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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 2014

The board of directors (the “**Board**”) of Beijing Jingkelong Company Limited (the “**Company**” or “**Jingkelong**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2014 (the “**Reporting Period**”). The unaudited consolidated results have been reviewed by the auditors, Deloitte Touche Tohmatsu CPA LLP and the audit committee of the Company.

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

* For identification purpose only

FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEETS

		2014.6.30	2013.12.31
	<i>Note</i>	RMB	RMB
		(unaudited)	(audited)
Current Assets:			
Cash and bank balances		690,896,782	601,588,771
Accounts receivable	3	1,438,337,048	1,658,164,932
Prepayments		494,585,225	550,729,655
Other receivables		178,636,633	129,135,310
Inventories		1,410,965,126	1,481,250,484
Other current assets		160,702,983	247,122,377
Total Current Assets		<u>4,374,123,797</u>	<u>4,667,991,529</u>
Non-current Assets:			
Available-for-sale financial assets		2,656,000	3,860,000
Investment properties		120,615,799	128,243,912
Fixed assets		1,235,976,649	1,279,327,711
Construction in progress		103,034,389	94,067,053
Intangible assets		200,026,316	197,500,316
Goodwill		86,673,788	86,673,788
Long-term prepaid expenses		531,467,911	565,226,236
Deferred tax assets		27,044,896	20,478,748
Other non-current assets		161,907,419	106,689,056
Total Non-current Assets		<u>2,469,403,167</u>	<u>2,482,066,820</u>
TOTAL ASSETS		<u>6,843,526,964</u>	<u>7,150,058,349</u>

		2014.6.30	2013.12.31
	<i>Note</i>	RMB	RMB
		(unaudited)	(audited)
Current Liabilities:			
Short-term borrowings		1,882,291,791	1,860,977,942
Notes payable	4	204,485,730	56,677,291
Accounts payable	4	938,453,928	1,138,958,035
Advances from customers		479,555,768	503,311,013
Employee benefits payable		2,088,902	3,128,350
Taxes payable		27,878,433	25,866,834
Dividend payable		22,734,051	5,000
Other payables		185,396,407	216,163,456
Bonds payable		–	199,979,167
Long-term borrowings due within one year		10,000,000	10,000,000
Other current liabilities		62,189,098	49,837,305
		<hr/>	<hr/>
Total Current Liabilities		<u>3,815,074,108</u>	<u>4,064,904,393</u>
Non-current Liabilities:			
Deferred tax liabilities		8,906,109	9,727,229
Bonds payable		744,171,668	743,553,870
Long-term borrowings		196,000,000	234,000,000
Provisions		910,612	910,612
Other non-current liabilities		24,909,944	20,611,219
		<hr/>	<hr/>
Total Non-current Liabilities		<u>974,898,333</u>	<u>1,008,802,930</u>
TOTAL LIABILITIES		<u>4,789,972,441</u>	<u>5,073,707,323</u>

	<i>Note</i>	2014.6.30 RMB (unaudited)	2013.12.31 RMB (audited)
SHAREHOLDERS' EQUITY:			
Share capital		412,220,000	412,220,000
Capital reserve		612,736,069	613,424,939
Surplus reserve		129,500,819	129,500,819
Undistributed profits	5	487,773,217	499,634,209
Total equity attributable to shareholders of the parent company		<u>1,642,230,105</u>	<u>1,654,779,967</u>
Minority interests		<u>411,324,418</u>	<u>421,571,059</u>
TOTAL SHAREHOLDERS' EQUITY		<u>2,053,554,523</u>	<u>2,076,351,026</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>6,843,526,964</u>	<u>7,150,058,349</u>

