Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2011

FINANCIAL HIGHLIGHTS

The Group achieved the following results during the six months ended 30 June 2011:

- Revenue amounted to approximately RMB4,100,924,000, up approximately 18.3% compared with the previous corresponding period.
- Gross profit amounted to approximately RMB631,171,000, up approximately 30.1% compared with the previous corresponding period.
- Gross profit margin was approximately 15.4%, up approximately 1.4 percentage points compared with 14% of previous corresponding period.
- Profit attributable to equity holders of the parent reached approximately RMB102,968,000, up approximately 21.9% compared with the previous corresponding period.
- Earnings per share increased to RMB25.0 cents, increased by approximately 21.9% compared with the previous corresponding period.

* *For identification purpose only*

The board of directors (the "Board") of Beijing Jingkelong Company Limited (the "Company" or "Jingkelong") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011 (the "Reporting Period"). The unaudited consolidated results have been reviewed by the auditors, Ernst & Young and the audit committee of the Company.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
Six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	*(Unaudited)*
REVENUE	*4*	**4,100,924**	3,467,722
Cost of sales		**(3,469,753)**	(2,982,539)
Gross profit		**631,171**	485,183
Other income and gains	*4*	**281,065**	257,582
Selling and distribution costs		**(552,608)**	(405,961)
Administrative expenses		**(116,822)**	(128,713)
Other expenses		**(21,740)**	(21,438)
Operating profit		**221,066**	186,653
Finance costs	*5*	**(53,522)**	(47,077)
PROFIT BEFORE TAX	*6*	**167,544**	139,576
Income tax expenses	*7*	**(41,206)**	(36,148)
PROFIT FOR THE PERIOD		**126,338**	103,428
Attributable to:			
Owners of the parent		**102,968**	84,449
Minority interests		**23,370**	18,979
		126,338	103,428
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)			
– For profit for the period	*9*	**25.0 cents**	20.5 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
PROFIT FOR THE PERIOD	**126,338**	103,428
Other comprehensive income/(loss) for the period, net of tax	**114**	(142)
Total comprehensive income for the period	**126,452**	103,286
Attributable to:		
Owners of the parent	**103,082**	84,307
Minority interests	**23,370**	18,979
	126,452	103,286

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2011

	Notes	**30 June 2011 RMB'000 (Unaudited)**	31 December 2010 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,853,670**	1,839,832
Investment properties		**23,460**	7,326
Prepaid land lease payments		**236,789**	85,817
Goodwill		**86,674**	90,204
Intangible assets		**11,031**	11,055
Available-for-sale investments		**7,005**	48,853
Deferred tax assets		**16,754**	12,172
Other long term lease prepayments		**54,493**	58,157
Total non-current assets		**2,289,876**	2,153,416
CURRENT ASSETS			
Inventories		**937,626**	997,356
Trade receivables	*10*	**806,405**	1,185,689
Prepayments, deposits and other receivables		**647,654**	542,034
Loan receivable		**–**	50,000
Investment deposit		**150,099**	–
Pledged deposits		**22,328**	21,966
Cash and cash equivalents		**661,342**	574,532
Total current assets		**3,225,454**	3,371,577
CURRENT LIABILITIES			
Trade and bills payables	*11*	**802,674**	1,065,512
Debentures		**499,733**	498,733
Tax payable		**11,036**	17,198
Other payables and accruals		**549,252**	597,817
Interest-bearing bank and other borrowings	*12*	**1,421,824**	1,185,000
Long term bank loans and other borrowing – current portion		**200,000**	–
Dividend payable		**55,666**	–
Deferred income – current portion		**730**	1,216
Total current liabilities		**3,540,915**	3,365,476

	Notes	**30 June 2011** **RMB'000** **(Unaudited)**	31 December 2010 *RMB'000* *(Audited)*
NET CURRENT ASSETS/(LIABILITIES)		**(315,461)**	6,101
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,974,415**	2,159,517
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*12*	**230,000**	430,000
Deferred income		**2,265**	2,398
Deferred tax liabilities		**12,472**	12,286
Other liabilities		**11,227**	10,075
Total non-current liabilities		**255,964**	454,759
Net assets		**1,718,451**	1,704,758
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**412,220**	412,220
Reserves		**1,100,977**	997,895
Proposed final dividend		**–**	82,444
		1,513,197	1,492,559
Non-controlling interests		**205,254**	212,199
Total equity		**1,718,451**	1,704,758

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

1. CORPORATE INFORMATION

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 Group is 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, a state-owned enterprise established in the PRC.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of presentation

The interim condensed consolidated financial statements for the six months ended 30 June 2011 (the "Interim Condensed Consolidated Financial Statements") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The Interim Condensed Consolidated Financial Statements does not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010. The Interim Condensed Consolidated Financial Statements are presented in Renminbi ("RMB") and all values are rounded to nearest thousand, except when otherwise indicated.

