北京京客隆商業集團股份有限公司

BEIJING JINGKELONG COMPANY LIMITED*

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

(Stock Code: 814)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the "**Board**") of Beijing Jingkelong Company Limited (the "**Company**" or "**Jingkelong**") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2019 (the "**Reporting Period**"). The unaudited consolidated results have been reviewed by the auditors, Ruihua Certified Public Accountants LLP and the audit committee of the Company.

(Important notice: This announcement is published in Chinese and English versions. In case of inconsistency, the Chinese version shall prevail.)

* *For identification purpose only*

FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEETS

Item	*Notes*	**2019.6.30** *RMB* **(unaudited)**	2018.12.31 *RMB* (audited)
Current assets:			
Cash and bank balances		**809,850,644**	1,146,910,207
Accounts receivable	*4*	**1,316,816,263**	1,490,822,972
Prepayments		**972,468,801**	750,913,496
Other receivables		**228,304,906**	175,508,371
Inventories		**1,473,811,046**	1,668,923,611
Other current assets		**133,336,308**	177,117,099
Total current assets		**4,934,587,968**	5,410,195,756
Non-current assets:			
Other non-current financial assets		**29,597,934**	14,583,646
Investment properties		**183,260,118**	187,606,354
Fixed assets		**934,961,299**	976,125,343
Construction in progress		**126,718,033**	114,152,339
Right-of-use assets		**1,110,718,906**	–
Intangible assets		**297,780,162**	305,636,827
Goodwill		**86,673,788**	86,673,788
Long-term prepaid expenses		**356,368,751**	400,087,980
Deferred tax assets		**18,552,900**	20,226,293
Other non-current assets		**177,839,676**	172,511,502
Total non-current assets		**3,322,471,567**	2,277,604,072
TOTAL ASSETS		**8,257,059,535**	7,687,799,828

Item	*Notes*	**2019.6.30** *RMB* **(unaudited)**	2018.12.31 *RMB* (audited)
Current liabilities:			
Short-term borrowings		**2,164,344,991**	2,757,649,469
Notes payable	*5*	**529,667,363**	631,264,431
Accounts payable	*5*	**918,058,736**	1,001,433,347
Contract liabilities		**341,065,125**	371,087,396
Payroll payable		**1,786,698**	1,741,169
Taxes payable		**120,129,939**	90,160,465
Other payables		**239,859,746**	234,392,613
Including: Interest payable		**3,029,983**	3,939,352
Dividends payable		**22,463,745**	4,576,656
Non-current liabilities due within one year		**178,979,399**	–
Other current liabilities		**638,192,339**	356,977,042
Total current liabilities		**5,132,084,336**	5,444,705,932
Non-current liabilities:			
Leases liabilities		**948,760,371**	–
Deferred income		**38,749,784**	34,300,405
Deferred tax liabilities		**5,143,007**	1,413,622
Other non-current liabilities		**800,000**	30,380,164
Total non-current liabilities		**993,453,162**	66,094,191
TOTAL LIABILITIES		**6,125,537,498**	5,510,800,123
SHAREHOLDERS' EQUITY			
Share capital		**412,220,000**	412,220,000
Capital reserves		**605,043,091**	605,043,091
Other comprehensive income		**164,808**	82,125
Surplus reserves		**153,125,894**	153,125,894
Undistributed profits	*6*	**535,063,243**	537,907,146
Total equity attributable to shareholders of the parent company		**1,705,617,036**	1,708,378,256
Minority interests		**425,905,001**	468,621,449
TOTAL SHAREHOLDERS' EQUITY		**2,131,522,037**	2,176,999,705
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**8,257,059,535**	7,687,799,828

CONSOLIDATED INCOME STATEMENT

Item		Notes	Six months ended 30 June 2019 *RMB* (unaudited)	Six months ended 30 June 2018 *RMB* (unaudited)
I.	**Total operating income**	*7*	**5,884,989,733**	5,726,292,192
	Including: operating income		**5,884,989,733**	5,726,292,192
II.	**Total operating costs**	*7*	**5,828,383,479**	5,657,889,447
	Including: Operating costs		**4,554,499,435**	4,404,951,437
	Tax and surcharges		**23,307,383**	25,592,449
	Selling expenses		**987,371,437**	984,201,023
	Administrative expenses		**161,958,097**	153,718,096
	Financial expenses		**99,895,782**	87,955,119
	Impairment losses on credits		**1,351,345**	1,471,323
	Add: Other income		**5,981,572**	8,706,198
	Investment income		**1,222,315**	11,891,593
	Gains or losses on changes in fair value		**15,014,288**	(8,949,083)
	Gains on disposal of assets		**(106,080)**	(1,226,928)
III.	**Operating profit**		**78,718,349**	78,824,525
	Add: non-operating income		**10,088,129**	9,710,675
	Less: non-operating expenses		**4,979,936**	9,761,353
IV.	**Total profit**		**83,826,542**	78,773,847
	Less: income tax expenses	*8*	**36,297,042**	31,067,302