CONSOLIDATED INCOME STATEMENT

			Six months ended 2014.6.30 RMB (unaudited)	Six months ended 2013.6.30 RMB (unaudited)
	Notes			
I.		Total Operating Income	5,445,920,835	5,097,403,143
		Less: Operating costs	4,339,049,338	4,025,156,342
		Business tax and surcharges	35,742,868	33,048,964
		Selling expenses	771,715,032	741,422,158
		Administrative expenses	141,548,860	135,440,464
		Financial expenses	82,144,696	74,670,213
		Impairment losses on assets	90,432	—
		Add: Investment income	1,958,307	188,293
II.		Operating Profit	77,587,916	87,853,295
		Add: Non-operating income	4,174,128	14,987,320
		Less: Non-operating expenses	1,890,640	2,151,692
		Including: Losses from disposal of non-current assets	1,288,218	1,288,191
III.		Total Profit	79,871,404	100,688,923
		Less: Income tax expenses	23,911,445	27,917,753
IV.		Net Profit	55,959,959	72,771,170
		Net profit attributable to shareholders of the parent company	29,361,008	48,365,390
		Profit or loss attributable to minority interest	26,598,951	24,405,780
V.		Other Comprehensive Income	(903,000)	(2,574,000)
		Items will be reclassified to gains (losses) in subsequent accounting period if certain requirements are met		
		Net losses arising from available-for-sale financial assets	(903,000)	(2,574,000)
VI.		Total Comprehensive Income	55,056,959	70,197,170
		Total comprehensive income attributable to shareholders of the parent company	28,458,008	45,791,390
		Total comprehensive income attributable to minority interests	26,598,951	24,405,780
VII.		Earnings per share:		
		(I) Basic earnings per share	0.07	0.12

NOTES:

1. GENERAL INFORMATION

Beijing Jingkelong Company Limited (the “Company”) is a joint stock limited company incorporated in the People’s Republic of China (the “PRC”). On 1 November 2004, with the approval by Beijing Administration for Industry and Commerce, the Company (formerly known as “Beijing Jingkelong Supermarket Chain Company Limited”) was established and the registered capital of the Company was RMB246,620,000. The Business License No. is 1100001231592. The registered office and the principal place of business of the Company is located at Block No. 45, Xinyuan Street, Chaoyang District, Beijing, the PRC. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the retail and wholesale distribution of daily consumer products.

On 25 September 2006, the H shares issued by the Company was listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. On 26 February 2008, all the H shares were transferred to the Main Board for listed trading. The Company issued a total of 412,220,000 ordinary shares as at 30 June 2014.

The controlling shareholder of the Company is Beijing Chaoyang Auxiliary Food Company (“Chaoyang Auxiliary”).

2. BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS

The interim financial statements have been prepared in accordance with China Accounting Standard “Accounting Standards for Business Enterprises 32 Interim Financial Reporting”. In addition, the Group also discloses relevant information required by the Companies Ordinance of Hong Kong and the Listing Rules of the Stock Exchange of Hong Kong Limited.

3. ACCOUNTS RECEIVABLE

The Group normally allows a credit period of no more than 90 days to its customers. A longer credit period is granted to its major customers with 180 days. Accounts receivable bear no interest except the amount due from Beijing Shoulian Trading Company Limited (“Shoulian”) which bears interest at a rate of 6.40% during 1 January 2014 to 30 June 2014 (“Current period”) (during 1 January 2013 to 30 June 2013 (“last corresponding period”) the interest rate was 6.40%).

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

	2014.6.30 RMB (unaudited)	2013.12.31 RMB (audited)
Aging		
Within 1 year	1,341,481,323	1,556,171,061
1 to 2 years	16,855,725	21,993,871
3 to 4 years	80,000,000	80,000,000
Total	<u>1,438,337,048</u>	<u>1,658,164,932</u>

On 30 June 2014, Accounts receivable of the Group amounted to RMB80,000,000 (31 December 2013: RMB80,000,000) due from Shoulian, and which were overdue for more than 2 years. In the opinion of the directors, no impairment is necessary in view of the following consideration: the accounts receivable bear interest at the rate stated above, and all the interests have been received in full, moreover Shoulian has pledged pieces of land and related buildings situated in Beijing with a total value of not less than the overdue accounts receivables in favor of the Group.

At the end of the current period, the allowance for doubtful debts was RMB1,890,579 (31 Dec 2013: RMB1,890,579).

On 30 June 2014, the total accounts receivable due from Beijing Wu-mart Comprehensive Supermarket Co., Ltd., Auchan (China) investment Co., Ltd., Beijing Carrefour Commercial Co., Ltd., and Beijing Lotus Supermarket Chain Store Co., Ltd. which amounted to RMB131,969,840 (31 Dec 2013: RMB206,767,979) were limited by being factored to secure certain bank loans of the Group.

