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)

INTERIM REPORT 2012

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

AUDIT COMMITTEE

Mr. Choi Onward, *CPA (Chairman)*
Mr. Wang Liping
Mr. Chen Liping

REMUNERATION COMMITTEE

Mr. Wang Liping *(Chairman)*
Mr. Wei Tingzhan
Mr. Chen Liping

NOMINATION COMMITTEE

Mr. Chen Liping *(Chairman)*
Mr. Wei Tingzhan
Mr. Wang Liping

STRATEGY COMMITTEE

Mr. Wei Tingzhan *(Chairman)*
Mr. Li Jianwen
Ms. Li Chunyan
Mr. Wang Liping
Mr. Chen Liping

SUPERVISORS

Ms. Liu Wenyu *(Chairman)*
Ms. Wang Hong
Ms. Yao Jie
Mr. Chen Zhong
Ms. Cheng Xianghong
Mr. Yang Baoqun

COMPANY SECRETARY

Mr. Li Bo, *CPA*

AUTHORISED REPRESENTATIVES

Ms. Li Chunyan
Mr. Li Bo, *CPA*

QUALIFIED ACCOUNTANT

Mr. Li Bo, *CPA*

AUDITORS

Non PRC auditors:
Deloitte Touche Tohmatsu

PRC auditors:
Deloitte Touche Tohmatsu CPA Ltd.

LEGAL ADVISERS

As to Hong Kong law:
Reed Smith Richards Butler

As to PRC law:
Jun Ze Jun Law Offices

INVESTORS AND MEDIA RELATION CONSULTANT

iPR Ogilvy Ltd.

PRINCIPAL BANKERS

Agricultural Bank of China
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Beijing PRC

Bank of Beijing
Jiulongshan Branch
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Beijing PRC

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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COMPANY WEBSITE

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STOCK CODE

814

FINANCIAL HIGHLIGHTS

The Group achieved the following results during the six months ended 30 June 2012:

- Revenue amounted to approximately RMB4,495,228,000, up approximately 9.6% compared with last corresponding period.

- Gross profit amounted to approximately RMB687,817,000, up approximately 9.0% compared with last corresponding period.

- Operating profit amounted to approximately RMB222,072,000, up slightly compared with last corresponding period.

- Profit attributable the owners of the parent reached approximately RMB77,632,000, down approximately 24.6% compared with last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2012, under the complicated global economic conditions and the ongoing economic transition, the PRC economy was in face of downward pressure. The dropping Consumer Product Index and low consumer sentiment hinder the growth in sales of corporations. Together with the significant increase in labour cost, rental, utilities cost and finance cost, corporations faced unprecedented challenges and profit margins were further reduced.

Despite the complicated and volatile external and internal business development environment, during the six months ended 30 June 2012 (the "Reporting Period"), Beijing Jingkelong Company Limited (the "Company" or "Jingkelong") and its subsidiaries (collectively the "Group") had adopted various sales and marketing initiatives to boost sales, strengthened refined management policies to control expenditure, and the increasing expenditure pressure was offset by the increased gross profit and other income, resulting in a slightly growth in profit before tax and interest, and a decrease of 14.9% in its earning before tax due to the increase in finance cost.

RETAIL BUSINESS

COPING WITH UNFAVOURABLE MARKET ENVIRONMENT THROUGH THREE AREAS: MERCHANDISE PROCUREMENT, LOGISTICS AND SALES

Introducing new suppliers, developing new merchandises and controlling procurement cost. During the first half year of 2012, focus was made to speed up the introduction of imported product. In total, 406 types of imported goods were introduced and achieve an increase of the realised sales of 32%. Live and fresh produce procurement comprised the three vegetable supply rings formed by the Beijing suburban area, the Tianjin-Hebei-Beijing area, and the Hebei-Shandong-Inner Mongolia-Beijing area, and the two procurement bases in Yunnan and Hainan, which could supply nearly 400 different types of products. In order to satisfy the demands of different tiers and to enhance the competitiveness of our live and fresh produce, the Wei Ye Green Garden in Tong Zhou area was established as a new base to supply produce such as cabbage, lettuce, and celery directly, and we have also made efforts to introduce high-end produce such as beef imported from Australian. In order to maintain our pricing advantages, procurement cost needs to be controlled. We have increased the frequency in conducting market researches and price evaluations, particularly for major live and fresh produce, where daily market researches and price evaluations focusing on wholesale markets, wet markets and our competitors were conducted, procurement price were monitored and negotiation with suppliers were made. Competitive bidding model was adopted to control product price pursuant to which fruit and vegetable suppliers were required to quote daily prices concurrently, and procurement prices and bases were determined by negotiation with the suppliers.

