



北京京客隆
商业集团股份有限公司
BEIJING JINGKELONG COMPANY LIMITED

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: 8245)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed companies.

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Directors”) of Beijing Jingkelong Company Limited (the “Company”) collectively and individually accept full responsibilities, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

SUMMARY

The following occurred during the six-month period ended 30 June 2007:

- Revenue amounted to approximately RMB2,572.2 million (Corresponding period of 2006: RMB2,161.1 million), representing an increase of approximately 19% as compared with the same period last year.
- Gross profit amounted to approximately RMB338.0 million (Corresponding period of 2006: RMB263.1 million), representing an increase of approximately 28.5% as compared with the same period last year.
- Gross profit margin was approximately 13.1%, approximately 0.9% higher than 12.2% of the corresponding period last year.
- Profit attributable to equity holders amounted to approximately RMB56.8 million (Corresponding period of 2006: RMB47.3 million), representing an increase of approximately 20.1% as compared with the corresponding period last year.
- Same store sales growth increased from approximately 6.1% during the first half of 2006 to approximately 13.5%.
- 2 directly-operated supermarkets and 11 convenience stores operated under the franchise agreements were opened.
- Total number of retail outlets was 175 (including 5 hypermarkets, 41 supermarkets and 129 convenience stores).
- As at 30 June 2007, total borrowings amounted to RMB814.5 million, comprising bank loans of RMB504.5 million and the borrowings from Beijing International Trust and Investment Company Limited of RMB310 million.
- On 27 June 2007, the Company obtained the approval in-principle from the listing committee of the Stock Exchange for the proposed listing of the Company's H shares on the Main Board by way of introduction.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2007

	Notes	Three months ended 30 June		Six months ended 30 June	
		2007 RMB'000 (Unreviewed and unaudited)	2006 RMB'000 (Unreviewed and unaudited)	2007 RMB'000 (Unaudited)	2006 RMB'000 (Audited)
REVENUE	4	1,006,618	888,609	2,572,208	2,161,105
Cost of sales		(866,689)	(776,962)	(2,234,213)	(1,898,019)
Gross profit		139,929	111,647	337,995	263,086
Other income and gains	4	58,416	36,540	131,335	93,566
Selling and distribution costs		(110,894)	(82,972)	(238,777)	(182,612)
Administrative expenses		(54,779)	(31,288)	(93,882)	(61,921)
Other expenses		(5,639)	(7,186)	(16,842)	(11,024)
Finance costs	6	(7,502)	(5,209)	(15,097)	(8,687)
Share of losses of associates		—	(10)	—	(10)
PROFIT BEFORE TAX	5	19,531	21,522	104,732	92,398
Tax	7	(1,520)	(7,089)	(31,880)	(33,277)
PROFIT FOR THE PERIOD		<u>18,011</u>	<u>14,433</u>	<u>72,852</u>	<u>59,121</u>
Attributable to:					
Equity holders of the parent		13,521	10,997	56,819	47,305
Minority interests		4,490	3,436	16,033	11,816
		<u>18,011</u>	<u>14,433</u>	<u>72,852</u>	<u>59,121</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic (RMB)	9	<u>3.5 cents</u>	<u>4.5 cents</u>	<u>14.8 cents</u>	<u>19.2 cents</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

	<i>Notes</i>	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	1,086,922	1,011,199
Investment properties	<i>11</i>	16,500	16,922
Lease prepayments for land use rights	<i>12</i>	71,818	72,194
Interests in associates		–	198
Available-for-sale investments		3,099	3,099
Intangible assets	<i>13</i>	8,386	2,344
Other long term lease prepayments		16,825	17,524
		<hr/>	<hr/>
Total non-current assets		1,203,550	1,123,480
CURRENT ASSETS			
Inventories	<i>14</i>	443,840	499,644
Trade receivables	<i>15</i>	402,499	473,078
Prepayments, deposits and other receivables		161,585	163,102
Loan receivables	<i>16</i>	50,000	–
Pledged deposits	<i>17</i>	–	16,919
Cash and cash equivalents	<i>17</i>	582,282	841,691
		<hr/>	<hr/>
Total current assets		1,640,206	1,994,434
CURRENT LIABILITIES			
Trade payables	<i>18</i>	673,367	746,690
Tax payable		44,242	44,100
Other payables and accruals		174,286	223,671
Interest-bearing bank and other borrowings	<i>19</i>	711,625	726,396
Deferred income		267	267
		<hr/>	<hr/>
Total current liabilities		1,603,787	1,741,124
NET CURRENT ASSETS		<hr/> 36,419	<hr/> 253,310
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 1,239,969	<hr/> 1,376,790

	<i>Notes</i>	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,239,969</u>	<u>1,376,790</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	19	102,875	280,000
Deferred income		3,334	3,466
Deferred tax liabilities		<u>15,517</u>	<u>18,679</u>
Total non-current liabilities		<u>121,726</u>	<u>302,145</u>
Net assets		<u>1,118,243</u>	<u>1,074,645</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	20	384,620	384,620
Reserves		598,580	542,660
Proposed final dividend		<u>–</u>	<u>57,693</u>
		983,200	984,973
Minority interests		<u>135,043</u>	<u>89,672</u>
Total equity		<u>1,118,243</u>	<u>1,074,645</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2007