4. NOTES PAYABLE AND ACCOUNTS PAYABLE

	2014.6.30 <i>RMB</i> (unaudited)	2013.12.31 <i>RMB</i> (audited)
Notes Payable	204,485,730	56,677,291
Accounts Payable	938,453,928	1,138,958,035
	<hr/>	<hr/>
Total	<u>1,142,939,658</u>	<u>1,195,635,326</u>

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

	2014.6.30 <i>RMB</i> (unaudited)	2013.12.31 <i>RMB</i> (audited)
Aging		
Within 1 year	1,135,653,917	1,183,473,522
1 to 2 years	5,289,006	10,050,700
Above 2 years	1,996,735	2,111,104
	<hr/>	<hr/>
Total	<u>1,142,939,658</u>	<u>1,195,635,326</u>

The accounts payable and notes payable are non-interest-bearing, the accounts payable are normally settled on 60-day terms, and the notes payable are normally settled on 90-day-180-day terms.

On 30 June 2014, the bank acceptance bills payable of the Group in aggregate amounted to RMB204,485,730 (31 December 2013: RMB56,677,291) were secured by certain of the Group's pledged margin deposit amounting to RMB23,877,466 (31 December 2013: RMB11,335,458).

5. UNDISTRIBUTED PROFITS

	Amount RMB
Six months ended 30 June 2014 (unaudited):	
Undistributed profits at the beginning of the period	499,634,209
Add: Net profits attributable to the shareholders of parent company for the period	29,361,008
Less: Dividend payable to ordinary shareholders	<u>41,222,000</u>
Undistributed profits at the end of the period	<u><u>487,773,217</u></u>
Six months ended 30 June 2013 (unaudited):	
Undistributed profits at the beginning of the period	493,033,750
Add: Net profits attributable to the shareholders of parent company for the period	48,365,390
Less: Dividend payable to ordinary shareholders	<u>41,222,000</u>
Undistributed profits at the end of the period	<u><u>500,177,140</u></u>

(1) Interim dividends

In current period, a final dividend of RMB10 cents per share in respect of the year ended 31 December 2013 (last corresponding period: RMB10 cents per share in respect of the year ended 31 December 2012) was declared and paid to the owners of the Company. The aggregated amount of the final dividend declared and paid amounted to RMB41,222,000 (last corresponding period: RMB41,222,000).

In current period, the directors of the Company do not recommend the payment of an interim dividend (last corresponding period: Nil).

6. OPERATING INCOME AND OPERATING COSTS

(1) Operating income and operating costs

	Six months ended 30 June 2014 RMB (unaudited)	Six months ended 30 June 2013 RMB (unaudited)
Principal operating income	5,004,423,169	4,709,149,979
Other operating income	441,497,666	388,253,164
Operating costs	<u><u>4,339,049,338</u></u>	<u><u>4,025,156,342</u></u>

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

	Six months ended 30 June 2014 (unaudited)		Six months ended 30 June 2013 (unaudited)	
	Principal operating income RMB	Principal operating cost RMB	Principal operating income RMB	Principal operating cost RMB
Retail	2,419,208,698	2,020,458,775	2,328,055,524	1,940,033,643
Wholesale	2,574,359,604	2,306,206,519	2,375,350,950	2,077,635,185
Others	10,854,867	8,587,251	5,743,505	4,512,343
Total	<u>5,004,423,169</u>	<u>4,335,252,545</u>	<u>4,709,149,979</u>	<u>4,022,181,171</u>

The principal operating income is mainly consisted of selling food, non-staple food, daily consumer goods, beverage and wine.

7. INCOME TAX EXPENSES

	Six months ended 30 June 2014 RMB (unaudited)	Six months ended 30 June 2013 RMB (unaudited)
Current income tax calculated according to tax laws and relevant requirements	30,997,713	27,328,343
Deferred income tax	<u>(7,086,268)</u>	<u>589,410</u>
Total	<u>23,911,445</u>	<u>27,917,753</u>

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

	Six months ended 30 June 2014 RMB (unaudited)	Six months ended 30 June 2013 RMB (unaudited)
Accounting profit	79,871,404	100,688,923
Income tax expenses calculated at tax rate of 25%	19,967,851	25,172,231
Tax effect of non-deductible expenses	2,492,340	2,092,853
Tax effect of non-taxable income	(1,396,646)	(1,503,024)
Tax effect of using previously unrecognised deductible losses	–	(151,618)
Tax effect of unrecognised deductible losses	2,410,986	1,673,561
Tax effect of related party borrowings deemed as interest income	<u>436,914</u>	<u>633,750</u>
Total	<u>23,911,445</u>	<u>27,917,753</u>

8. EARNINGS PER SHARE

	Six months ended 30 June 2014 RMB (unaudited)	Six months ended 30 June 2013 RMB (unaudited)
Net profit attributable to the shareholders of the parent company	29,361,008	48,365,390
Number of ordinary shares used in the calculation of basic earnings per share	<u>412,220,000</u>	<u>412,220,000</u>
	Six months ended 30 June 2014 RMB	Six months ended 30 June 2013 RMB
Based on the net profit attributable to ordinary shareholders of the parent company		
Basic earnings per share	<u>0.07</u>	<u>0.12</u>

As at 30 June 2014, the Company does not have any dilutive potential ordinary shares.