Item		Notes	**Six months ended 30 June 2019** *RMB* **(unaudited)**	Six months ended 30 June 2018 *RMB* (unaudited)
V.	**Net profit**		**47,529,500**	47,706,545
	(I) Classified by business continuity			
	1. Net profit from continuing operations		**47,529,500**	47,706,545
	2. Net profit from discontinued operations		**–**	–
	(II) Classified by ownership			
	1. Profit or loss attributable to minority interests		**17,395,803**	18,669,998
	2. Net profit attributable to shareholders of the parent company		**30,133,697**	29,036,547
VI.	**Net value of other comprehensive income after tax**		**159,305**	174,993
	Net value of other comprehensive income attributable to shareholders of the parent company after tax		**82,683**	90,826
	Other comprehensive income which can be reclassified into profit or loss subsequently		**82,683**	90,826
	1. Gains or losses from changes in fair value of available-for-sale financial assets		**–**	–
	2. Translation differences of financial statements denominated in foreign currencies		**82,683**	90,826
	Net value of other comprehensive income attributable to minority of interests after tax		**76,622**	84,167
VII.	**Total comprehensive income**		**47,688,805**	47,881,538
	Total comprehensive income attributable to shareholders of the parent company		**30,216,380**	29,127,373
	Total comprehensive income attributable to minority interests		**17,472,425**	18,754,165
VIII.	**Earnings per share**			
	(I) Basic earnings per share	*9*	**0.07**	0.07
	(II) Dilutive earnings per share		**N/A**	N/A

NOTES:

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**"). On 1 November 2004, with the approval by Beijing Administration for Industry and Commerce (北京市工商局), the Company was transformed from Beijing Jingkelong Supermarket Chain Group Limited (the "**Beijing Jingkelong Supermarket Chain Company Limited**" before renamed). The registered capital of the Company is RMB412,220,000. The company's unified social credit code is 91110000101782670P. The registered office and the principal place of business of the Company are located at Block No. 45, Xinyuan Street, Chaoyang District, Beijing. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the retail and wholesale distribution of daily consumer products.

On 25 September 2006, the H shares issued by the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. On 26 February 2008, all the H shares were transferred to the Main Board for listed trading. The Company issued a total of 412,220,000 ordinary shares as at 30 June 2019.

The controlling shareholder of the Company is Beijing Chaoyang Auxiliary Food Company (the "**Chaoyang Auxiliary**").

2. BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS

The Company's consolidated interim financial statements have been prepared in accordance with China Accounting Standard 32 "*Interim Financial Reporting*". In addition, the Group also discloses relevant information required by the Companies Ordinance of Hong Kong and the Listing Rules of The Stock Exchange of Hong Kong Limited.

3. THE IMPACT OF IMPLEMENTING NEW LEASE GUIDELINES

The Group has implemented the "Accounting Standards for Business Enterprises No. 21 – Leases" (Finance [2018] No. 35) (hereinafter referred to as the New Lease Guidelines) as amended by the Ministry of Finance from 1 January 2019. According to the new lease guidelines, the unpaid lease payments for the company's operating leases are discounted and included in the "right-of-use assets" and "lease liabilities", which are presented in the balance sheet; as for right-of-use assets they depreciate on a straight-line basis, and as for lease liabilities, they are used to calculate interests expense according to the effective interest method. Rental expenses originally measured by "selling expense – lease fee" in the income statement, but due to the new lease guidelines, they are replaced by "selling expense – depreciation" and "Financial expenses – interest expenses". In addition, the interest expense per period calculated on the basis of the lease liabilities will gradually decrease as the amount of the lease liabilities decreases, and will show a situation of high first and then low. Thus, comparing with the original and new lease guidelines adopted for the first six months of year 2019, the total cost will be increased by RMB11,224,800, which caused by the implementation of the new lease guidelines, the details are as follows:

	Six months ended 30 June 2018 *RMB* (unaudited)	Six months ended 30 June 2019 *RMB* (unaudited)				
		New lease guidelines	YoY(New lease guidelines)	Original lease guidelines	YoY(Original lease guidelines)	The change of new and original guidelines
Selling expenses	984,201,023	987,371,437	0.32%	1,002,412,385	1.85%	(15,040,948)
Including: Depreciation	49,993,010	138,198,408	176.44%	51,615,006	3.24%	86,583,402
Rental	112,103,903	22,953,274	(79.53%)	124,577,624	11.13%	(101,624,350)
Financial expenses	87,955,119	99,895,782	13.58%	73,629,976	(16.29%)	26,265,806
Operating profit	78,824,525	78,718,349	(0.13%)	89,943,207	14.11%	(11,224,858)
Total profit	78,773,847	83,826,542	6.41%	95,051,401	20.66%	(11,224,859)
Income tax expense	31,067,302	36,297,042	16.83%	38,321,598	23.35%	(2,024,556)
Net profit	47,706,545	47,529,500	(0.37%)	56,729,802	18.91%	(9,200,302)
Net profit attributable to the parent company	29,036,547	30,133,697	3.78%	38,723,836	33.36%	(8,590,139)

4. ACCOUNTS RECEIVABLE

	2019.6.30 *RMB* (unaudited)			
Aging	**Carrying Amount**	**Proportion%**	**Bad debt provision**	**Net book value**
Within 1 year	1,243,168,793	93	–	1,243,168,793
1-2 years	33,005,113	2	990,153	32,014,960
2-3 years	29,210,597	2	2,921,060	26,289,537
3-4 years	11,487,745	1	2,871,937	8,615,808
4-5 years	13,454,330	1	6,727,165	6,727,165
Over 5 years	647,206	1	647,206	–
Total	1,330,973,784	100	14,157,521	1,316,816,263

5. NOTES AND ACCOUNTS PAYABLE

Item	**2019.6.30** *RMB* **(unaudited)**	2018.12.31 *RMB* (audited)
Notes Payable	**529,667,363**	631,264,431
Accounts Payable	**918,058,736**	1,001,433,347
Total	**1,447,726,099**	1,632,697,778

As at 30 June 2019, security deposit for the issuance of bank acceptances above amounted to RMB104,890,669 (31 December 2018: RMB132,682,283).

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

The aging analysis of the accounts payable based on the transaction date is as follows:

Item	**2019.6.30** *RMB* **(unaudited)**	2018.12.31 *RMB* (audited)
Within 1 year	**881,905,259**	985,132,303
1 to 2 years	**21,845,126**	7,094,374
2 to 3 years	**3,998,632**	2,479,769
Above 3 years	**10,309,719**	6,726,901
Total	**918,058,736**	1,001,433,347

The majority of accounts payable aging over one year consist of the final payments for suppliers.

6. UNDISTRIBUTED PROFITS

Item	**Six months ended 30 June 2019** *RMB* **(unaudited)**	Six months ended 30 June 2018 *RMB* (unaudited)
Undistributed profits at the beginning of year	**537,907,146**	504,701,969
Add: Net profit attributable to the shareholders of the parent company for the year	**30,133,697**	29,036,547
Less: Appropriation to statutory surplus reserve	**–**	–
Ordinary shares' dividends payable	**32,977,600**	24,733,200
Other	**–**	–
Undistributed profits at the end of the year	**535,063,243**	509,005,316

Dividend

A final dividend of RMB0.08 per share, in respect of year ended at 31 December 2018 (the previous corresponding period: RMB0.06 per share in respect of the year ended at 31 December 2017) was declared and paid to the shareholders of the Company. The aggregated amount of the final dividend declared and paid was RMB32,977,600 (Prior period: RMB24,733,200).

The Board did not suggest distributing interim dividend in the period (Prior corresponding period: 0).

7. OPERATING INCOME AND OPERATING COST

(1) Operating income and operating cost

Item	**Six months ended 30 June 2019** *RMB* **(unaudited)**		Six months ended 30 June 2018 *RMB* (unaudited)	
	Income	**Cost**	Income	Cost
Principal operating	**5,324,902,003**	**4,548,447,560**	5,137,604,291	4,399,629,238
Other operating	**560,087,730**	**6,051,875**	588,687,901	5,322,199
Total	**5,884,989,733**	**4,554,499,435**	5,726,292,192	4,404,951,437

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

Item	**Six months ended 30 June 2019** *RMB* **(unaudited)**		Six months ended 30 June 2018 *RMB* (unaudited)	
	Principal operating income	**Principal operating cost**	Principal operating income	Principal operating cost
Retail	**2,109,605,255**	**1,743,041,618**	2,242,625,542	1,866,386,559
Wholesale	**3,199,323,115**	**2,794,091,820**	2,875,400,409	2,518,176,084
Others	**15,973,633**	**11,314,122**	19,578,340	15,066,595
Total	**5,324,902,003**	**4,548,447,560**	5,137,604,291	4,399,629,238