As at 30 June 2011, the Group had net current liabilities of RMB315,461,000 (31 December 2010: net current assets of RMB6,101,000). Based on the Group's history of obtaining financing, available banking facilities, operating performance, working capital forecast and financial obligations in the next twelve months, the directors consider that there are sufficient financial resources available to the Group to meet its liabilities as when fall due and to carry on its businesses in the foreseeable future. Accordingly, the directors have prepared these Interim Condensed Consolidated Financial Statements on a going concern basis.

2.1 Impact Of New And Revised Hong Kong Financial Reporting Standards

The accounting policies adopted in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and interpretations.

The Group adopted new and revised standards and interpretations and a number of insignificant amendments to standards and interpretations. They are described under note 2.3 of the Group's annual financial statements for the year ended 31 December 2010.

The adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their business operation based on its products and services and has three reportable operating segments as follows:

(i) the retailing segment engages in the distribution of live and fresh produce, dry products, beverages, processed food and daily necessities through the department store, hypermarkets, supermarkets and/or convenience stores of the Group (the "Retail Outlets");

(ii) the wholesaling segment engages in the wholesale supply of daily consumer products to consumers, including the Retail Outlets, other retail operators, and trading companies; and

(iii) the "others" segment comprises, principally, the production of plastic packing materials, and the installation and maintenance of commercial equipment.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit, which is measured consistently with profit before tax in the condensed consolidated financial statements.

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

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

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

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

Operating segments

The following tables present revenue and profit regarding the Group's operating segments for the six months ended 30 June 2011 and 2010, respectively.

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
Intersegment sales	–	265,524	5,877	271,401
	2,227,657	2,130,768	13,900	4,372,325
Reconciliation:				
Elimination of intersegment sales				(271,401)
Revenue from operations				4,100,924
Segment results	99,528	69,515	(1,499)	167,544
Profit before tax				167,544

Six months ended 30 June 2010 (Unaudited)

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

The following table present segment assets of the Group's operating segment as at 30 June 2011 and 31 December 2010, respectively.

As at 30 June 2011 (Unaudited)

	Retailing	**Wholesaling**	**Others**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment assets	3,415,999	2,201,508	12,003	5,629,510
Reconciliation:				
Elimination of intersegment receivables				(114,180)
Total assets				5,515,330

As at 31 December 2010 (Audited)

	Retailing	Wholesaling	Others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	3,285,299	2,243,782	5,405	5,534,486
Reconciliation:				
Elimination of intersegment receivables				(9,493)
Total assets				5,524,993

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue		
Sale of merchandise and produce:		
Retailing	**2,208,363**	1,685,049
Wholesaling*	**1,865,244**	1,767,313
	4,073,607	3,452,362
Commission from concessionaire sales	**19,294**	12,425
Others	**8,023**	2,935
	4,100,924	3,467,722

* Included in the balance are sales to franchises amounting to RMB8,424,000 (the six months ended 30 June 2010: RMB193,673,000)

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Other income and gains		
Income from suppliers	**198,566**	186,531
Gross rental income	**53,338**	44,294
Net compensation on demolished property	**–**	2,172
Interest income	**7,148**	13,819
Government grants	**4,337**	747
Others	**17,676**	10,019
	281,065	257,582

5. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest on bank loans wholly repayable within five years	**54,109**	41,350
Interest on debentures wholly repayable within five years	**–**	–
Interest on other borrowings wholly repayable within five years	**–**	5,764
	54,109	47,114
Less: Interest capitalised	**(587)**	(37)
	53,522	47,077