Upgrading information management system (the "WMS System") to improve logistics efficiency. The normal temperature logistics center has introduced the automatic distribution system, with four new subsystems installed via the WMS system upgrade: The automatic pallet distribution line management subsystem was applied to the receiving dock, warehouse backward reserve area, warehouse forward supply area and loading dock; with the automatic controlling function of the logistics line and the continuality of the mechanical distribution system, the supplier's transportation efficiency and the logistic center's internal efficiency were enhanced. The electronic label identification ("RFID") subsystem was applied to the whole pallet loading area, enabling staff to use RFID to automatically select assignment labels, being connected to different sorting assignments and obtaining acknowledgement automatically upon completion of the relevant assignment, which facilitated multiple sorting concurrently in the same area and enhanced sorting efficiency. The wireless handset ("RF") subsystem was applied to the receiving area, warehouse backward reserve area and warehouse forward supply area, sorting area and loading dock; realising automatic acceptance and allocation of storage space, which enhanced storage management and internal working efficiency. The warehouse-ordering management system automatically, allocated different suppliers to the receiving dock and reserved loading time for each supplier based on the type and quantity of products, which resolved previous issues including the concentration of suppliers when delivering products, long waiting time and dispersion of unloaded products, and thereby enhancing both party's efficiency.

Strengthening unified management over store marketing activities. Essential brands and items to be promoted in stores were preliminarily identified, and attempts towards centralisation of commodities were continuously made. Promotion plans focusing on key products instead of categories of products were gradually carried out to facilitate the transition of the store's marketing tactics from extensive measures to refined strategies. For instance, in selling pork-related products, we instructed stores to divide such products into four categories: high gross margin products, low gross margin products, negative gross profit products and other products. Different pricing plans, sales proportions and promotion policies were used in relation to each category of products. By extending our marketing activities to the communities around the stores through setting up exhibits and building advertisements, we have strengthened the coverage of our product promotions.

We have launched multiple marketing and promotional campaigns during the first half of 2012. With resources provided by the suppliers, joint marketing activities were arranged, such as lucky draw, distribution of giveaways when a specified purchase target was met, and offering of discounts over certain brand products. During new year holidays and the spring festival, to create a festive atmosphere in the stores to boost sales, we launched a marketing campaign focusing on the "Jingkelong spring festival bazaar". We have also integrated cultural promotion into daily promotional activities, and have strengthened marketing activities related to folk culture, local customs and traditions by introducing themed campaigns such as the local food festival and the jingkelong tour festival, thereby attracting consumption. We have also enhanced marketing tactics towards membership schemes and introducing member-exclusive weekly preferential services. These benefits enjoyed by members had positive influence on promotions targeting members.

CONTROLLING EXPENDITURE THROUGH REFINED MANAGEMENT POLICIES

In line with the government's continuous increase of the minimum salary standard, pay rise and bonus awards have become the main incentives to encourage employees. the unavoidable constant increase of labour cost has generated enormous pressure in maintaining growth in profit. With upgrading of the WMS system in the normal temperature logistics center, the Company has begun to evaluate and allocate work to appropriate positions through the automatic information systems. In relation to assignments on acceptance, allocation, sorting, delivery, disassembling, replenishment and loading, salaries payable were tied in to the number of assignments completed and appraisal systems were adopted, which improved work efficiency and limited labour cost.

We have emphasised on management details in the procurement and selling process, hence reducing damage and waste cost. For instance, when selecting boxes, partition cushions and other packaging materials for packing apples, pears and other storage products, we have compared price quotations of Beijing packaging factories and factories in local areas, and reduced packaging material price via prior negotiations. To cope with an all-time supply of live and fresh goods, the Company has undergone monitoring exercises for the entire logistics of vegetable products and assessed, amongst others, the processing and transport conditions, product condition on arrival, storage condition inside the stores and storage measures of vegetables. Through such exercises and repeated experimentation, we have determined suitable ways to improve storage conditions of vegetables for stores and prepared the "Manual on maintaining vegetable freshness for stores", an operation manual which sets out numerous standard techniques and logistics procedures to improve freshness of our vegetables and reduce waste.

STEADY DEVELOPMENT OF THE RETAIL NETWORK

During the Reporting Period, the Group continued its strategy of regional development and established new stores as planned. Ten retail outlets which comprised eight directly-operated retail outlets (including one hypermarket, three supermarkets and four convenience stores) and two franchise-operated convenience stores were opened in Beijing and Hebei Province. The Group steadily expanded its scale of operation.

The total number of the Group's retail outlets was 250 as at 30 June 2012, including 158 directly-operated outlets and 92 franchise-operated outlets, with a total net operating area of 307,577 square metres, The proportion of the number and operating area of the directly-operated outlets has expanded continually. The following table sets out the number and net operating area of the Group's retail outlets as at 30 June 2012:

	Department stores	Hypermarkets	Supermarkets	Convenience stores	Total
Number of retail outlets:					
Directly-operated	2	9	78	69	158
Franchise-operated	–	–	1	91	92
Total	2	9	79	160	250
Net operating area (square metres):					
Directly-operated	39,742	73,723	159,814	15,973	289,252
Franchise-operated	–	–	880	17,445	18,325
Total	39,742	73,723	160,694	33,418	307,577

RETAIL OPERATING RESULTS (UNAUDITED)

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

	For the six months ended 30 June		
	2012	2011	**Variance**
	RMB'000	RMB'000	**(%)**
Directly-operated retail outlets:			
Hypermarkets	**616,535**	594,510	**3.7**
Supermarkets	**1,561,272**	1,448,812	**7.8**
Convenience stores	**164,100**	159,859	**2.7**
Department stores	**25,045**	24,476	**2.3**
(Including commissions)	**(20,526)**	(19,294)	**6.4**
Total retail revenue	**2,366,952**	2,227,657	**6.3**
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	**15.1**	16.4	**(1.3)**
Consolidated gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	**21%**	21%	**–**

During the Reporting Period, the retail revenue of the Group increased by 6.3% mainly due to the following reasons: (i) an overall same-store sales growth of approximately 4.3% during the Reporting Period; (ii) sales contribution from those stores opened in the second half of 2011 and during the Reporting Period.

