,768,844</u>

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	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Revenue		
Sale of merchandise and produce:		
Retailing	1,685,049	1,590,099
Wholesaling*	1,767,313	1,644,876
	3,452,362	3,234,975
Commission from concessionaire sales	12,425	11,020
Others	2,935	3,303
	3,467,722	3,249,298

* Included in the balance are sales to franchises amounting to RMB193,673,000 (the six months ended 30 June 2009: RMB226,296,000).

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Other income and gains		
Income from suppliers	186,531	157,703
Gross rental income	44,294	39,330
Net compensation on demolished property	2,172	1,579
Interest income	13,819	14,386
Government grants	747	1,137
Others	10,019	7,860
	257,582	221,995

5. FINANCE COSTS

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Interest on bank loans wholly repayable within five years	41,350	21,814
Interest on debentures wholly repayable within five years	–	12,650
Interest on other borrowings wholly repayable within five years	5,764	9,458
	47,114	43,922
Less: Interest capitalised	(37)	(240)
	47,077	43,682

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Cost of inventories sold	2,982,539	2,796,755
Depreciation:		
Property, plant and equipment	73,554	69,889
Investment properties	224	434
	73,778	70,323
Amortisation of intangible assets	1,009	903
Recognition of lease prepayments for land use rights	1,226	1,226
Minimum lease payments under operating lease on properties	61,808	57,852
Net losses on disposal of items of property, plant and equipment	630	23
Reversal of impairment of trade receivables	(727)	–
Write-down of inventories to net realisable value	1,700	–
Staff costs:		
Directors' emoluments	6,132	6,000
Other staff costs		
Wages, salaries and social security costs	173,978	190,047
Retirement benefits contributions	15,853	12,886
	189,831	202,933
Staff costs	195,963	208,933
Foreign exchange differences	66	120

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

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Current income tax – PRC	36,607	32,406
Deferred income tax	(459)	(459)
	36,148	31,947

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	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Profit before tax	139,576	119,873
Income tax at PRC statutory income tax rate	34,894	29,968
Expenses not deductible for tax	1,476	1,123
Tax losses not recognised	378	1,012
Tax effect of non-taxable income	(574)	–
Others	(26)	(156)
Tax charge at the Group's effective rate	36,148	31,947

8. INTERIM DIVIDEND

The board of the Company did not recommend the payment of any interim dividend for the six months ended 30 June 2010 (the six months ended 30 June 2009: 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	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the parent	84,449	70,340

	Number of shares	
	Six months ended 30 June	
	2010	2009
	(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

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2010 and 2009 as the Company had no potentially dilutive ordinary shares in issue during the relevant periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired buildings, leasehold improvements, machinery, office equipment, motor vehicle, and construction in progress with an aggregate cost of approximately RMB67.6 million.

As at 30 June 2010, the Group's buildings with net book values of approximately RMB200.9 million (31 December 2009: RMB649.8 million) were pledged to secure certain bank loans granted to the Group (note 19).

11. INVESTMENT PROPERTIES

As at 30 June 2010, the Group's investment properties with an aggregate carrying amount of RMB1.6 million (31 December 2009: RMB6.3 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 2010, the Group's lease prepayments for land use rights with an aggregate carrying amount of RMB15.1 million (31 December 2009: RMB83.1 million) were pledged to secure certain bank loans granted to the Group (note 19).

13. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Listed equity investment in the PRC, at fair value	4,103	4,293
Unlisted equity investment, at cost	1,188	1,188
Less: impairment loss of equity investment	(1,188)	(1,188)
	–	–
	4,103	4,293

The above investments consist of investments in equity securities which were designated as available-for-sale investments and have no fixed maturity date or coupon rate. The fair value of the listed equity investment is based on quoted market prices.

During the six months ended 30 June 2010, the net loss of the Group's available-for-sale investments of RMB142,000 (the six months ended 30 June 2009: net gain of RMB1,546,000) was recognised as other comprehensive income.

14. INVENTORIES

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Merchandise and produce for resale	718,646	773,429
Raw materials	6,279	9,614
	724,925	783,043
Low value consumables	2,177	2,208
	727,102	785,251

15. TRADE RECEIVABLES

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Trade receivables	1,104,836	1,199,117
Impairment	–	(727)
	1,104,836	1,198,390

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 as at 30 June 2010 comprised about 2,550 (31 December 2009: 2,500) customers with amount ranging from RMB0.001 million to RMB491.3 million (31 December 2009: RMB0.001 million to RMB462.1 million). Trade receivables are non-interest-bearing except for amounts due from Beijing Shoulian Trading Company Limited ("Shoulian") and its subsidiaries (collectively referred to as "Shoulian Group") which bore interest rate of 5.3% (31 December 2009: 5.3%) per annum.

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

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within 2 months	569,292	728,925
2 to 6 months	256,366	242,527
6 months to 1 year	244,509	202,570
1 to 2 years	34,669	24,368
	1,104,836	1,198,390

Included in the Group's trade receivables as at 30 June 2010 was an amount of approximately RMB491.3 million (31 December 2009: RMB462.1 million) due from one of the Group's major customers, Shoulian Group, and the overdue balance was approximately RMB273.9 million (31 December 2009: RMB222.2 million). A repayment agreement was entered into between the Group and Shoulian Group in July 2009 whereby Shoulian Group 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 RMB28 million as at the date of this report;
- During the six months ended 30 June 2010, the business of Shoulian Group has shown improvements as the result of undergoing a series of renovation and improvements of its retail outlets; and
- Shoulian Group arranges to pledge two pieces of land and related buildings situated in Beijing and the equity interest in one of its subsidiaries with the total value of not less than RMB450 million to the Company to secure the trade receivables.