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Cost of inventories sold	**3,468,213**	2,982,539
Depreciation:		
Property, plant and equipment	**84,682**	73,554
Investment properties	**253**	224
	84,935	73,778
Amortisation of intangible assets	**1,443**	1,009
Recognition of lease prepayments for land use rights	**3,308**	1,226
Minimum lease payments under operating lease on properties	**77,342**	61,808
Net (profits)/losses on disposal of items of property, plant and equipment	**(107)**	630
Reversal of impairment of trade receivables	**–**	(727)
Write-down of inventories to net realisable value	**–**	1,700
Staff costs:		
Directors' emoluments	**6,922**	6,132
Other staff costs		
Wages, salaries and social security costs	**228,378**	173,978
Retirement benefits contributions	**21,224**	15,853
	249,602	189,831
Staff costs	**256,524**	195,963
Foreign exchange differences	**(44)**	66

7. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group is not liable for income tax in Hong Kong as it did not have assessable income currently arising in Hong Kong. Under the prevailing PRC income tax law, the Group is subject to corporate income tax at a rate of 25% on their respective taxable income.

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current income tax – PRC	**41,395**	36,607
Deferred income tax	**(189)**	(459)
	41,206	36,148

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Profit before tax	**167,544**	139,576
Income tax at PRC statutory income tax rate	**41,886**	34,894
Expenses not deductible for tax	**858**	1,476
Tax losses not recognised	**1,290**	378
Tax effect of non-taxable income	**(940)**	(574)
Previous years' losses recovered by current period profit	**(1,765)**	–
Others	**(123)**	(26)
Tax charge at the Group's effective rate	**41,206**	36,148

8. INTERIM DIVIDEND

The board of the Company did not recommend the payment of any interim dividend for the six months ended 30 June 2011 (the six months ended 30 June 2010: nil).

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

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**102,968**	84,449

	Number of shares Six months ended 30 June	
	2011	2010
	(Unaudited)	*(Unaudited)*
Shares:		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	**412,220,000**	412,220,000

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2011 and 2010 as the Company had no potentially dilutive ordinary shares in issue during the relevant periods.

10. TRADE RECEIVABLES

	30 June	31 December
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade receivables	**806,405**	1,185,689
Impairment	**–**	–
	806,405	1,185,689

The Group normally allows a credit period of not more than 60 days to its customers. A longer credit period is granted to its major customers with long term relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group's trade receivables as at 30 June 2011 comprised about 2,550 (31 December 2010: 2,500) customers with amount ranging from RMB0.001 million to RMB142.8 million (31 December 2010: RMB0.001 million to RMB260.5 million). Trade receivables are non-interest-bearing except for amounts due from Beijing Shoulian Trading Company Limited ("Shoulian") which bore interest rate 5.81% to 6.31% (31 December 2010: 5.3%) per annum.

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

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 2 months	**376,625**	635,557
2 to 6 months	**302,634**	270,592
6 months to 1 year	**45,251**	111,952
1 to 2 years	**81,895**	167,588
	806,405	1,185,689

Included in the Group's trade receivables as at 30 June 2011 was an amount of approximately RMB80.0 million (31 December 2010: RMB260.5 million) due from Shoulian, and the overdue balance was approximately RMB80.0 million (31 December 2010: RMB260.5 million). In the opinion of the directors, no impairment is necessary in view of the following consideration:

– 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.

11. TRADE AND BILLS PAYABLES

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

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 2 months	**622,633**	918,616
2 to 6 months	**144,439**	131,082
6 months to 1 year	**27,595**	9,164
1 to 2 years	**5,418**	5,012
Over 2 years	**2,589**	1,638
	802,674	1,065,512

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

As at 30 June 2011, the bills payable of the Group amounting to RMB74,400,000 (31 December 2010: RMB87,300,000) was secured by certain of the Group's pledged time deposits amounting to approximately RMB22,300,000 (31 December 2010: RMB22,000,000).

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2011		31 December 2010	
	Maturity	***RMB'000***	Maturity	*RMB'000*
		(Unaudited)		*(Audited)*
Current				
Bank loans – unsecured	**2011-2012**	**1,421,824**	2011	1,185,000
Current portion of long term bank loans – secured	**2012**	**200,000**		–
		1,621,824		1,185,000
Non-current				
Bank loans – secured	**2013**	**230,000**	2012-2013	430,000
		1,851,824		1,615,000

All of the Group's bank loans, which are denominated in RMB, bear fixed interest rates ranging from 5.0% to 6.7% (31 December 2010: 4.0% to 5.6%) per annum.