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

8. INCOME TAX EXPENSES

Item	**Six months ended 30 June 2019** *RMB* **(unaudited)**	Six months ended 30 June 2018 *RMB* (unaudited)
Current income tax expenses	**30,894,264**	32,157,363
Deferred income tax expenses	**5,402,778**	(1,090,061)
Total	**36,297,042**	31,067,302

Reconciliation between income tax expenses and accounting profit is as follows:

Item	**Six months ended 30 June 2019 (unaudited)**
Total profit	**83,826,542**
Income tax expenses calculated at statutory/applicable tax rate	**20,956,636**
Effect of subsidiary companies to adapt different tax rates	**(99,267)**
Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets in the period	**719,327**
Effect of non-taxable income	**(235,689)**
Effect of non-deductible costs, expenses and losses	**1,302,471**
Effect of deductible losses recover of previously recognized deferred tax assets	**(361,996)**
Effect of using deductible losses of previously unrecognized deferred tax assets	**14,015,560**
Total	**36,297,042**

9. EARNINGS PER SHARE

Item	**Six months ended 30 June 2019** *RMB* **(unaudited)**	Six months ended 30 June 2018 *RMB* (unaudited)
Net profit for the period attributable to shareholders of the parent company	**30,133,697**	29,036,547
Number of ordinary shares used in the calculation of basic earnings per share	**412,220,000**	412,220,000

Item	**Six months ended 30 June 2019** *RMB* **(Unaudited)**	Six months ended 30 June 2018 *RMB* (Unaudited)
Calculation based on the net profit attributable to ordinary shareholders of the parent company:		
Basic earnings per share	**0.07**	0.07

10. NET CURRENT ASSETS

Item	**2019.6.30** *RMB* **(unaudited)**	2018.12.31 *RMB* (audited)
Current assets	**4,934,587,968**	5,410,195,756
Less: Current liabilities	**5,132,084,336**	5,444,705,932
Net current assets	**(197,496,368)**	(34,510,176)

11. TOTAL ASSETS LESS CURRENT LIABILITIES

Item	**2019.6.30** *RMB* **(unaudited)**	2018.12.31 *RMB* (audited)
Total assets	**8,257,059,535**	7,687,799,828
Less: Current liabilities	**5,132,084,336**	5,444,705,932
Total assets less current liabilities	**3,124,975,199**	2,243,093,896

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2019, China's GDP growth rate was 6.3% due to the slowdown in global economic growth. The economic operation was generally stable, the scale of the consumer goods market continued to expand, the quarterly growth rate was steadily rising, the consumption structure was constantly optimizing, and the online and offline integration accelerated, contributing to a new momentum to promote consumption growth. The Group is involved in the fast-moving consumer good retail and wholesale industry, where product innovation, consumption upgrade, transformation and upgrade of the physical stores, and e-commerce all constitute the key drivers. The Group actively adapted to the new pattern of the industry and the new changes in the consumer market. Focusing on consumer experience, the Group continued to emphasize its strategy centered on [commodity + service] innovated new products, through the introduction of buyout, customized and self-owned products. The Group enhanced customer stickiness and improved the differentiation and competitiveness of the stores through the innovation of format of physical stores, the optimization of product mix and the adjustment of store layout. The Group focused on the integration and the mutual flow of online and offline sales channels, and made use of consumer experience oriented big data mining and analysis technology to enhance operational efficiency, so as to meet the requirement of the growing and ever-changing shopping needs and shopping experience of consumers, and to maintain a steady and healthy corporate development by continuously improving the profitability of its products and the standard of services.

Retail Business

Continuously exploring the transformation and upgrade of the business model

During the Reporting Period, the Group actively accelerated its transformation speed, grasped the policy opportunities to improve the quality of consumer-oriented service industries and promote the development of convenience stores, steadily implemented the transformation and upgrade of current stores, and continuously expanded small and medium-sized convenience community stores such as community live and fresh produce stores. In the first half of the year, nine shops were renovated, eight of which successfully debuted as "Jingjie" community live and fresh produce convenience stores. By the end of June 2019, there were thirty "Jingjie" live and fresh produce convenience stores. We increased the number of convenience stores selling pharmaceutical products on a trial basis, and introduced services that were closely related to the daily lives of the residents. The community micro service center were introduced into some of the stores, and provided more than ten kinds of services, including laundry, lock repairing and key pairing, mobile phone repairing and fast haircut services, which created a new model of convenience service to satisfy consumers' demand for convenience and shopping, as well as strengthened customer loyalty. On the other hand, the Group continued to enhance the intelligent transformation and digitization of traditional physical stores, and made continuous efforts to enhance the shopping experience of customers by continuing the introduction of new types of equipments such as self-service cash registers and electronic price tags to provide more convenient shopping service.