16. LOAN RECEIVABLE

As at 30 June 2010, loan receivable represented an entrusted loan made by the Company to Shoulian through Bank of Beijing. The entrusted loan is unsecured, bears an annual interest rate of 5.3% and will mature on 24 May 2011. The carrying amount of the loan receivable approximates to its fair value.

17. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Cash and bank balances	499,512	413,811
Time deposits	37,096	51,999
	536,608	465,810
Less: Pledged time deposits		
Pledged for bills payable	(29,690)	(48,258)
Pledged for secured bank loans	(7,406)	(3,741)
Cash and cash equivalents	499,512	413,811

18. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is analysed as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within 2 months	588,863	818,916
2 to 6 months	181,958	203,291
6 months to 1 year	9,729	4,999
1 to 2 years	2,455	2,262
Over 2 years	2,080	1,739
	785,085	1,031,207

The trade and bills payables are non-interest-bearing and are normally settled on 60-days terms.

As at 30 June 2010, the bills payable of the Group amounting to RMB98.4 million (31 December 2009: RMB152.1 million) was secured by certain of the Group's pledged time deposits amounting to approximately RMB29.7 million (31 December 2009: RMB48.3 million) (note 17).

19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2010		31 December 2009	
	Maturity	RMB'000 (Unaudited)	Maturity	RMB'000 (Audited)
Current				
Bank loans – secured	2010-2011	24,688	2010	568,470
Bank loans – unsecured	2010-2011	1,410,000	2010	560,000
Other borrowings – unsecured		–	2010	397,510
Current portion of long term bank loans – secured		–	2010	50,000
		1,434,688		1,575,980
Non-current				
Bank loans – secured	2012-2013	320,000	2011	6,000
		1,754,688		1,581,980

(a) Bank loans

All of the Group's bank loans, which are denominated in RMB, bear fixed interest rates ranging from 4.4% to 5.4% (31 December 2009: 4.9% to 7.5%) per annum.

(i) Secured bank loans

As at 30 June 2010, the secured bank loans of the Group amounting to RMB320 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 RMB200.9 million (note 10), RMB1.6 million (note 11) and RMB15.1 million (note 12), respectively. In addition, the secured bank loans of the Group amounting to RMB24.7 million were secured by certain of the Group's pledged time deposits amounting to RMB7.4 million (note 17).

As at 31 December 2009, the secured bank loans of the Group amounting to RMB612 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 RMB649.8 million (note 10), RMB6.3 million (note 11), and RMB83.1 million (note 12), respectively. In addition, the secured bank loans of the Group amounting to RMB12.5 million were secured by certain of the Group's pledged time deposits amounting to RMB3.7 million (note 17).

(ii) Unsecured bank loans

Except for the bank loans of the Group amounting to RMB560 million (31 December 2009: RMB210 million) and RMB700 million (31 December 2009: nil) were guaranteed by the Company and Beijing Chaopi Trading Company Limited, a subsidiary of the Company, respectively, the Group's other bank loans amounting to RMB150 million (31 December 2009: RMB350 million) were unsecured as at 30 June 2010.

(b) Other borrowings

As at 31 December 2009, the unsecured other borrowings of the Group were borrowings from Jiangxi International Trust & Investment Company Limited, an independent third party, amounting to an aggregate of RMB397.5 million, which were guaranteed by the Company. All of the Group's other borrowings as at 31 December 2009 are denominated in RMB and bear a fixed interest rate of 5.3% per annum. The other borrowings were fully settled during the period.

20. SHARE CAPITAL

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 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

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 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within one year	46,982	43,454
In the second to fifth years, inclusive	157,043	138,597
After five years	98,012	121,910
	302,037	303,961

(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 2010, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within one year	97,674	94,724
In the second to fifth years, inclusive	500,764	499,652
After five years	1,099,901	1,174,552
	1,698,339	1,768,928

A lease that is cancellable only upon the occurrence of some remote contingency is a non-cancellable operating lease as defined under the HKFRSs. 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.

22. COMMITMENTS

The Group had the following capital commitments, principally for the construction and acquisition of property, plant and equipment at the end of the reporting period:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Authorised, but not contracted for	35,171	43,359
Contracted, but not provided for	56,750	72,061
	91,921	115,420

23. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties during the six months ended 30 June 2010 and 2009:

	Notes	Six months ended 30 June	
		2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Controlling shareholder:			
Expenses on property leasing	<i>(i)</i>	5,191	5,191
A subsidiary of controlling shareholder:			
Expenses on property leasing	<i>(ii)</i>	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 year ended 31 December 2010.
- (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 six months ended 30 June 2010 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	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Short term employee benefits	10,972	10,593
Post-employment benefits	134	121
Total compensation paid to key management personnel	11,106	10,714

24. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2010.

25. POST BALANCE SHEET EVENTS

On 27 July 2010, the Company and Shoulian entered into an equity investment agreement to establish a new company, Beijing Jingchao Company Limited ("Jingchao") with a registered capital of RMB300 million, in which the Company held an equity interest of 14%. The cash contribution of the Company is RMB42 million and has been fully paid on 27 July 2010.

Save as disclosed above, the Group did not have any significant events subsequent to 30 June 2010.

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 13 August 2010.