During the Reporting Period, gross profit margin of the directly-operated retail business (excluding department stores) declined from 16.4% last year to 15.1%, mainly because that the Group launched a series of heavy promotions in the second quarter to cope with economic downturn and low consumer sentiment, which in turn hurt the gross profit margin. The Group leveraged on "anniversary big sale" to launch four waves of promotional campaigns, namely, "sale of hundreds of goods", "discounts on hundreds of goods", "discounts on famous brand products", "low prices for the whole city". In June, we also introduced heavy promotion activities, to attract more customers to visit the shop and increase the sales volume. All these promotion activities were much welcomed and supported by our suppliers, which resulted in consolidate (gross profit plus income from suppliers/revenue) gross profit margin remain unchanged (21%) compared with previous corresponding period.

WHOLESALE BUSINESS

ADJUSTING AND OPTIMISING THE OPERATIONAL MANAGEMENT MODEL

In respect of upper stream suppliers, strategic alliance with key brand suppliers was strengthened, divisional management system was adopted concerning key brands, brand resources between the main operational center and subsidiaries were reorganised and branding reclassification was achieved reorganization of resources of our main operations, hence enhancing the resources allocation of improved the development of our business. Through regular business review meetings and special topic conferences, communications with suppliers were facilitated thereby attaining a common view between the parties on the marketing strategies. Further, by timely communicating with each other on issues arising from day to day activities a communication platform for both suppliers and retailers has been set up. In respect of down stream clients, we have strengthened corporation with key clients by implementing key client strategies, categorizing clients and providing them value added services. For instance, prior to the opening of our client's hypermarket, we would inspect the logistics environment and arrange deliveries of the first batch of orders so that it will be convenient in the future to follow up with distribution and client management. We had also sent out inspectors to different supermarkets and stores to check that poster promotions and special displays were in place, and to collect data on the latest demands of the markets and each supermarket and store, which provided accurate data for market end services.

CONTINUOUSLY EXPANDING BRAND PORTFOLIO AND EXPANSION OF NETWORK COVERAGE

The Group has further developed new suppliers to introduce new products, and during the first half of 2012, the Group has introduced 63 new brand items from 40 suppliers. Knitwear and toys were added to our product portfolio, which expanded our business scope and improved our revenue. Our two subsidiaries in Jinan and Langfang which were established in the second half of last year have opened for business with encouraging sales. Increased promotion was targeted on our in-house branded products, the sales of "Yinya" tissue developed by Beijing Chaopi Trading Company Limited ("Chaopi Trading") amounted to over RMB70 million during this Reporting Period, up 105% compared with last corresponding period. The e-business distribution channel was being developed steadily, with the service standard improved by our online shop inspection exercises, following up of poster promotions and product displays within the e-business retail distribution channels and expansion of sales volume and product categories through this channel.

ENHANCING LOGISTICS AND DISTRIBUTION SYSTEMS AND CONTROLLING LOGISTICS COST

To provide better service for upper stream and downstream clients, retail-end product information was inspected regularly, management in respect of out of stock situations in retail-end were improved which in turn enhanced the rate of arrival of goods. The completion of the expansion and transformation project on warehouse No.4 of distribution center has increased its storage area, relieved storage pressure. Cost-effective concepts were established and logistics measures on storage, sorting, delivery and dispatching were tidied up, thereby improving control over logistics cost. We have also introduced new models in dispatching products, to improve the logistics efficiency.

WHOLESALE OPERATING RESULTS (UNAUDITED)

The wholesale revenue and gross profit margin are set out as follows:

	For the six months ended 30 June		
	2012	2011	**Variance**
	RMB'000	RMB'000	**(%)**
Revenue recognised by Chaopi Trading and its subsidiaries	**2,377,618**	2,122,344	**12.0**
Less: Intersegment sales	**(271,828)**	(265,524)	**2.4**
Sales to franchisees	**7,830**	8,424	**(7.1)**
Consolidated wholesale revenue	**2,113,620**	1,865,244	**13.3**
Gross profit margin* (%)	**13.0**	11.7	**1.3**

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

During the Reporting Period, the wholesale revenue recognized by Chaopi Trading and its subsidiaries increased by 12.0%,which was mainly due to the following reasons: (i) various heavy promotion activities were arranged with suppliers to strengthen market shares, (ii) sales contribution from the new subsidiaries in the second half of 2011, and (iii) sales increase in newly introduced distributorship brands.

During the Reporting Period, the gross profit margin of Chaopi Trading and its subsidiaries rose to 13%, mainly because of (i) sales increase in newly introduced exclusive distributorship brands, (ii) the storage of key merchandise with higher gross profit margin, and (iii) continuously optimization of product mix.

