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北京京客隆商业集团股份有限公司

**BEIJING JINGKELONG COMPANY LIMITED\***

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

(Stock Code: 814)

**INTERIM RESULTS ANNOUNCEMENT**

**FOR THE SIX MONTHS ENDED 30 JUNE 2009**

## **FINANCIAL HIGHLIGHTS**

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

- Revenue was approximately RMB3,249.3 million, representing a decrease of approximately 3% as compared with the last corresponding period.
- Gross profit was approximately RMB452.5 million, representing a decrease of approximately 2.1% as compared with the last corresponding period.
- Gross profit margin was approximately 13.9%, representing maintained at approximately the same level of 13.8% of the last corresponding period.
- Profit attributable to equity holders was approximately RMB70.3 million, representing a decrease of approximately 7.9% as compared with the last corresponding period.

\* 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 2009 (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 STATEMENT OF INCOME

Six months ended 30 June 2009

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

**INTERIM      CONDENSED      CONSOLIDATED      STATEMENT      OF**

**COMPREHENSIVE INCOME**

Six months ended 30 June 2009

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

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

	Notes	<b>30 June 2009 RMB'000 (Unaudited)</b>	31 December 2008 RMB'000 (Audited) (Restated)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>1,542,794</u></b>	<b><u>1,566,149</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	12	<b>30,250</b>	56,000
Deferred income		<b>2,800</b>	2,932
Deferred tax liabilities		<b>11,142</b>	11,601
Other long term payable		<b><u>7,240</u></b>	<u>7,000</u>
Total non-current liabilities		<b><u>51,432</u></b>	<u>77,533</u>
 Net assets		 <b><u><u>1,491,362</u></u></b>	 <b><u><u>1,488,616</u></u></b>
 <b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		<b>412,220</b>	412,220
Reserves		<b>898,119</b>	826,233
Proposed final dividend		<b><u>-</u></b>	<u>86,566</u>
		<b>1,310,339</b>	1,325,019
<b>Minority interests</b>		<b><u>181,023</u></b>	<u>163,597</u>
 <b>Total equity</b>		 <b><u><u>1,491,362</u></u></b>	 <b><u><u>1,488,616</u></u></b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009

## 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, 16-20 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 ("Chaoyang Auxiliary"), a state-owned enterprise established in the PRC.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2009 (the "Interim Condensed Consolidated Financial Statements") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The Interim Condensed Consolidated Financial Statements does not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2008. The Interim Condensed Consolidated Financial Statements are presented in Renminbi ("RMB") and all values are rounded to nearest thousand, except when otherwise indicated.

As at 30 June 2009, the Group had net current liabilities of RMB221,701,000 (31 December 2008: RMB121,764,000). Based on the Group's history of obtaining financing, available banking facilities, operating performance, working capital forecast and financial obligations in the next twelve months, the directors consider that there are sufficient financial resources available to the Group to meet its liabilities as when fall due and to carry on its businesses in the foreseeable future. Accordingly, the directors have prepared the 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 2008, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRS") and interpretations as noted below.

### HKFRS 8 *Operating Segments*

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

### HKAS 1 (Revised) *Presentation of Financial Statements*

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

### HK(IFRIC) - Int 13 *Customer Loyalty Programmes*

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

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

issued is deferred and recognised as revenue when the points are redeemed.

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

For the six months ended 30 June 2008:

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

As at 31 December 2008:

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

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

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

### **3. SEGMENT INFORMATION**

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

- (i) the retailing segment engages in the distribution of live and fresh produce, dry products, beverages, processed food and daily necessities through the department stores, hypermarkets, supermarkets and/or convenience stores of the Group;
- (ii) the wholesaling segment engages in the wholesale supply of daily consumer products to consumers, including the Group's retail outlets, other retail operators, and trading companies; and
- (iii) the "others" segment comprises, principally, the production of plastic packing materials, and the installation and maintenance of commercial equipment.

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



Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## Operating results

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

### Six months ended 30 June 2009 (Unaudited)

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

### Six months ended 30 June 2008 (Unaudited/ Restated)

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

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

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

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

#### 4. REVENUE, OTHER INCOME AND GAINS

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

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

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

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

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

## 5. FINANCE COSTS

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

## 6. PROFIT BEFORE TAX

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

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

## 7. TAX

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

	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current income tax - PRC	<b>32,406</b>	42,806
Deferred income tax	<b>(459)</b>	(320)
	<b><u>31,947</u></b>	<u>42,486</u>

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:

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

## **8. INTERIM DIVIDEND**

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

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

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

<b>Six months ended 30 June</b>	
<b>2009</b>	<b>2008</b>
<b>RMB'000</b>	<b>RMB'000</b>
<b>(Unaudited)</b>	<b>(Unaudited)</b>

*Earnings:*

Profit attributable to ordinary equity holders of the parent	<u><b>70,340</b></u>	<u><b>76,361</b></u>
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<b>Number of shares</b>	
<b>Six months ended 30 June</b>	
<b>2009</b>	<b>2008</b>
<b>(Unaudited)</b>	<b>(Unaudited)</b>

*Shares:*

Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	<u><b>412,220,000</b></u>	<u><b>412,220,000</b></u>
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Diluted earnings per share is not presented for the six months ended 30 June 2009 and 2008 as there were no diluting events in existence during the relevant periods.