9. NET CURRENT ASSETS

	2014.6.30 RMB (unaudited)	2013.12.31 RMB (audited)
Current assets	4,374,123,797	4,667,991,529
Less: current liabilities	<u>3,815,074,108</u>	<u>4,064,904,393</u>
Net current assets	<u>559,049,689</u>	<u>603,087,136</u>

10. TOTAL ASSETS LESS CURRENT LIABILITIES

	2014.6.30 RMB (unaudited)	2013.12.31 RMB (audited)
Total assets	6,843,526,964	7,150,058,349
Less: current liabilities	<u>3,815,074,108</u>	<u>4,064,904,393</u>
Total assets less current liabilities	<u>3,028,452,856</u>	<u>3,085,153,956</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2014, the overall economic conditions in China remained challenging as China was in a critical stage of achieving structural adjustments and economic transformation and upgrading. The weak consumer sentiment, as well as the impact of rapidly developed e-commerce on traditional industries, posed a challenge to the growth models of traditional retail and wholesale industry of fast moving consumer goods.

During the Reporting Period, in response to the diversified competition landscape and the constantly rising costs, the Group made active adjustments and transformation by analyzing and meeting consumers' demand, as well as optimising and integrating its merchandise and supply chain management from a consumer-orientated perspective, thus achieving an increase in sales revenue and curbing the downward trend of profitability.

RETAIL BUSINESS

Strengthening procurement management and enhancing merchandising capability

During the Reporting Period, the Group stuck to its nature as a retailer and strengthened its procurement function by keeping abreast of merchandise lines and consumption trends on the basis of extensive market research, focusing on the analysis and control of procurement cost and logistics cost, and contacting vendors to renegotiate purchase prices, with a view to reducing procurement costs. Based on the merchandise marketing data analysis, the Group selected the promotional products and properly arranged the promotion mix of merchandises. The Group separated the replenishment function from the procurement function and established a specialized replenishment department, which paid attention to the structural changes in inventory and turnover changes, and lowered store inventory shortage rate by improving order fulfillment rate. By rapidly introducing imported merchandises, the Group tried to adapt to the consumers' upgraded needs, and developed customized merchandises among daily distribution products to attract more customers.

Insisting on self-operating live of fresh produce

During the Reporting Period, depending on the production and supply conditions of the fruit and vegetable bases, the Group streamlined its existing procurement bases, through ascertaining the types of fruit and vegetable to be procured and their supply period, and developing new procurement bases in light of their different harvest season. In accordance with the characteristics of different seasons and festivals, the Group timely introduced packaged fungi, fine vegetables and modified atmosphere packaged of poultry produce, reduced repetitive bulk frozen food and introduced imported packaged aquatic products, which enriched the product mix and attracted more consumers. Meanwhile, the Group adjusted its fresh produce promotion strategies by reducing the promotions of easily stored products that are common in wet markets while increasing the promotions of medium to high-end fresh produce.

Steering stores towards refined operations to enhance the level of operations

In order to gradually migrate to a meticulous approach of management from the original extensive management model, the Group introduced an internal analysis of comparative data from stores of comparable sizes, covering the data on customer flow, sales and inventory turnover. The Operation Division in the Group's headquarter would identify the problems of each store in respect of areas such as the placing of orders, inactive merchandises management, merchandise display and inventory management, and would direct the stores to develop improvement measures and monitor their implementation, so as to enhance the stores operation and improve economic benefits. As a part of its implementation of a full-day supply of fresh produce scheme, the Group paid partial attention to the operation management of stores at nights and monitored the volume of order and inventory level of fresh produce, with a view that such implantation of full-day supply of fresh produce would improve the attractiveness to customers and in turn boost the overall customer flow.