FINANCIAL RESULTS (UNAUDITED)

	For the six months ended 30 June		
	2012	2011	**Variance**
	RMB'000	RMB'000	**(%)**
Revenue	**4,495,228**	4,100,924	**9.6**
Gross profit	**687,817**	631,171	**9.0**
Gross profit margin (%)	**15.3%**	15.4%	**(0.1)**
Operating profit	**222,072**	221,066	**0.5**
Profit for the period	**107,047**	126,338	**(15.3)**
Net profit margin (%)	**2.4%**	3.1%	**(0.7)**
Profit attributable to owners of the parent	**77,632**	102,968	**(24.6)**
Net profit margin attributable to owners of the parent (%)	**1.7%**	2.5%	**(0.8)**

REVENUE

During the Reporting Period, the Group's revenue increased by approximately 9.6%,of which retail revenue rose by approximately 6.3%, and wholesale revenue increased by approximately 13.3 %.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group rose by approximately 9.0% compared with last corresponding period. The gross profit margin was 15.3% (last corresponding period: 15.4%).

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, profit attributable to owners of the parent decreased by approximately 24.6% compared with last corresponding period. Because the increased gross profit and other income due to increased sales increase of approximately RMB133,181,000, selling and distribution costs, administrative expenses and other expenses increase of approximately RMB132,175,000, and the increase of costs including labour cost, rental and utilities cost, which partially offset the increase in gross profit and other income, and so the operating profit amounted approximately RMB222,072,000, increase of approximately RMB1,006,000 compared with last corresponding period. Moreover, finance cost was rising due to macroeconomic policy turn to lift the interest rate. The average borrowing rate was raised from 4.72% in last corresponding period of 2011 to 6.39% in the first half of 2012. The loan amount is approximately unchanged with last corresponding period, but the finance cost rose from approximately RMB 53,522,000 of last corresponding period to approximately RMB 79,433,000, increased of approximately RMB 25,911,000, and the rate of increased is 48.4% compared with last corresponding period. As a result, profit before tax decreased from approximately RMB 167,544,000 of last corresponding period to approximately RMB 142,639,000, and the profit attributable to owners of the parent decreased from approximately RMB 102,968,000 of last corresponding period to approximately RMB 77,632,000.

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 2012, the Group had non-current assets of approximately RMB2,306,184,000 (comprising mainly property, plant and equipment of approximately RMB1,858,751,000), and non-current liabilities of approximately RMB135,786,000 (comprising mainly interest-bearing bank loans of approximately RMB 110,000,000).

As at 30 June 2012, the Group had current assets of approximately 3,617,780,000. Current assets mainly comprised of cash and cash equivalents of approximately RMB498,170,000, inventories of approximately RMB1,254,022,000, trade receivables of approximately RMB1,131,988,000 and prepayments and deposits and other receivables of approximately RMB720,790,000. The Group had current liabilities of approximately RMB3,902,125,000. Current liabilities mainly comprised of trade and bills payables of approximately RMB919,742,000, interest-bearing bank loans and bank overdraft of approximately RMB2,044,535,000 and other payables and accruals of approximately RMB629,571,000.

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 30 June 2012, the Group had bank loans and bank overdraft of approximately RMB2,154,535,000, which consisted of secured bank loans of approximately RMB200,000,000, unsecured bank loans and bank overdraft of approximately RMB1,954,535,000. All the Group's bank loans and bank overdraft bear interest rates ranging from 5.4% to 7.2% 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 aggregate net book values of approximately RMB 57,200,000.

Certain of the Group's deposits of approximately RMB 12,810,000 were pledged for bills payable of approximately RMB 64,100,000 as at 30 June 2012.

The Group's gearing ratio* was approximately 68.16% as at 30 June 2012, which remains approximately unchanged than 68.84% in the previous corresponding period.

* Represented by: Total Debt/Total Asset

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 2012, the Group employed 8,354 employees domestically (as at 30 June 2011: 6,965 employees). The total staff costs (including directors' and supervisors' remunerations) of the Group for the Reporting Period amounted to approximately RMB 308,170,000 (corresponding period of 2011: RMB 256,524,000). 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 2012, the Group did not have any significant contingent liabilities.

EVENT AFTER THE END OF THE REPORTING PERIOD

The event after the end of the reporting period of the Group as at 30 June 2012 is set out in note 21 of the 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 meeting of the H Shareholders and Domestic Shareholders held on 28 May 2012. On 19 July 2012, 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 announcement dated 23 March 2012 and the circular dated 13 April 2012 of the Company.

OUTLOOK

On 11th July 2012, the State Council passed the "Opinions of the State Council on Deepening the Reform of the Circulation System and Expediting the Development of the Circulation Industry" (國務院關於深化流通體制改革加快流通產業發展的意見) which clarified the main tasks of developing circulation, relevant supporting policies and safeguarding procedures, which are beneficial to the retail and wholesale business of the Group. During the "Eleventh Five Year Plan" period, the GDP per capita in Beijing had exceeded USD 12,000, reaching the income level of upper middle countries. In general, the economic power has improved substantially and the level of infrastructure management has improved considerably, resulting in actual safeguard and improvement of the people's livelihood. In the "Twelfth Five Year Plan" period, Beijing has set a target of "promoting scientific development in the capital, and building a world standard city with Chinese character". In the next five years, Beijing is expected to expand domestic consumption, accelerate the urbanization process, improve economic development in suburban areas, develop and broaden strategies, systems and policies on consumption demands which would create a consumption-friendly environment. The retail and wholesale of daily consumer products will definitely benefit from such increase in income level and consumption standard.