## **10. TRADE RECEIVABLES**

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

The Group normally allows a credit period of not more than 60 days to its customers. A longer credit period is granted to its major customers with long term relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group's trade receivables comprised about 1,950 (31 December 2008: 2,500) customers with amount ranging from RMB0.001 million to RMB437.9 million (31 December 2008: RMB0.001 million to RMB344.3 million). Trade

receivables are non-interest-bearing except for amounts due from Beijing Shoulian Trading Company Limited (“Shoulian”) which bore interest rate of 5.3% per annum.

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

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

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

- The subsequent settlement of the outstanding balance of approximately RMB31.3 million as at the date of this announcement;
- During the six months ended 30 June 2009, the business of Shoulian has shown improvements as the result of undergoing a series of renovation and improvements of its retail outlets; and
- Shoulian arranges to pledge five pieces of land and related buildings situated in Beijing with total value of not less than RMB136 million to the Company in the second half of 2009 to secure the overdue trade receivable.

## 11. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

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

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

## 12. INTEREST-BEARING BANK AND OTHER BORROWINGS

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



**(a) Bank loans**

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

**(i) Secured bank loans**

As at 30 June 2009, the secured bank loans of the Group amounting to RMB498.5 million were secured by certain of the Group's buildings, investment properties and lease prepayments for land use rights with aggregate net book values of approximately RMB656.3 million, RMB6.3 million and RMB84.3 million, respectively.

As at 31 December 2008, the secured bank loans of the Group amounting to RMB500.4 million were secured by certain of the Group's buildings, investment properties and lease prepayments for land use rights with aggregate net book values of approximately RMB503 million, RMB6.7 million, and RMB69 million, respectively. In addition, the secured bank loans of the Group amounting to RMB59.1 million were secured by certain of the Group's pledged time deposits amounting to RMB17.7 million.

**(ii) Unsecured bank loans**

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

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

**(b) Other borrowings**

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

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

## RETAIL BUSINESS

### Development of retail outlets

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

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

	Department stores	Hypermarkets	Supermarkets	Convenience stores	Total
Number of retail outlets:					
Directly-operated	1	7	49	57	114
Franchise-operated	-	-	1	101	102
Shoulian delegated stores	<u>1</u>	<u>2</u>	<u>23</u>	<u>-</u>	<u>26</u>
	<u>2</u>	<u>9</u>	<u>73</u>	<u>158</u>	<u>242</u>

Net operating area  
(square metres):

Directly-operated	27,800	60,952	106,319	13,031	208,102
Franchise-operated	-	-	880	18,737	19,617
Shoulian delegated stores	<u>19,300</u>	<u>14,071</u>	<u>48,389</u>	<u>-</u>	<u>81,760</u>
	<u>47,100</u>	<u>75,023</u>	<u>155,588</u>	<u>31,768</u>	<u>309,479</u>

### Commodity optimisation

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

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

### Operation improvement

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

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

## Service promotion

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

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

## Operation results (Unaudited)

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

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

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

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

## WHOLESALE BUSINESS

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

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

### Operation results (Unaudited)

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

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

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

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

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

## FINANCIAL RESULTS (UNAUDITED)

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

### Revenue

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

### Gross profit and gross profit margin

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

### Profit attributable to equity holders of the parent

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

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

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

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

## **INDEBTEDNESS AND PLEDGE OF ASSETS**

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

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

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

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

## **FOREIGN CURRENCY RISK**

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

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

## **EMPLOYEES**

As at 30 June 2009 the Group employed 5,033 full-time employees and 1,899 temporary employees in the PRC. The total staff costs (including directors' and supervisors' remunerations) of the Group for the Reporting Period amounted to approximately RMB208.9 million (corresponding period of 2008: RMB176.4 million). The staff emolument (including directors and supervisors) of the Group are based on duty (position), experience, performance, and market rates, in order to maintain their remunerations at a competitive level.

## **CONTINGENT LIABILITIES**

As at 30 June 2009, the Group did not have any significant contingent liabilities.

## **POST BALANCE SHEET EVENTS**

Save as the settlement of the debentures of RMB370 million as at 30 June 2009 in 16 July 2009, the Group did not have any significant post balance sheet events taken place subsequent to 30 June 2009.

## **PROSPECTS**

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



## **OTHER INFORMATION**

### **CORPORATE GOVERNANCE**

In the opinion of the directors, the Company has complied with 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 “Listing Rules”) during the Reporting Period, saving for the directors’ retirement by rotation as set out below.

#### **Director’s Securities Transactions**

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

#### **The Board**

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

#### **Audit Committee**

The audit committee of the Company (the “Audit Committee”) together with the management of the Company and the independent auditors, has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting, including the review of the Group’s 2009 unaudited interim consolidated results. The Audit Committee considered that the interim financial report for the six-month period ended 30 June 2009 is in compliance with the relevant accounting standards, requirements of the Stock Exchange of Hong Kong Limited and the Laws of Hong Kong, and appropriate disclosures have been made.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the Reporting Period.

By order of the Board  
**Wei Tingzhan**  
Chairman

Beijing, PRC  
14 August 2009

*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. Fan Faming, Mr. Huang Jiangming and Mr. Chung Chi Kong.*