(i) Secured bank loans

As at 30 June 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 RMB156.3 million, RMB5.2 million and RMB23.6 million, respectively.

As at 31 December 2010, 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 RMB160.1 million, RMB5.9 million, and RMB24.0 million, respectively.

(ii) Unsecured bank loans

Except for the bank loans of the Group amounting to RMB430 million (31 December 2010: RMB430 million) were guaranteed by the Company and Beijing Chaopi Trading Company Limited ("Chaopi Trading"), a subsidiary of the Company, respectively, the Group's other bank loans amounting to RMB1,421.8 million (31 December 2010: RMB1,185.0 million) were unsecured as at 30 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2011, China's economy remains sound and positive in general. Economic growth has transformed from policy-driven to organic growth, which is in line with the direction of macroeconomic control. Under the effect of increasing disposable income per capita, upgrading consumption and increased inflation, the domestic consumer market maintained a steady and fast growth momentum.

With the target of expanding our scale and increasing our strength while focusing on enhancing our sustainable competitiveness advantages, the Group has realized synchronized growth of its retail and wholesale businesses and achieved stable growth of operating results during the Reporting Period.

RETAIL BUSINESS

Steady expansion of retail network

During the Reporting Period, the Group continued its compelling strategy of regional development. 14 retail outlets which comprised 5 directly-operated retail outlets (including 4 supermarkets and 1 convenience store) and 9 franchise-operated convenience stores were opened in Beijing and Hebei Province. Meanwhile, franchise agreements with 4 franchise-operated convenience stores had been terminated.

The total number of the Group's retail outlets was 246 as at 30 June 2011, including 151 directly-operated outlets, 95 franchise-operated outlets, with a total net operating area of approximately 300,000 square meters. The following table sets out the number and net operating area of the Group's retail outlets as at 30 June 2011:

	Department stores	Hypermarkets	Supermarkets	Convenience stores	Total
Number of retail outlets:					
Directly-operated	2	8	78	63	151
Franchise-operated	–	–	2	93	95
Total	2	8	80	156	246
Net operating area (square metres):					
Directly-operated	39,742	68,223	159,232	14,540	281,737
Franchise-operated	–	–	4,048	17,000	21,048
Total	39,742	68,223	163,280	31,540	302,785

Improving competitiveness of products through consolidated and centralized procurement system

Enhancing procurement system and revising procedures of examining buyers. We revised our buyers' performance assessment & evaluation method to include other performance indicators such as the new channels of supplies, ratio of direct-manufactures, the inventory turnover days and accuracy of promotion information. Through introducing these management performance indicators, buyers were encouraged to explore the new channels directly, eliminate obsolete items, introduce famous brand items and continue optimizing merchandise mix.

We placed more emphasis on the marketing plans for long weekends and festivals which account for over one-third of the whole year. Through early procurement planning and increasing the stock level beforehand especially for festival commodities to serve the marketing needs, we achieved overall sales growth.

Strengthening construction of live & fresh produce procurement base. We established two new bases in Hebei province to extend its procurement reach to more than 80 counties throughout 18 provinces. We continued the pre order practice with those bases, sending more buyers to help farmers plan ahead and supervise the quality of fresh foods, and thus making efficient procurement decision according to the first-hand market information. The direct link between farmer and supermarket not only helped us ensure stable fresh food supplies despite bad weather, but also provided a solution for farmers in deciding what crop to plant and finding right sales channel, therefore achieving mutual benefit and development with farmers.

Enhancing marketing methods, lifting brand influence

Enhancing marketing methods and focusing on effects. Flexible promotional schedule was adopted, three DM formats were standardized as double-week catalogue complemented with special weekly promotion catalogue and holiday promotion catalogue. Promotion sales were classified into three tiers, including red hot sales price, feature promotion, and category promotion. We integrated cultural promotion into festival promotion to boost festival sales. More efforts were paid upon the quality of promotional programs, formulating and executing price-controlling standards in terms of individual store promotion and limited time promotion, adjusting the operation model of special-priced products, shifting from merchandize-oriented promotion to activity-oriented promotion, assessing market trend analysis and promotion results analysis, gradually establishing marketing evaluation system.