For the second half of 2012, the Group will continue to adhere to its designated development strategy, focus on refined management on the basis of innovation mechanism. Promotion activities will be designed according to store surrounding area and consumer affordability, to improve operational efficiency and economic benefit, promoting profitability by controlling expenses, reducing finance cost.

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 Corporate Governance Code and Corporate Governance Report (the "Code and Report") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the Reporting Period, saving for the directors' retirement by rotation as set out below.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiries, all the directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding their securities transactions throughout the Reporting Period.

THE BOARD

Provision A4.2 of the Code and Report 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 and Report.

AUDIT COMMITTEE

The Audit Committee together with the management of the Company and the independent auditor have considered and reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting, including the review of the Group's 2012 unaudited interim consolidated results. The Audit Committee considered that the interim financial report for the six months ended 30 June 2012 was in compliance with the relevant accounting standards, requirements of the Stock Exchange and the Laws of Hong Kong, and appropriate disclosures have been made.

DISCLOSURE OF INTERESTS

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

As at 30 June 2012, 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	1,545,104	0.67	0.38
Li Jianwen	Personal	1,482,579	0.64	0.36
Li Chunyan	Personal	395,992	0.17	0.10
Liu Yuejin	Personal	375,151	0.16	0.09
Gu Hanlin	Personal	797,203	0.35	0.19
Li Shunxiang	Personal	5,210,428	2.26	1.26
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 2012, 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 2012, 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 (%)
Cheah Capital Management Limited (Note 1)	37,027,000 (L)	20.32 (L)	8.98
Cheah Company Limited (Note 2)	37,027,000 (L)	20.32 (L)	8.98
Hang Seng Bank Trustee International Limited (Note 3)	37,027,000 (L)	20.32 (L)	8.98
Value Partners Group Limited (Note 4)	37,027,000 (L)	20.32 (L)	8.98
Value Partners Limited (Note 5)	37,027,000 (L)	20.32 (L)	8.98
To Hau Yin (Note 6)	37,027,000 (L)	20.32 (L)	8.98
Cheah Cheng Hye (Note 7)	37,027,000 (L)	20.32 (L)	8.98
JPMorgan Chase & Co. (Note 8)	14,536,018 (L)	7.98 (L)	3.53
	13,946,018 (P)	7.66 (P)	3.38
Commonwealth Bank of Australia (Note 9)	27,399,000 (L)	15.04 (L)	6.64
Templeton Asset Management Limited (Note 10)	14,604,000 (L)	8.02 (L)	3.54
Schroder Investment Management (Hong Kong) Limited (Note 11)	13,036,000 (L)	7.16 (L)	3.16
Genesis Asset Managers, LLP (Note 12)	12,749,000 (L)	6.99 (L)	3.09

(L) – Long Position
(P) – Lending Pool

Note:

1. Cheah Capital Management Limited had a 28.47% deemed interest in Value Partners Group Limited was therefore deemed to have an interest in the 37,027,000 H shares in which Value Partners Limited was interested in.

2. Cheah Company Limited had a 100% deemed interest in Cheah Capital Management Limited and was therefore deemed to have an interest in the 37,027,000 H shares in which Value Partners Limited was interested in.

3. These 37,027,000 H shares were held by Hang Seng Bank Trustee International Limited in its capacity as a trustee.

4. Value Partners Group Limited had a 100% direct interest in Value Partners Limited and was therefore deemed to have an interest in the 37,027,000 H shares in which Value Partners Limited was interested in.

5. These 37,027,000 H shares were held by Value Partners Limited in its capacity as an investment manager.

6. These 37,027,000 H shares were held by To Hau Yin in the capacity as the spouse of Cheah Cheng Hye.

7. These 37,027,000 H shares were held by Cheah Cheng Hye in the capacity as the founder of a discretionary trust

8. These 14,536,018 H shares were held by JP Morgan Chase & Co. of which 13,946,018 H shares were in its capacity as a custodian corporation/an approved lending agent and the other 590,000 H shares were in its capacity as an investment manager

9. Commonwealth Bank of Australia had a 100% deemed interest in a corporation holding the 27,399,000 H shares and was therefore deemed to have an interest in the 27,399,000 H shares.