Optimizing logistics and distribution management to increase logistics efficiency

During the Reporting Period, in view of the lack of original packaging of certain merchandises delivered by the suppliers to our normal-temperature logistics centre, the Group strictly implemented spot checks on acceptance rate standards, to maintain the standard of products accepted at the forefront. Through our phone reservation system for acceptance of products, the Group established a "green channel" for VIP suppliers by utilizing designated loading docks coupled with designated personnel, thus achieving an efficient receiving process. The Group shifted the cooperative distribution model by the suppliers to the cross-docking logistics operation model, and the adoption of consolidated sowing and receiving operation improved the efficiency of receipt.

Further strengthening the food safety management

During the Reporting Period, the Group continued to perform review and approval procedures in respect of the acceptance of new suppliers and new products to ensure compliance with the relevant quality standards, and to conduct site inspections on high-risk food. In order to better implement food safety management and to eliminate food safety risk, in each month the Group would conduct monthly special inspections on product quality and condition in retail outlets and live-and-fresh produce logistics center, and would timely supervise the rectification of the problems identified. In order to ensure quality and safety of fresh foods, the Group had combined the daily self-inspection conducted by the live-and-fresh produce logistics center and the random inspection conducted by the marketing department of the headquarter and increased the quantity of samples, and hence maintained an effective control over the quality of fresh foods. Meanwhile, targeting on the characteristics of different seasons and festivals, the Group carried out "summer food safety month" activities by reviewing key aspects of food quality control, intensifying food safety training for food safety management personnel in retail outlets, and strengthening consciousness of food safety management amongst all staff in Company.

Continual steady development of the retail network

During the Reporting Period, the Group continued its steady development of the retail network. Fourteen retail outlets which comprised eight directly-operated convenience store and six franchise-operated convenience stores were opened. In addition, the Group renovated and upgraded one supermarket and four convenience stores.

The total number of the Group's retail outlets was 287 as at 30 June 2014, including 197 directly-operated outlets and 90 franchise-operated outlets, with a total net operating area of 324,439 square metres. The following table sets out the number and net operating area of the Group's retail outlets as at 30 June 2014:

	Department stores	Hypermarkets	Supermarkets	Convenience stores	Total
Number of retail outlets:					
Directly-operated	2	12	76	107	197
Franchise-operated	–	–	1	89	90
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>2</u>	<u>12</u>	<u>77</u>	<u>196</u>	<u>287</u>
Net operating area (square metres):					
Directly-operated	39,742	86,088	160,115	20,592	306,537
Franchise-operated	–	–	880	17,022	17,902
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>39,742</u>	<u>86,088</u>	<u>160,995</u>	<u>37,614</u>	<u>324,439</u>

RETAIL OPERATING RESULTS

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

	For the six months ended 30 June		
	2014	2013	Variance
	RMB'000	RMB'000	(%)
Directly-operated retail outlets:			
Hypermarkets	684,008	595,576	14.8
Supermarkets	1,541,771	1,541,802	0
Convenience stores	166,768	162,849	2.4
Department stores	26,662	27,829	-4.2
(including commissions)	22,719	23,891	-4.9
Total retail principal operating income	2,419,209	2,328,056	3.9
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	15.7	15.8	-0.1

During the Reporting Period, the retail principal operating income of the Group increased by approximately 3.9% mainly due to the following reasons: (i) an overall same-store sales decrease of approximately 0.7% during the Reporting Period; (ii) customers volume increased during the Big Sales Promotion period for celebrating the 20th anniversary of the Company in the first half of 2014; and (iii) sales contributions from those stores opened in the second half of 2013 and during the Reporting Period.

During the Reporting Period, gross profit margin of the directly-operated retail business (excluding department stores) decreased slightly from 15.8% of the last corresponding period to 15.7%, mainly because of: (i) The Big Sales Promotion launched by the Company during the Reporting Period benefited consumers which in turn reduced the gross profit margin; and (ii) the gross profit margin in retail business decreased due to severe diversified market competition of the industry.

WHOLESALE BUSINESS

Continuing to introduce new product lines

During the Reporting Period, faced with the challenging economic conditions and the decline market demand for high-end liquor, the Group introduced more new brands of low-end liquor, and welcomed new brands of food and daily necessities for sale and promotion in Beijing and through our subsidiaries in other cities. Through the introduction of new brands, the Group paid more attention to the balanced development of each lines of merchandises, so as to reduce the operational risks and expand our room for further development niche in the market.

Continuing to expand the wholesale distribution network

During the Reporting Period, the Group further expanded its regional distribution network, improved the sharing of brand resources among our subsidiaries in Beijing and other cities, and enhanced the sales capability of our existing brand resources in different regions. The Group also continued to explore e-commerce sales channel and managed to invite an increasing number of manufacturers into such e-commerce sales channel in order to present new products online, which resulted in a dramatic increase in our e-commerce sales dramatically.