Accelerating the introduction of new products

During the Reporting Period, the Group formulated evaluation mechanisms for buyout, customized and self-owned products in different categories based on its own positioning, format characteristics, advantages in the supply chain, consumer habits and preferences, and market segmentation. We accelerated the development and introduction of buyout, customized and self-owned products, and established competitive advantages in terms of brand effects, procurement costs control, quality assurance, and differentiated products. At the same time, the Group utilized big data technology and category management technology to conduct regular product structure analysis, continuously introduce new channels and new products, refine new product marketing plans, and enhance the quality and speed of product upgrading.

Continuing to strengthen the live and fresh produce business

During the Reporting Period, the Group continued to adhere to the strategy of direct procurement from the source, which is in line with the inelastic demand and frequently-purchased characteristics of the live and fresh produce. With special products with geographical and regional characteristics being the main focus of our product development strategy. We have introduced healthy, green and convenient live and fresh produce. The price competition of the fruit in season was normalized, and the quality of live and fresh produce improved through the mechanism of survival of the fittest mechanism. The Group tried to implement the procurement and store the fruit and vegetable products sold in installment and harvested in one season, ensuring price advantage and stable supply, and further enhancing the profitability of the live and fresh produce.

Consolidating the development of online and offline integration

During the Reporting Period, the Group launched a new version of the online shopping APP, and the overall function of the APP and the online shopping experience of customers were improved through iterative optimization. By continuously updating and improving the online product structure and enriching the categories of products, the products in APP were basically generally consistent with the offline physical store products. A pilot mini-program was launched on WeChat, which enriched our online sales channels through applications such as WeChat push-notifications, and gift coupons, etc. The Group steadily promoted its third-party platform business, piloted orders taking and picking assistants at the outlets, and greatly improved the fulfillment efficiency of store operation by incorporating platform-wide orders and picking by region and by designated personnel. We took advantage of the Group's live and fresh produce business, enhanced the marketing of online selling of the live and fresh produce, accelerated the development of prepackaged live and fresh produce, attracted online consumers with the unique advantages of the live and fresh produce, expanded the consumer base, and improved customer stickiness, resulting in a continuous growth of online sales.

Highly valuing food safety management

During the Reporting Period, the Group took effective measures to comprehensively strengthen food safety management in all aspects, ranging from product procurement, delivery, store display to sales. The Group strictly controlled the supplier channels and products, and carefully managed the existing channels and new channels. Through on-site inspection, qualification checks and actual product inspection, self-inspection and sampling inspection, we can ensure the quality and safety of products. The Group's normal temperature logistics centre strictly managed the receipt and storage of goods with the aid of distribution data analysis model, comprehensively controlled the product shelf life, and optimized the expiry date warning mechanism. The live and fresh produce logistics center perfected the quality control system, strengthened the management of all steps of process, and effectively controlled the quality of the live and fresh produce. The Group continued to improve the awareness of food safety amongst all employees, and organized a number of special trainings on topics such as food safety laws and regulations, food business process hygiene standards, and food distribution management practices, strengthening employees' food safety responsibilities.

Constant innovation in marketing and services

During the Reporting Period, the Group strengthened the marketing plans for products and services. In addition to adhering to key festivals and celebrations as the focus of planning and promotional activities, the Group successfully held the first New Year Temple Fair, launched promotions in the form of traditional Chinese temple fairs to satisfy consumers' shopping needs during the Spring Festival, adding to the festive atmosphere. Taking advantage of the 25th anniversary of the establishment of the Group, a large-scale promotion campaign was held to reward consumers with redemption and lottery, which achieved excellent results. Through the WeChat mini-program, a series of group-buying activities were carried out customer to achieve the diversification of sales model and expand online sales channels through fission marketing. We added convenience service facilities for customers in physical stores, launched a "Service Action Plan", and collected opinions from customers, supervisors, and stores as guidance for physical stores to improve specific areas of the standard of consumer services.

Optimizing logistics and distribution resources continuously

During the Reporting Period, the live and fresh produce logistic center improved overall quality control from product acceptance, workshop distribution, to delivering products to stores, reducing the loss of goods and enhancing the degree of intensification of logistics distribution. The normal temperature logistics center enhanced the management of pallets, distribution cages and packing environment, optimized the examination criteria for products acceptance, and separately arranged the pallets for different batches of products to maximize the automatic sorting efficiency, improve efficiency and reduce labor costs.