10. These 14,604,000 H shares were held by Templeton Asset Management Ltd. in its capacity as an investment manager.

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 12,749,000 H shares were held by Genesis Asset Managers, LLP 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 2012, 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
10 September 2012

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the board of directors of Beijing Jingkelong Company Limited

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Beijing Jingkelong Company Limited (the "Company") and its subsidiaries set out on pages 25 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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 these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
10 September 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Notes	**Six months ended 30 June 2012 RMB'000 (unaudited)**	2011 RMB'000 (unaudited)
Revenue	6	**4,495,228**	4,100,924
Cost of sales		**(3,807,411)**	(3,469,753)
Gross profit		**687,817**	631,171
Other income and gains	6	**357,600**	281,065
Selling and distribution costs		**(646,436)**	(552,608)
Administrative expenses		**(147,429)**	(116,822)
Other expenses		**(29,480)**	(21,740)
Operating profit		**222,072**	221,066
Finance costs	7	**(79,433)**	(53,522)
Profit before tax	8	**142,639**	167,544
Income tax expense	9	**(35,592)**	(41,206)
Profit for the period		**107,047**	126,338
Profit for the period attributable to:			
Owners of the parent		**77,632**	102,968
Non-controlling interests		**29,415**	23,370
		107,047	126,338
Earnings per share			
Basic (RMB cents)	11	**18.8**	25.0

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Note	Six months ended 30 June 2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Profit for the period		**107,047**	126,338
Other comprehensive income			
Fair value gains on available-for-sale investments	13	**1,224**	152
Income tax relating to components of other comprehensive income		**(306)**	(38)
Other comprehensive income for the period (net of tax)		**918**	114
Total comprehensive income for the period		**107,965**	126,452
Total comprehensive income for the period attributable to:			
Owners of the parent		**78,550**	103,082
Non-controlling interests		**29,415**	23,370
		107,965	126,452

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	**30 June 2012 RMB'000 (unaudited)**	31 December 2011 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**1,858,751**	1,828,542
Investment properties		**32,018**	33,001
Prepaid lease payments		**230,238**	233,511
Goodwill		**86,674**	86,674
Intangible assets		**12,101**	11,467
Available-for-sale investments	13	**7,538**	6,314
Rental deposits		**7,350**	7,945
Deferred tax assets		**17,024**	18,720
Other long term lease prepayments		**54,490**	55,441
Total non-current assets		**2,306,184**	2,281,615
CURRENT ASSETS			
Inventories	14	**1,254,022**	1,416,806
Trade receivables	15	**1,131,988**	1,358,876
Prepayments, deposits and other receivables		**720,790**	653,198
Pledged deposits		**12,810**	36,351
Cash and cash equivalents		**498,170**	580,655
Total current assets		**3,617,780**	4,045,886
CURRENT LIABILITIES			
Trade and bills payables	16	**919,742**	1,323,527
Debentures		**299,800**	299,200
Tax payable		**7,432**	13,578
Other payables and accruals		**629,571**	659,766
Interest-bearing bank loans and bank overdraft	17	**2,044,535**	1,911,519
Deferred income – current portion		**1,045**	2,754
Total current liabilities		**3,902,125**	4,210,344

	Notes	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
NET CURRENT LIABILITIES		**(284,345)**	(164,458)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,021,839**	2,117,157
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	17	**110,000**	200,000
Deferred income		**2,000**	2,131
Deferred tax liabilities		**11,321**	11,476
Other liabilities		**12,465**	11,433
Total non-current liabilities		**135,786**	225,040
Net assets		**1,886,053**	1,892,117
CAPITAL AND RESERVES			
Issued capital		**412,220**	412,220
Reserves		**1,203,757**	1,125,207
Proposed final dividend		**–**	82,444
Equity attributable to owners of the parent		**1,615,977**	1,619,871
Non-controlling interests		**270,076**	272,246
Total equity		**1,886,053**	1,892,117

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to the owners of the parent									
	Issued capital RMB'000	Share premium 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	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Six months ended 30 June 2012 (unaudited)										
At 1 January 2012 (audited)	412,220	605,171	1,652	4,473	113,969	82,444	399,942	1,619,871	272,246	1,892,117
Profit for the period	-	-	-	-	-	-	77,632	77,632	29,415	107,047
Other comprehensive income for the period (net of tax)	-	-	-	918	-	-	-	918	-	918
Total comprehensive income for the period	-	-	-	918	-	-	77,632	78,550	29,415	107,965
Dividend recognised as distribution	-	-	-	-	-	(82,444)	-	(82,444)	-	(82,444)
Dividends paid to non-controlling equity holders	-	-	-	-	-	-	-	-	(31,585)	(31,585)
At 30 June 2012 (unaudited)	412,220	605,171*	1,652*	5,391*	113,969*	-	477,574*	1,615,977	270,076	1,886,053
Six months ended 30 June 2011 (unaudited)										
At 1 January 2011 (audited)	412,220	605,171	1,652	4,877	104,769	82,444	281,426	1,492,559	212,199	1,704,758
Profit for the period	-	-	-	-	-	-	102,968	102,968	23,370	126,338
Other comprehensive income for the period (net of tax)	-	-	-	114	-	-	-	114	-	114
Total comprehensive income for the period	-	-	-	114	-	-	102,968	103,082	23,370	126,452
Dividend recognised as distribution	-	-	-	-	-	(82,444)	-	(82,444)	-	(82,444)
Dividends paid to non-controlling equity holders	-	-	-	-	-	-	-	-	(31,083)	(31,083)
Capital injection from non-controlling equity holders	-	-	-	-	-	-	-	-	768	768
At 30 June 2011 (unaudited)	412,220	605,171*	1,652*	4,991*	104,769*	-	384,394*	1,513,197	205,254	1,718,451