Improving efficiency of logistics and distribution

During the Reporting Period, in order to further improve the efficiency of logistics and distribution and reduce the operating costs, the Group's wholesale business distribution to centre carried out a trial operation of piecework way in respect of transportation and warehousing outsourcing model. We believed that guided by the "zero error" logistics management philosophy, piecework contracting was more effective in identifying the responsible person, motivating the fleet, reducing operating costs and improving distribution efficiency.

WHOLESALE OPERATING RESULTS

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

	For the six months ended 30 June		
	2014	2013	Variance
	RMB'000	RMB'000	(%)
Wholesale principal operating income recognised by			
Chaopi Group*	2,842,314	2,640,329	7.6
Less: Intersegment Sales	(271,353)	(270,715)	0.2
Sales to franchisees	3,399	5,737	-40.8
Consolidated Wholesale principal operating income	2,574,360	2,375,351	8.4
Gross profit margin** (%)	9.4	11.3	-1.9

* Chaopi Group represents Beijing Chaopi Trading Company Limited and its subsidiaries.

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

During the Reporting Period, the wholesale principal operating income recognized by Chaopi Group increased by approximately 8.4%, which was mainly due to the following reasons: (i) multiple intensified promotional campaigns were launched during the Reporting Period in order to increase market shares; (ii) the sales contribution from the new subsidiaries in the second half of 2013; and (iii) the sales contribution from newly introduced distribution brands.

During the Reporting Period, the gross profit margin of wholesale business recognised by Chaopi Group decreased by 1.9 percentage point, mainly because of (i) more intensified sales promotions were arranged during the Reporting Period; and (ii) the gross profit of alcoholic beverage with higher gross profit margin continued to decline.

FINANCIAL RESULTS

	For the six months ended 30 June		
	2014	2013	Variance
	<i>RMB'000</i>	<i>RMB'000</i>	(%)
Revenue from principal businesses	5,004,423	4,709,150	6.3
Gross profit	669,171	686,969	-2.6
Gross profit margin (%)	13.4%	14.6%	-1.2
Earnings before interest and tax	166,070	175,877	-5.6
Net profit	55,960	72,771	-23.1
Net profit margin (%)	1.1%	1.5%	-0.4
Net profit attributable to shareholders of the parent company	29,361	48,365	-39.3
Net profit margin attributable to shareholders of the parent company (%)	0.6%	1.0%	-0.4

Revenue From Principal Business

During the Reporting Period, the Group's revenue from principal business increased by approximately 6.3%, of which retail revenue from principal business increased by approximately 3.9%, and wholesale revenue from principal business increased by approximately 8.4%.

Gross Profit and Gross Profit Margin

During the Reporting Period, the gross profit of the Group decreased by approximately 2.6% compared with the last corresponding period. During the Reporting Period, the gross profit margin was 13.4% (last corresponding period: 14.6%).

Net Profit Attributable to the Parent Company

During the Reporting Period, net profit attributable to the parent company decreased by approximately 39.3% compared with the last corresponding period. The earnings before interest and tax amounted to RMB166,069,700, representing a decrease of RMB9,807,597 compared with the last corresponding period, and the net profit attributable to the parent company decreased from RMB48,365,390 of the last corresponding period to RMB29,361,008.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2014, the Group had non-current assets of RMB2,469,403,167 (comprising mainly fixed assets, investment property, and land use right for a total of RMB1,523,188,567), and non-current liabilities of RMB974,898,333 (comprising mainly bonds payable of RMB744,171,668 and bank loans of RMB196,000,000).

As at 30 June 2014, the Group had current assets of RMB4,374,123,797. Current assets mainly comprised of cash and cash equivalents of RMB667,019,316, inventories of RMB1,410,965,126, accounts receivable of RMB1,438,337,048 and prepayments and other receivables of RMB673,221,858. The Group had current liabilities of RMB3,815,074,108. Current liabilities mainly comprised of notes payable and accounts payable for a total of RMB1,142,939,658, short term bank loans and long-term bank loans due within one year for a total of RMB1,892,291,791 and other payable of RMB185,396,407.