Strengthening customer loyalty building and enhancing members service quality. Sales from members were stimulated by promotion programs designed especially for members in forms of membership low price, membership exclusive price and membership special day price. Registered members increased to around 2 million. We broadened our customer service fields by introducing red heart service card, Electronic Funds Transfer at Point of Sale, etc. We aim to attract more members by widening and enhancing the range and quality of our services. To reinforce our brand image and improve the overall quality of services, we developed accident alarm system in shops, revised code of conduct for employees of service centers and shops, thereby constantly improving the service system; and organized special training for customer service officers, and launched the outstanding customer service staff program.

Enhancing logistics and distribution functions to increase centralized distribution efficiency

We have upgraded the distribution centre for normal temperature products to enhance logistics value. The traditional manual operation has been revolutionized by the installation of the RF handset system in all stages of the distribution process and the implementation of the automatic sorting line which enables the integrated process of quality control, warehousing and pallet loading. The use of the ABC analysis system and the installation of electronic labelling system in our operation area have also increased distribution efficiency on the whole.

Enhancing live & fresh produce processing techniques and delivery efficiency. We revised our vegetable processing standards and, in order to satisfy the need for diversification, we have developed various loss-reducing and high value-adding processing methods such as small packaging, easy packaging and bundling to increase gross profit. We have also tried to develop direct delivery services from strong agricultural procurement bases to our stores, in order to ensure the freshness of live & fresh produce and to enhance efficiency of delivery of live & fresh produce.

Strengthening information system by facilities upgrades and technology innovation

In order to improve the safety and stability of our information system, we have updated the servers at all our stores, separated our headquarters' storage resource from our calculation resource, and integrated our storage resources. We continued to explore on the role of decision-making and support of the information system. We developed the human resource system, the affiliate marketing system and the asset management system according to the requirements of the departments to facilitate our headquarters' central management ability and enhance efficiency. We also commenced feasibility study in regard to automatic cashier and electric price labels to provide technical support for enterprise development and progress.

Retail operation results (unaudited)

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

	For the six months ended 30 June		
	2011	2010	**Variance**
	RMB'000	*RMB'000*	***(%)***
Directly-operated retail outlets:			
Hypermarkets	**594,510**	525,436	**13.1**
Supermarkets	**1,448,812**	1,014,556	**42.8**
Convenience stores	**159,859**	141,598	**12.9**
Department store	**24,476**	15,884	**54.1**
(Including commissions)	**(19,294)**	(12,425)	**55.3**
Total retail revenue	**2,227,657**	1,697,474	**31.2**
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	**16.4**	16.8	**–0.4**

During the Reporting Period, the retail revenue of the Group increased by approximately 31.2%. This was mainly due to the following reasons: (i) the sales contribution of approximately RMB243,958,000 during the Reporting Period from the acquisition at the end of 2010 of Beijing Shou Lian Supermarket Company Limited ("Shou Lian Supermarket") which has 20 stores, (ii) an overall same-store sales growth of approximately 10.4% during the Reporting Period, (iii) sales contribution from stores opened in the second half of 2010 and during the Reporting Period, and (iv) sales increase driven by the significant inflation in prices during the Reporting Period.

The gross profit margin from the directly-operated hypermarkets, supermarkets and convenience stores during the Reporting Period was approximately 16.4%, down approximately 0.4 percentage point from 16.8% during the previous corresponding period. This was mainly due to: (i) a series of heavy promotions launched by the Group during the Reporting Period to attract customer flow, due to the increase in market competition and in order to maintain and attract customer volumes, and (ii) the lowering of the Group's overall gross profit margin in its retail business due to the acquisition of Shou Lian Supermarket, as there would be a period of time for the post acquisition consolidation for stores of Shou Lian Supermarket to improve the operating management effectiveness and efficiency and achieve the same level of gross profit margin as our stores.

WHOLESALE BUSINESS

Continuing on the expansion of distributorship brand portfolio and wholesale coverage. We have strengthened cooperation with suppliers to strive for more distributorship. In the first half of 2011, we have secured 20 new manufacturers and 29 new distributorship brands. In view of changing market demand, we have established a new sales department specializing in promoting imported goods. The subsidiary in suburbs and the sales department which we established in the second half of 2010 have achieved steady business growth and the subsidiaries' market share in Beijing continues to expand.