* These reserve accounts as at 30 June 2012 comprised the consolidated reserves of RMB1,203,757,000 (30 June 2011: RMB1,100,833,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	**57,983**	60,893
INVESTING ACTIVITIES		
Interest received	**5,882**	7,005
Purchases of property, plant and equipment and intangible assets	**(139,011)**	(83,636)
Purchases of financial products	**–**	(150,000)
Decrease in loan receivables	**–**	115,000
Acquisition of a subsidiary	**–**	(76,462)
Proceeds from disposal of items of property, plant and equipment	**6,537**	1,100
Net decrease/(increase) in pledged deposits	**23,541**	(361)
NET CASH USED IN INVESTING ACTIVITIES	**(103,051)**	(187,354)
FINANCING ACTIVITIES		
Dividends paid (including non-controlling equity holders)	**(80,432)**	(59,365)
Cash contribution from non-controlling equity holders	**–**	768
New bank loans and bank overdraft	**1,756,375**	1,822,824
Repayment of bank loans	**(1,713,360)**	(1,551,000)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(37,417)**	213,227
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(82,485)**	86,766
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**580,655**	574,532
Effect of foreign exchange rate changes	**–**	44
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by		
Bank balances and cash	**498,170**	661,342

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. GENERAL 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, 18 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 condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Statement* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The condensed consolidated financial statements do 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 2011. The condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to nearest thousands, except when otherwise indicated.

As at 30 June 2012, the Group had net current liabilities of RMB284,345,000 (31 December 2011: RMB164,458,000). Based on the Group's history of obtaining financing, available banking facilities, operating performance, working capital forecast and financial obligations in the next twelve months, the directors consider that there are sufficient financial resources available to the Group to meet its liabilities as when fall due and to carry on its businesses in the foreseeable future. Accordingly, the directors have prepared the condensed consolidated financial statements on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

Except as described in note 4, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

- amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*;

- amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*.

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

5. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results of its reportable and operating segments:

Six months ended 30 June 2012 (unaudited)

	Retailing RMB'000	Wholesaling RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	2,366,952	2,113,620	14,656	4,495,228
Inter-segment sales	–	271,828	4,978	276,806
	2,366,952	2,385,448	19,634	4,772,034
Reconciliation:				
Elimination of inter-segment sales				(276,806)
Revenue from operations				4,495,228
Segment results	45,164	96,376	1,099	142,639
Profit before tax				142,639

Six months ended 30 June 2011 (unaudited)

	Retailing RMB'000	Wholesaling RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	2,227,657	1,865,244	8,023	4,100,924
Inter-segment sales	–	265,524	5,877	271,401
	2,227,657	2,130,768	13,900	4,372,325
Reconciliation:				
Elimination of inter-segment sales				(271,401)
Revenue from operations				4,100,924
Segment results	99,528	69,515	(1,499)	167,544
Profit before tax				167,544

6. REVENUE OTHER INCOME AND GAINS

Revenue, 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	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue		
Sale of merchandise and produce:		
Retailing	**2,346,426**	2,208,363
Wholesaling*	**2,113,620**	1,865,244
	4,460,046	4,073,607
Commission from concessionaire sales	**20,526**	19,294
Others	**14,656**	8,023
	4,495,228	4,100,924

* Included in the balance are sales to franchisees, amounting to RMB7,830,000 (the six months ended 30 June 2011: RMB8,424,000)

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other income and gains		
Income from suppliers	**265,767**	198,566
Gross rental income	**52,411**	53,338
Interest income	**5,661**	7,148
Government grants	**7,097**	4,337
Others	**26,664**	17,676
	357,600	281,065

7. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on bank loans, bank overdraft and debentures wholly repayable within five years	**79,885**	54,109
Less: Interest capitalised	**(452)**	(587)
	79,433	53,522

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation:		
Property, plant and equipment	**88,443**	84,682
Investment properties	**984**	253
	89,427	84,935
Amortisation of intangible assets	**1,608**	1,443
Recognition of lease prepayments for land use rights	**3,273**	3,308
Minimum lease payments under operating lease on properties	**92,518**	77,342
Staff costs:		
Directors' emoluments	**8,113**	6,922
Other staff costs		
Wages, salaries and social security costs	**275,319**	228,378
Retirement benefits contributions	**24,738**	21,224
	300,057	249,602
	308,170	256,524

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax – PRC	**34,357**	41,395
Deferred tax	**1,235**	(189)
	35,592	41,206

10. DIVIDENDS

During the current interim period, a final dividend of RMB20 cents per share in respect of the year ended 31 December 2011 (2011: RMB20 cents per share in respect of the year ended 31 December 2010) was declared to the owners of the parent. The aggregated amount of the final dividend declared in the interim period amounted to RMB82,444,000 (six months ended 30 June 2011: RMB82,444,000).

The directors of the Company do not recommend the payment of an interim dividend (six months ended 30 June 2011: Nil).

11. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the is based on the following data:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share		
Profit for the period attributable to owners of the parent	**77,632**	102,968

	30 June 2012 '000	30 June 2011 '000
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**412,220**	412,220

No diluted earnings per share is presented as there is no potential ordinary shares outstanding during both periods.

12. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment with an aggregate cost of approximately RMB148.9 million (six months ended 30 June 2011: RMB104.6 million).

13. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Listed equity investment in the PRC, at fair value	**7,538**	6,314
Unlisted equity investment, at cost	**1,188**	1,188
Less: impairment loss of equity investment	**(1,188)**	(1,188)
	7,538	6,314

The above investments consist of investments in equity securities which were designated as available-for-sale investments. The fair value of the listed equity investment is based on quoted market prices.

During the six months ended 30 June 2012, the fair value gains on the Group's available-for-sale investments, net of tax, of RMB918,000 (the six months ended 30 June 2011: RMB114,000) was recognised as other comprehensive income.

14. INVENTORIES

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Merchandise and produce for resale	**1,252,292**	1,406,990
Raw materials	**1,059**	7,184
Low value consumables	**671**	2,632
	1,254,022	1,416,806

15. TRADE RECEIVABLES

The Group normally allows a credit period of not more than 60 days of its customers. A longer credit period is granted to its major customers with long term relationships.

The following is an analysis of trade receivables by age, presented based on the invoice date and net of provision:

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Within 60 days	**518,050**	795,116
61 days to 180 days	**467,871**	427,455
181 days to 1 year	**63,767**	50,737
1 to 2 years	**82,300**	85,568
	1,131,988	1,358,876

Included in the Group's trade receivables as at 30 June 2012 was an amount of approximately RMB80.0 million (31 December 2011: RMB80.0 million) due from Beijing Shoulian Trading Company Limited ("Shoulian"), and the overdue balance was RMB80.0 million (31 December 2011: RMB80.0 million). In the opinion of the directors, no impairment is necessary in view of the consideration that Shoulian has pledged one piece of land and related buildings situated in Beijing with a total value of not less than RMB91.9 million to the Company to secure the overdue trade receivable.

16. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables presented based on the invoice date:

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Within 60 days	**733,402**	1,096,575
61 days to 180 days	**153,411**	203,606
181 days to 1 year	**24,596**	14,662
1 to 2 years	**4,155**	4,392
Over 2 years	**4,178**	4,292
	919,742	1,323,527

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

As at 30 June 2012, the bills payable of the Group amounting to RMB64.1 million (31 December 2011: RMB130.5 million) was secured by certain of the Group's pledged deposits amounting to approximately RMB12.8 million (31 December 2011: RMB36.4 million).

17. INTEREST-BEARING BANK LOANS AND BANK OVERDRAFT

During the current interim period, the Group obtained new bank loans and bank overdraft amounting to RMB1,756 million (six months ended 30 June 2011: RMB1,823 million) and repaid bank loans amounting to RMB1,713 million (six months ended 30 June 2011: RMB1,551 million).

All of the Group's bank loans and bank overdraft, which are denominated in RMB, bear annual interest rates ranging from 5.4% to 7.2% (31 December 2011: 5.1% to 7.2%).

As at 30 June 2012, the secured bank loans of the Group amounting to RMB200 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 RMB42.3 million, RMB6.2 million and RMB8.7 million, respectively.

As at 31 December 2011, the secured bank loans of the Group amounting to RMB430 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 RMB138.4 million, RMB13.5 million, and RMB23.3 million, respectively.

18. OPERATING LEASE COMMITMENTS

(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 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Within one year	**50,371**	42,507
In the second to fifth year, inclusive	**126,417**	127,872
After five years	**42,772**	60,968
	219,560	231,347

(b) As Lessee

The Group leases certain of its properties including retail outlets and office buildings under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 20 years.

As at 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Within one year	**205,987**	136,552
In the second to fifth year, inclusive	**936,874**	735,350
After five years	**1,556,728**	1,571,937
	2,699,589	2,443,839

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

19. 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 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Authorised, but not contracted for	**114,519**	15,928
Contracted, but not provided for	**139,485**	105,987
	254,004	121,915

20. RELATED PARTY TRANSACTIONS

(a) The Group entered into the following significant transactions with related parties during the period:

		Six months ended 30 June	
	Notes	2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
Controlling shareholder:			
Expenses on property leasing	(i)	**90**	5,309
A subsidiary of controlling shareholder:			
Expenses on property leasing	(ii)	**1,076**	1,050

(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 RMB90,000 for the period ended 30 June 2012.

(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 2012 were charged at approximately RMB1,076,000.

(b) Compensation of key management personnel

The emoluments of key management during the period were as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	**13,322**	11,674
Post-employment benefits	**188**	167
	13,510	11,841

21. EVENT AFTER THE END OF THE REPORTING PERIOD

On 27 July 2012, Chaopi Trading Company Limited, a non-wholly owned subsidiary of the Group, entered into sales and purchase agreements with Mr. Qu Ying and Ms. Yu Lin, independent third parties, to dispose of its 35% equity interest in Jinan Chaopi Linda Trading Company Limited ("Chaopi Linda"), a subsidiary of the Group, for an aggregate cash consideration of RMB9,100,000. After the disposal, the Group indirectly holds an equity interest of 51.9% in Chaopi Linda.

22. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 10 September 2012.