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 30 June 2014, the Group had bank loans of RMB2,088,291,791, which consisted of accounts receivable factored bank loans of RMB26,350,718, secured bank loans of RMB206,000,000, unsecured bank loans of RMB1,855,941,073. All the Group's bank loans bear interest rates ranging from 5.60% to 6.72% per annum. The secured bank loans were secured by certain of the Group's buildings and investment properties with an aggregate net book value of RMB142,694,147 on 30 June 2014.

Certain of the Group's margin deposit of RMB23,877,466 were pledged for notes payable of RMB204,485,730 as at 30 June 2014.

The Group's gearing ratio* was approximately 70.0% as at 30 June 2014, which was slightly lower than approximately 71.7% in the previous corresponding period.

* *Represented by: Total Liabilities/Total Assets*

FOREIGN CURRENCY RISK

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

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

EMPLOYEES

As at 30 June 2014, the Group employed 8,426 employees domestically (as at 30 June 2013: 8,425 employees). The total staff costs (including directors' and supervisors' remunerations) of the Group for Reporting Period amounted to approximately RMB337,307,632 (last corresponding period: RMB325,175,173). 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 2014, the Group did not have any significant contingent liabilities.

ESTABLISHMENT OF TWO SUBSIDIARIES

During the Reporting Period, the Group, through its non-wholly owned subsidiary Beijing Chaopi Trading Company Limited ("Chaopi Trading") established a subsidiary, Beijing Chaopi Shengshi Trading Company Limited ("Chaopi Shengshi"), with Mr. Sun Wenhui (a director of Chaopi Trading) and two third parties (Mr. Li Gang and Ms. Wang Ping), to engage in the wholesale distribution of daily consumer products in Beijing. The registered capital of Chaopi Shengshi was RMB25,000,000, which has been fully paid up as of the announcement date. The capital contribution of Chaopi Trading was RMB16,250,000, and Chaopi Trading became the holder of 65% of the equity interest in Chaopi Shengshi. The Company held an indirect equity interest of approximately 51.90% in Chaopi Shengshi. The relevant details are set out in the announcement issued by the Company on 12 May 2014.

During the Reporting Period, Chaopi Trading and Mr. Du Jianxin, established a subsidiary, Beijing Qumeiba Information Technology Company Limited ("Chaopi Qumeiba"), to engage in the wholesale of general merchandise by e-commerce channel. The registered capital of Chaopi Qumeiba was RMB1,000,000, which has been fully paid up as of the announcement date. The capital contribution of Chaopi Trading was RMB650,000, thus Chaopi Trading held the equity of 65% of Chaopi Qumeiba. The Company held an indirect equity interest of approximately 51.90% in Chaopi Qumeiba.

CAPITAL INCREASE OF ONE NON-WHOLLY OWNED SUBSIDIARY

On May 21, 2014, Chaopi Trading and other investors collectively contributed an additional capital injection amounted to RMB12,822,800 and RMB11,679,100 respectively into a non-wholly owned subsidiary, Beijing Chaopi Huaqing drinks Company Limited ("Chaopi Huaqing"), increasing the registered capital of Chaopi Huaqing from RMB56,000,000 to RMB80,000,000. The total investment contributed by Chaopi Trading was RMB42,742,800 after the increase of registered capital, and

Chaopi Trading is the holder of approximately 53.43% of the equity interest in Chaopi Huaqing. As at 30 June 2014, the Company held an indirect equity interest of approximately 42.66% in Chaopi Huaqing.

ACQUISITION OF 8.75% EQUITY IN ONE SUBSIDIARY

Pursuant to an agreement entered into between Chaopi Trading and five independent investors dated 16 May 2014, the said five investors transferred collectively 8.75% of the equity interests in a subsidiary of Chaopi Trading, Beijing Chaopi Huilong Trading Company Limited (“Chaopi Huilong”), to Chaopi Trading for a consideration of RMB2,100,000. After the completion of the said transfer, Chaopi Trading became the holder of 77.75% of the equity interest of Chaopi Huilong, and the Company held an indirect interest of approximately 62.08% in Chaopi Huilong. As of the announcement date, Chaopi Trading has not paid to the said five independent investors to complete the equity transfer.

OUTLOOK

In the first half of 2014, facing actual economic and operational difficulties and the critical stage of economic structure transformation, China’s economy had sustained a certain level of downward pressure. However, with the continued adjustments of economic structure, a series of new structural trends of macro-economy, including the demand structure, industrial structure, consumption structure and income distribution structure, emerged with new features.