Enhancing logistics and distribution system building. Our logistics and distribution center in Beijing continues to enhance the level of automation. We have successfully implemented the automatic sorting system in Warehouse 5, which updated our key technology and equipment, increased levels of equipment utilization and modernization, reduced the output error rate and enhanced the efficiency of sorting and distribution. We continued to strengthen the third-party logistics and distribution business. Apart from providing logistics and distribution services to 17 manufacturers, we also launched a comprehensive logistics and distribution service for some large retailers. This marks an important step in fostering relationship between Chaopi Trading and the retailers.

Wholesale operation results (Unaudited)

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

	For the six months ended 30 June		
	2011	2010	**Variance**
	RMB'000	*RMB'000*	***(%)***
Revenue recognised by Chaopi Trading and its subsidiaries	**2,122,344**	1,833,277	**15.8**
Less: Intersegment sales	**(265,524)**	(259,637)	**2.3**
Sales to franchisees*	**8,424**	193,673	**–95.7**
Consolidated wholesale revenue	**1,865,244**	1,767,313	**5.5**
Gross profit margin (%)**	**11.7**	10.3	**1.4**

* Sales to franchisees by the Company decreased to approximately RMB8,424,000 during the Reporting Period due to the elimination of intersegment sales to Shou Lian Supermarket by the Company after the acquisition of 100% equity interest in Shou Lian Supermarket on 24 December 2010. The sales to franchisees in the previous corresponding period include the amount of RMB185,320,000 by the Company to Shou Lian Supermarket pursuant to the franchising agreement entered into between the Company and Shou Lian Supermarket. The revenue from the Group's retail business during the Reporting Period includes the sales of approximately RMB243,958,000 recognized by Shou Lian Supermarket.

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

During the Reporting Period, the wholesale revenue recognized by Chaopi Trading and its subsidiaries increased by 15.8%, which was mainly due to the following reasons: (i) the various heavy promotion activities were arranged with suppliers to strengthen market shares, (ii) the sales increase in upscale wines and edible oil products, (iii) the sales contribution from the new subsidiary and sales departments which were set up in suburb areas in the second half of 2010; and (iv) the sales contribution from newly introduced distributorship brands.

During the Reporting Period, the gross profit margin of Chaopi Trading and its subsidiaries rose to 11.7% from 10.3% in the previous corresponding period, mainly due to (i) the continuous optimization of product mix led to the increase of the sales portion of higher gross profit margin products; (ii) the large inventories of the wholesale business enabled the realization of higher gross profit margin during inflation period, and (iii) the increase of bargaining power with suppliers due to the increase in the size of the business.

FINANCIAL RESULTS (UNAUDITED)

	For the six months ended 30 June		
	2011	2010	**Variance**
	RMB'000	*RMB'000*	***(%)***
Revenue	**4,100,924**	3,467,722	**18.3**
Gross profit	**631,171**	485,183	**30.1**
Gross profit margin (%)	**15.4**	14.0	**1.4**
Profit for the period	**126,338**	103,428	**22.2**
Net profit margin (%)	**3.08**	2.98	**0.1**
Profit attributable to equity holders of the parent	**102,968**	84,449	**21.9**
Net profit margin attributable to equity holders of the parent (%)	**2.5**	2.4	**0.1**

REVENUE

During the Reporting Period, the Group's revenue increased by approximately 18.3%. This was mainly attributable to 10.4% growth in same-store sales and sales contribution from new stores of the retail business and 15.7% growth in the wholesale business.

Gross profit and gross profit margin

The gross profit of the Group increased by approximately 30.1% as compared to the previous corresponding period. The increase was in line with the increase in revenue. Gross profit margin increased from 14% in the previous corresponding period to 15.4%, mainly due to the increase in the gross profit margin of our wholesale business by 1.4 percentage points as compared to the previous corresponding period.

Profit attributable to equity holders of the parent

During the Reporting Period, the profit attributable to equity holders of the parent rose by approximately 21.9% as compared to the previous corresponding period. The increase was mainly attributable to the increase in gross profit and other income and gains.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2011, the Group had non-current assets of approximately RMB2,289,876,000 (comprising mainly property, plant and equipment of approximately RMB1,853,670,000) and non-current liabilities of approximately RMB255,964,000 (comprising mainly interest-bearing bank loans of approximately RMB230,000,000).