Prudent development of retail network

During the Reporting Period, the Group focused on improving the operational capability of its stores and prudently expanded the size of the stores. During the Reporting Period, three convenience stores were opened. Due to reasons including the expiration of tenancy and modifications to the loss-making stores, one department store, one supermarket and six convenience stores, including two directly-operated convenience stores and four franchise-operated convenience stores, were closed during the Reporting Period. In addition, the Group renovated and upgraded one supermarket and eight convenience stores.

The Group had 200 retail outlets as at 30 June 2019, including 171 directly-operated outlets and 29 franchise-operated outlets, with a total net operating area of 264,404 square metres. The following table sets out the number and net operating area of the Group's retail outlets as at 30 June 2019:

	Department stores	**Hypermarkets**	**Supermarkets**	**Convenience stores**	**Total**
Number of retail outlets:					
Directly-operated	1	11	58	101	171
Franchise-operated	–	–	1	28	29
Total	1	11	59	129	200
Net operating area (square metres):					
Directly-operated	27,800	78,817	130,137	18,973	255,727
Franchise-operated	–	–	880	7,797	8,677
Total	27,800	78,817	131,017	26,770	264,404

RETAIL OPERATING RESULTS

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

	For the six months ended 30 June		
	2019	2018	Variance
	RMB'000	*RMB'000*	
Directly-operated retail outlets:			
Hypermarkets	**596,935**	627,775	(4.9%)
Supermarkets	**1,319,044**	1,408,576	(6.4%)
Convenience stores	**179,047**	186,260	(3.9%)
Department stores	**14,579**	20,014	(27.2%)
(including commissions)	**11,952**	16,939	(29.4%)
Total retail principal operating income	**2,109,605**	2,242,625	(5.9%)
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	**16.9**	16.2	0.7p.p

During the Reporting Period, the retail principal operating income of the Group decreased by approximately 5.9% mainly due to the following reasons: (i) an overall same-store sales decrease of approximately 5.03% during the Reporting Period; (ii) the increase of sales promotion to face the fierce competition in retail market; and (iii) sales reduction caused by the closing down of stores in 2018.

During the Reporting Period, gross profit margin of the directly-operated retail business (excluding department stores) increased from 16.2% of the last corresponding period to 16.9%, mainly because of: (1) the adjustment and optimization of the product mix by gradually increasing the proportion of buyout, customized and self-owned products during the Reporting Period; (2) strengthening supply chain management and reducing purchase cost; and (3) the increase of direct procurement from fresh commodity bases and the reduction of the loss of live and fresh produce.

WHOLESALE BUSINESS

Multi-channels integration development

During the Reporting Period, the Group leveraged its rich brand resources, marketing techniques and logistics systems to further enhance the integration and development of online and offline channel services by using refined management and control measures. While stabilizing the existing e-commerce business channels, the Group continued to promote high level of cooperation with major e-commerce platforms, enhanced customer satisfaction by increasing the order fulfillment rate, improved client satisfaction from existing channel, accurately identified customer needs, and focused on developing convenience, value-added, and efficient services in the supply chain. This allowed us to further improve online and offline service, actively respond to changes in market channels and continuously expand the market share.

Enriching brand resources constantly

During the Reporting Period, the Group continued to introduce new brands and new suppliers at home and abroad, continuously expanding product categories, and accelerating the optimization and upgrading of product structure. The Group accelerated the research and development of the self-owned brand, committing to build a competitive advantage in the self-owned brand being quality-based, consumer-focused and brand-driven products, and strengthened channel management and marketing promotion of the products from the self-owned brand, striving to achieve stable and sustainable development of the self-owned brand market. We actively introduced foreign quality brands, gradually expanded overseas direct procurement business, actively established overseas supply chains, focused on core items, and developed strategic cooperation suppliers. With the use of online and offline distribution channels and network, the Group steadily promoted the marketing of imported goods.

Continuously improving the construction of logistics system constantly

During the Reporting Period, the Group's wholesale distribution center and various business departments collaborated to actively allocate warehousing resources, optimize operation processes, and improve resource utilization efficiency. The Group continued to expand the scale of the third-party logistics business, completed the upgrade of the third-party mutual distribution center system and implemented of the electronic label project, further improving the standard of the third-party logistics services, while the revenue of the third-party logistics business continued to steadily grow.