Engaging in the traditional wholesale and retail industry of fast moving consumer goods, the Group faces both challenges and opportunities for development. The rapid development of Internet technology and mobile network technology have gradually changed the transaction processes and the standards of traditional retail industry. The Group realised that, in view of these dramatic changes, a fusion of online and offline retails shall form the main development path.

Looking forward to the second half of 2014, we will unswervingly continue to improve our procurement and marketing capabilities and store operation capabilities and supply chain management, while relying on the Group’s offline store resources to achieve transformation. Making use of the Internet technology and mobile network technology to re-attract consumers back from e-commerce, we will also reconsolidate the Group’s core competitiveness.

OTHER INFORMATION

Corporate Governance

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

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

Director's Securities Transactions

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

Audit Committee

The Audit Committee together with the management of the Company and the independent auditor have considered and reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting, including the review of the Group's 2014 unaudited interim consolidated results. The Audit Committee considered that the interim financial report for the six months ended 30 June 2014 was in compliance with the relevant accounting standards, requirements of the Stock Exchange and the Laws of Hong Kong, and appropriate disclosures have been made.

DISCLOSURE OF INTERESTS

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

As at 30 June 2014, the interests and positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the domestic shares of the Company

Name	Capacity	Number of domestic shares held	Approximate percentage of total issued domestic shares (%)	Approximate percentage of total issued shares (%)
Li Jianwen	Personal	1,482,579	0.64	0.36
Li Chunyan	Personal	395,992	0.17	0.10
Liu Yuejin	Personal	375,151	0.16	0.09
Li Shunxiang	Personal	5,210,428	2.26	1.26
Yang Baoqun	Personal	1,042,086	0.45	0.25
Liu Wenyu	Personal	265,151	0.12	0.06
Yao Jie	Personal	125,051	0.05	0.03
Wang Hong	Personal	82,525	0.04	0.02

Save as disclosed above, as at 30 June 2014, none of the directors, supervisors or chief executive of the Company nor any of their associates had any interest and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules.

Substantial Shareholders

As at 30 June 2014, so far as is known to the directors, supervisors or chief executive of the Company, the persons (other than a director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the domestic shares of the Company

Name	Capacity	Number of domestic shares held	Approximate percentage of total issued domestic shares (%)	Approximate percentage of total issued shares (%)
Beijing Chaoyang Auxiliary Food Company	Beneficial owner	167,409,808	72.77	40.61

Positions in the H shares of the Company

Name	Total number of H shares held	Approximate percentage of total issued H shares (%)	Approximate percentage of total issued shares (%)
JPMorgan Chase & Co. <i>(Note 1)</i>	23,680,900 (L)	13.00 (L)	5.74
	23,680,900 (P)	13.00 (P)	5.74
Schroders Plc <i>(Note 2)</i>	19,977,000 (L)	10.96 (L)	4.85
Templeton Asset Management Ltd. <i>(Note 3)</i>	18,314,900 (L)	10.05 (L)	4.44
Schroder Investment Management (Hong Kong) Limited <i>(Note 4)</i>	13,036,000 (L)	7.16 (L)	3.16
Genesis Asset Managers, LLP <i>(Note 5)</i>	12,749,000 (L)	6.99 (L)	3.09
Genesis Emerging Markets Opportunities Fund Limited <i>(Note 6)</i>	12,749,000 (L)	6.99 (L)	3.09

(L) – Long Position

(P) – Lending Pool

Note:

1. These 23,680,900 H shares were held by JP Morgan Chase & Co. were in its capacity as a custodian corporation/an approved lending agent of which 23,680,900 H shares were in a lending pool.
2. These 19,977,000 H shares were held by Schroders Plc in its capacity as an investment manager.
3. These 18,314,900H shares were held by Templeton Asset Management Limited in its capacity as an investment manager.
4. These 13,036,000 H shares were held by Schroder Investment Management (Hong Kong) Limited in its capacity as an investment manager.
5. These 12,749,000 H shares were held by Genesis Asset Managers, LLP in its capacity as an investment manager.
6. These 12,749,000 H shares were held by Genesis Emerging Markets Opportunities Fund Limited in its capacity as an investment manager.

Save as disclosed above, as far as is known to the directors, supervisors or chief executive of the Company, as at 30 June 2014, no other persons (not being a director, supervisor or chief executive of the Company) had, or were deemed or taken to have any interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

By Order of the Board
Beijing Jingkelong Company Limited
Li Jianwen
Chairman

Beijing, PRC
22 August 2014

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