As at 30 June 2011, the Group had current assets of approximately RMB3,225,454,000. Current assets mainly comprised of cash and cash equivalents of approximately RMB661,342,000, inventories of approximately RMB937,626,000, trade receivables of approximately RMB806,405,000 and prepayments and deposits of approximately RMB647,654,000. The Group had current liabilities of approximately RMB3,540,915,000. Current liabilities mainly comprised of trade and bills payables of approximately RMB802,674,000, interest-bearing bank loans of RMB1,421,824,000 and, other payables and accruals of approximately RMB549,252,000.

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 30 June 2011, the Group had bank borrowings of approximately RMB1,851,824,000, which consisted of secured short-term bank loans of approximately RMB200,000,000, unsecured short-term bank loans of approximately RMB1,421,824,000 and secured non-current bank loans of approximately RMB230,000,000. All the Group's bank loans bear fixed interest rates ranging from 5.0% to 6.7% per annum. The secured bank loans were secured by certain of the Group's buildings, investment properties and lease prepayments for land use rights with an aggregate net book value of approximately RMB185,100,000 as at 30 June 2011.

Certain of the Group's time deposits of approximately RMB22,300,000 were pledged for bills payable of approximately RMB74,400,000 as at 30 June 2011.

The Group's net gearing ratio[*] was 88.3% as at 30 June 2011 which was slightly lower than 89.1% as at 31 December 2010.

* Represented by: (Total borrowings (including debentures) – pledged deposits, cash and cash equivalents)/ Total equity

FOREIGN CURRENCY RISK

All of 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 2011, the Group employed 6,965 employees in the PRC (corresponding period of 2010: 6,815). The total staff costs (including directors' and supervisors' remunerations) of the Group for the Reporting Period amounted to approximately RMB256,524,000 (corresponding period of 2010: approximately RMB196,000,000). 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 2011, the Group did not have any significant contingent liabilities.

POST BALANCE SHEET EVENT

The Group did not have any significant events subsequent to 30 June 2011.

PROPOSED A SHARE ISSUE

The shareholders considered and approved at the extraordinary general meeting and H shares and domestic shares class meeting held on 4 May 2011 the extension of the validity period for the resolutions in respect of the A Share Issue and the authorizations. Please refer to the circulars of the Company dated 4 May 2010 and 4 May 2011.

ACQUISITION OF 86% EQUITY INTEREST IN JINGCHAO

On 25 January 2011, the Company acquired 86% equity interest in Beijing Jingchao Company Limited ("Jingchao") from Shoulian at a consideration of RMB259,324,000, including cash of RMB80,000,000 and trade receivable of RMB179,324,000. Jingchao subsequently became a wholly owned subsidiary of the Company. Further details of the acquisition are set out in the announcement of the Company dated 18 January 2011.

OUTLOOK

2011 is the first year of China's "Twelfth Five-Year Plan". As mentioned in the outline of the "Twelfth Five-Year Plan", by 2015, China's urbanization rate will reach 51.5%, the average annual growth rate of per capita disposable income will be no less than 7%, and the average annual nominal growth rate of total consumer goods will reach 15%. We predict that, in the second half of this year, the central government will continue to issue various policies in areas such as stabilizing consumer price and housing price, raising salary, innovation and development, and upgrading industry. The Group believes that, in the period of positive transformation in China's economy, the retail and wholesale industry in which the Group situate will play a fundamental role, while it will face new development opportunities.

For the second half of 2011, the Group will continue to adhere to its designated development strategy, accelerate the pace of business expansion, strengthen enterprise management infrastructure, enhance core competitiveness, and reinforce our competitive advantage in greater Beijing area.

OTHER INFORMATION

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has applied the principles of and complied with all the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the Reporting Period, save 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 than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiries, all the directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding their securities transactions throughout the Reporting Period.

The Board

Provision A4.2 of the Code requires that every director (including those appointed for a specific term) of a listed issuer shall be subject to retirement by rotation at least once every three years. The Articles of Association of the Company stipulates that each director shall be elected by the general meeting of the Company for a term of not more than 3 years, and eligible for re-election upon the expiry of the term. Having taken into account of the continuity of the Group's operation and management policies, the Company's Articles of Association contains no express provision for the directors' retirement by rotation and thus deviate from the aforementioned provision of the Code.