WHOLESALE OPERATING RESULTS

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

	For the six months ended 30 June		
	2019	2018	Variance
	RMB'000	*RMB'000*	
Principal operating income recognised by Chaopi Group*	**3,424,698**	3,153,369	8.6%
Less: Intersegment Sales	**(226,813)**	(279,641)	(18.9%)
Sales to franchisees	**1,438**	1,673	(14.0%)
Consolidated Wholesale principal operating income	**3,199,323**	2,875,401	11.3%
Gross profit margin **(%)	**11.8**	11.3	0.5p.p

* *Chaopi Group represents Beijing Chaopi Trading Company Limited (the "**Chaopi Trading**") and its subsidiaries.*

** *This represents gross profit margin recognised by Chaopi Group including intersegment sales.*

During the Reporting Period, the wholesale principal operating income increased by approximately 11.3%, which was mainly due to the following reasons: (i) sales increase from new customers in small and medium-sized supermarkets and suburb areas; (ii) sales increase from the recovery of the liquor market; and (iii) sales contribution from newly introduced brands and imported goods.

During the Reporting Period, the gross profit margin was 11.8%, a slight increase from that of 11.3% for the corresponding period last year, mainly because of: (i) the continuous adjustment of the commodity structure by eliminating low gross margin commodities and increasing high gross margin commodities; and (ii) the gradually increased sales share of self-owned brands.

FINANCIAL RESULTS

	For the six months ended 30 June		
	2019	2018	Variance
	RMB'000	*RMB'000*	
Principal operating income	**5,324,902**	5,137,604	3.6%
Gross profit	**776,454**	737,975	5.2%
Gross profit margin (%)	**14.6%**	14.4%	0.2p.p
Earnings before interest and tax	**182,597**	164,342	11.1%
Net profit	**47,530**	47,707	(0.4%)
Net profit margin (%)	**0.9%**	0.9%	–
Net profit attributable to shareholders of the parent company	**30,134**	29,037	3.8%
Net profit margin attributable to shareholders of the parent company (%)	**0.6%**	0.6%	–

PRINCIPAL OPERATING INCOME

During the Reporting Period, the Group's principal operating income increased by approximately 3.6%, of which retail principal operating income decreased by approximately 5.9%, and wholesale principal operating income increased by approximately 11.3%.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group increased by approximately 5.2% compared with the last corresponding period. During the Reporting Period, the gross profit margin was 14.6% (last corresponding period: 14.4%).

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

During the Reporting Period, net profit attributable to shareholders of the parent company increased by approximately 3.8% compared with the last corresponding period. The earnings before interest and tax amounted to approximately RMB182,596,650 representing an increase of RMB18,254,184 compared with the last corresponding period, and the net profit attributable to shareholders of the parent company increased from RMB29,036,547 in the last corresponding period to RMB30,133,697.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2019, the Group had non-current assets of RMB3,322,471,567 (comprising mainly fixed assets, investment property, and land use right for a total of RMB1,377,793,940), and non-current liabilities of RMB993,453,162.

As at 30 June 2019, the Group had current assets of RMB4,934,587,968. Current assets mainly comprised cash and cash equivalents of RMB704,959,975, inventories of RMB1,473,811,046, notes receivable and accounts receivable of RMB1,316,816,263 and prepayments and other receivables of RMB1,200,773,707. The Group had current liabilities of RMB5,132,048,336. Current liabilities mainly comprised notes payable and accounts payable of RMB1,447,726,099, short term bank loans of RMB2,164,344,991, non-current liabilities due within one year of RMB178,979,399, and contract liabilities of RMB341,065,125.

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 30 June 2019, the Group had bank loans of RMB2,164,344,991, which consisted of accounts receivable factored bank loans of RMB98,558,196, and unsecured bank loans of RMB2,065,786,795. All the Group's bank loans bear interest rates ranging from 4.31% to 5.22% per annum.

Certain of the Group's margin deposit of RMB104,890,669 were pledged for notes payable of RMB529,667,363 as at 30 June 2019.

The Group's gearing ratio* was approximately 74.2% as at 30 June 2019, which was slightly higher than approximately 72.6% in the previous corresponding period.

* *Represented by: Total Liabilities/Total Assets*

FOREIGN CURRENCY RISK

The Group's operating revenues and expenditures are principally denominated in Renminbi.

During the Reporting Period, the Group did not encounter any material effect on its operations or liquidity as a result of fluctuation in currency exchange rates.

EMPLOYEES

As at 30 June 2019, the Group employed 5,831 employees domestically (as at 30 June 2018: 6,730 employees). The total staffing costs (including directors' and supervisors' remunerations) of the Group for Reporting Period amounted to RMB401,697,284 (corresponding period in 2018: RMB396,064,492). 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 2019, the Group did not have any significant contingent liabilities.