Audit Committee

The audit committee of the Company 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 2011 unaudited interim consolidated results. The audit committee of the Company considered that the interim financial report for the six months ended 30 June 2011 is in compliance with the relevant accounting standards, requirements of the Stock Exchange and the Laws of Hong Kong, and appropriate disclosures have been made.

DISCLOSURE OF INTERESTS

Directors', Supervisors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2011, the interests and positions of the directors, supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the domestic shares of the Company

Name	Capacity	Number of domestic shares held	Approximate percentage of total issued domestic shares *(%)*	Approximate percentage of total issued shares *(%)*
Wei Tingzhan	Personal	1,417,237	0.62	0.34
Li Jianwen	Personal	1,354,712	0.59	0.33
Li Chunyan	Personal	395,992	0.17	0.10
Liu Yuejin	Personal	375,151	0.16	0.09
Gu Hanlin	Personal	1,062,937	0.46	0.26
Li Shunxiang	Personal	5,210,428	2.26	1.26
Yang Baoqun	Personal	1,042,086	0.45	0.25
Liu Wenyu	Personal	265,151	0.12	0.06
Yao Jie	Personal	125,050	0.05	0.03
Wang Hong	Personal	82,525	0.04	0.02

Save as disclosed above, as at 30 June 2011, none of the directors, supervisors or chief executives 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 2011, so far as is known to the directors, supervisors or chief executives 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)*	29,342,000(L)	16.10(L)	7.12
Cheah Cheng Hye *(Note 2)*	29,342,000(L)	16.10(L)	7.12
Cheah Company Limited *(Note 3)*	29,342,000(L)	16.10(L)	7.12
Hang Seng Bank Trustee International Limited *(Note 4)*	29,342,000(L)	16.10(L)	7.12
To Hau Yin *(Note 5)*	29,342,000(L)	16.10(L)	7.12
Value Partners Group Limited *(Note 6)*	29,342,000(L)	16.10(L)	7.12
Value Partners Limited *(Note 7)*	29,342,000(L)	16.10(L)	7.12
JPMorgan Chase & Co. *(Note 8)*	24,865,000(L)	13.65(L)	6.03
	7,344,000(P)	4.03(P)	1.78
Commonwealth Bank of Australia *(Note 9)*	16,647,000(L)	9.14(L)	4.04
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

Notes:

1. Cheah Capital Management Limited had a 31.19% deemed interest in Value Partners Group Limited and was therefore deemed to have an interest in the 29,342,000 H shares in which Value Partners Limited was interested in.

2. These 29,342,000 H shares were held by Cheah Cheng Hye in the capacity as the founder of a discretionary trust.

3. Cheah Company Limited had a 100% deemed interest in Cheah Capital Management Limited and was therefore deemed to have an interest in the 29,342,000 H shares in which Value Partners Limited was interested in.

4. These 29,342,000 H shares were held by Hang Seng Bank Trustee International Limited in its capacity as a trustee.

5. These 29,342,000 H shares were held by To Hau Yin in the capacity as the spouse of Cheah Cheng Hye.

6. Value Partners Group Limited had a 100% direct interest in Value Partners Limited and was therefore deemed to have an interest in the 29,342,000 H shares in which Value Partners Limited was interested in.

7. These 29,342,000 H shares were held by Value Partners Limited in its capacity as an investment manager.

8. These 24,865,000 H shares were held by JP Morgan Chase & Co. of which 7,344,000 H shares were in its capacity as a custodian corporation/an approved lending agent and the other 17,521,000 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 16,647,000 H shares and was therefore deemed to have an interest in the 16,647,000 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 executives of the Company, as at 30 June 2011, 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
5 August 2011

As at the date of this announcement, the executive directors of the Company are Mr. Wei Tingzhan, Mr. Li Jianwen, Ms. Li Chunyan and Mr. Liu Yuejin; the non-executive directors are Mr. Gu Hanlin and Mr. Li Shunxiang; and the independent non-executive directors are Mr. Wang Liping, Mr. Chen Liping and Mr. Choi Onward.