OUTLOOK

In the second half of 2019, driven by various factors, such as the stable growth of residents' income, tax reduction and the implementation of the Individual Income Tax Deduction Policy, consumer demand will be further released and the consumer market is generally expected to continue to maintain a steady growth. In respect of the retail business, the Group will continue to accelerate the development and iteration of new products and complete functional categories, constantly optimizing the operating standards of the live and fresh version 4.0. We will speed up the development of food ingredients, promote the progress of supermarketization of food materials, cater for the needs and shopping habits of young consumers, and facilitating the diversification and "less quantification" of live and fresh produce, while preparing such ingredients in a "Chinese way". The Group will strengthen the construction of the bases for live and fresh produce and improve the processing system for live and fresh produces while exploring the potential of centralized goods replenishment and replenishing goods in a scientific manner, hence relieving the pressure of inventory in stores. The Group will, by utilizing channels including its own APP, small program and e-commerce third-party platform, enhance the integration of online and offline business development. For the wholesale business, the Group continues to foster the in-depth collaboration with upstream suppliers and downstream clients, promote the introduction of high-quality brands and development of self-owned brands. By employing mobile internet technology and big data analysis, we can leverage the supply chain resources to achieve efficient synergies in main aspects of the supply chain and create a new model of intelligent logistics, hence further strengthening the competitive advantages of the Group's wholesale business.

EVENTS AFTER THE REPORTING PERIOD

The issuance of bonds

Pursuant to the "Approval on Issuance of Corporate Bonds of Beijing Jingkelong Company Limited" (Zheng Jian Xu Ke [2019] No. 303) issued by the CSRC, on 6 March 2019, which approved the company to publicly issue corporate bonds with a total par value of no more than RMB800 million to qualified investors. The lead underwriter and the bond trustee of the public issuing of corporate bonds is Zhong De Securities Company Limited.

The Company has officially launched the issuance of this corporate bond, as at the report date, the publicly issued corporate bonds (Phase I) in 2019 have announced the prospectus and abstract, the issuance announcement, the rating report, coupon rate announcement etc. on the website of the Shanghai Stock Exchange. In addition, the rest of the work is progressing as planned and it will be completed in early September 2019.

OTHER INFORMATION

Corporate Governance

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

Provision A 4.2 of the Corporate Governance Code requires that every director (including those appointed for a specific term) of a listed issuer shall be subject to retirement by rotation at least once every three years. The Company's Articles of Association stipulates that each director shall be elected by the general meeting of the Company for a term of not more than three years, and eligible for re-election upon the expiry of the term. Having taken into account 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 Corporate Governance Code.

Director's Securities Transactions

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

Audit Committee

The Audit Committee together with the management of the Company and the independent auditor have considered and reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting, including the review of the Group's 2019 unaudited interim consolidated results. The Audit Committee considered that the interim financial report for the six months ended 30 June 2019 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 2019, the interests and positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the domestic shares of the Company

Name	Capacity	Number of domestic shares held	Approximate percentage of total issued domestic shares (%)	Approximate percentage of total issued shares (%)
Li Jianwen	Personal	2,022,579	0.88	0.49
Shang Yongtian	Personal	989,451	0.43	0.24
Li Chunyan	Personal	505,992	0.22	0.12
Zhang Liwei	Personal	150,000	0.07	0.04
Li Shunxiang	Personal	5,210,428	2.26	1.26
Yang Baoqun	Personal	1,042,086	0.45	0.25
Liu Wenyu	Personal	365,151	0.16	0.09
Niu Hongyan	Personal	70,000	0.03	0.02
Li Chunyi	Personal	50,000	0.02	0.01

Save as disclosed above, as at 30 June 2019, 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 2019, 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

Long positions in the H shares of the Company

Name	Total number of H shares held	Approximate percentage of total issued H shares *(%)*	Approximate percentage of total issued shares *(%)*
China Galaxy International Asset Management (Hong Kong) Co., Limited *(Note 1)*	18,080,000(L)	9.93	4.39
China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) *(Note 2)*	16,690,000(L)	9.16	4.05

Notes:

1. These 18,080,000 H shares were held by China Galaxy International Asset Management (Hong Kong) Co., Limited in its capacity as an investment manager.

2. These 16,690,000 H shares were held by China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) as interest of controlled corporation.

Save as disclosed above, as far as is known to the directors, supervisors or chief executive of the Company, as at 30 June 2019, 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
Beijing Jingkelong Company Limited
Li Jianwen
Chairman

Beijing, PRC
23 August 2019

As at the date of this announcement, the executive directors of the Company are Mr. Li Jianwen, Mr. Shang Yongtian, Ms. Li Chunyan and Mr. Zhang Liwei; the non-executive directors are Ms. Zhang Yan and Mr. Li Shunxiang; and the independent non-executive directors are Mr. Wang Liping, Mr. Chen Liping and Mr. Choi Onward.