	Attributable to equity holders of the parent										
	Issued capital <i>RMB'000</i>	Share premium account <i>RMB'000</i>	Available- for-sale investment Capital reserve <i>RMB'000</i>	Available- for-sale investment reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Statutory public welfare fund <i>RMB'000</i>	Proposed final dividend <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Subtotal <i>RMB'000</i>	Minority interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
Six months ended											
30 June 2007 (Unaudited)											
At 1 January 2007	384,620	442,230	5,121	2,749	43,049	-	57,693	49,511	984,973	89,672	1,074,645
Profit for the period	-	-	-	-	-	-	-	56,819	56,819	16,033	72,852
Total income and expense for the period	-	-	-	-	-	-	-	56,819	56,819	16,033	72,852
2006 dividend declared	-	-	-	-	-	-	(57,693)	-	(57,693)	-	(57,693)
Dividends paid to minority equity holders	-	-	-	-	-	-	-	-	-	(19,566)	(19,566)
Cash contribution from minority equity holders	-	-	-	-	-	-	-	-	-	51,106	51,106
Acquisition of minority interests	-	-	-	-	-	-	-	-	-	(2,202)	(2,202)
Utilisation of statutory surplus reserve to increase the registered capital of a subsidiary	-	-	-	-	(899)	-	-	-	(899)	-	(899)
At 30 June 2007	<u>384,620</u>	<u>442,230*</u>	<u>5,121*</u>	<u>2,749*</u>	<u>42,150*</u>	<u>-</u>	<u>-</u>	<u>106,330*</u>	<u>983,200</u>	<u>135,043</u>	<u>1,118,243</u>
Six months ended											
30 June 2006 (Audited)											
At 1 January 2006	246,620	-	5,121	-	18,522	9,260	56,367	22,894	358,784	73,920	432,704
Profit for the period	-	-	-	-	-	-	-	47,305	47,305	11,816	59,121
Total income and expense for the period	-	-	-	-	-	-	-	47,305	47,305	11,816	59,121
2005 dividend declared	-	-	-	-	-	-	(56,367)	-	(56,367)	-	(56,367)
Dividends paid to minority equity holders	-	-	-	-	-	-	-	-	-	(16,090)	(16,090)
At 30 June 2006	<u>246,620</u>	<u>-</u>	<u>5,121</u>	<u>-</u>	<u>18,522</u>	<u>9,260</u>	<u>-</u>	<u>70,199</u>	<u>349,722</u>	<u>69,646</u>	<u>419,368</u>

* *These reserve accounts as at 30 June 2007 comprised the consolidated reserves of RMB598,580,000 in the interim condensed consolidated balance sheet.*

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2007

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net cash inflow from operating activities	105,030	240,442
Net cash inflow/(outflow) from investing activities	208,115	(113,531)
Net cash outflow from financing activities	<u>(271,153)</u>	<u>(108,584)</u>
Net increase in cash and cash equivalents	41,992	18,327
Cash and cash equivalents at beginning of period	<u>540,290</u>	<u>220,741</u>
Cash and cash equivalents at end of period	<u><u>582,282</u></u>	<u><u>239,068</u></u>

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2007

1. CORPORATE INFORMATION

Beijing Jingkelong Company Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) as a limited liability company on 20 May 2002 and was transformed into a joint stock limited company with effect from 1 November 2004. On 25 September 2006, an aggregate of 151,800,000 H shares of the Company were issued to the public and listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

On 27 June 2007, the Company received an approval in-principle from the listing committee of the Stock Exchange for the proposed migration of the Company’s entire H share capital from the GEM to the Main Board of the Stock Exchange. The proposed migration is subject to the approval of the Company’s shareholders at the extraordinary general meeting to be held on 14 August 2007 and to the fulfillment of other conditions, details of which are set out in the introduction document and circular of the Company to the shareholders dated 29 June 2007.

The registered office of the Company is located at 45 Xinyuan Street, Chaoyang District, Beijing, 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 Company and its subsidiaries (collectively referred to as 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 Auxillary Food Company (“Chaoyang Auxillary”), a state-owned enterprise established in the PRC.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six-month period ended 30 June 2007 (the “Interim Condensed 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 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 2006. The Interim Condensed Financial Statements are presented in Renminbi (“RMB”) and all values are rounded to nearest thousand, except when otherwise indicated.

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the Interim Condensed Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006, except for the adoption of the new and revised Hong Kong Financial Reporting Standards and interpretations as noted below.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above new and revised standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the Interim Condensed Financial Statements.

3. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as the Group's customers and operations are located in the PRC.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are 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 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 and 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.

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.

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the six-month periods ended 30 June 2007 and 2006.

Six months ended 30 June 2007 (Unaudited)

	Retailing <i>RMB'000</i>	Wholesaling <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Segment revenue:					
Sales to external customers	1,348,894	1,220,697	2,617	–	2,572,208
Intersegment sales	125,897	190,058	4,981	(320,936)	–
Other income and gains	112,689	23,707	269	(5,330)	131,335
	<u>1,587,480</u>	<u>1,434,462</u>	<u>7,867</u>	<u>(326,266)</u>	<u>2,703,543</u>
Total	<u>1,587,480</u>	<u>1,434,462</u>	<u>7,867</u>	<u>(326,266)</u>	<u>2,703,543</u>
Segment results	<u>69,746</u>	<u>56,792</u>	<u>222</u>	<u>–</u>	<u>126,760</u>
Corporate and unallocated expense – foreign exchange difference					(6,931)
Finance costs	(7,495)	(12,932)	–	5,330	(15,097)
Profit before tax					104,732
Tax					(31,880)
Profit for the period					<u>72,852</u>
Assets and liabilities:					
Segment assets	1,952,043	1,151,477	5,137	(264,901)	<u>2,843,756</u>
Segment liabilities	(1,159,908)	(827,247)	(3,259)	264,901	<u>(1,725,513)</u>
Other segment information:					
Capital expenditure:					
Property, plant and equipment	103,290	8,544	–	–	111,834
Intangible assets	736	5,600	–	–	6,336
Depreciation:					
Property, plant and equipment	29,004	5,879	47	–	34,930
Investment properties	422	–	–	–	422
Amortisation of intangible assets	201	93	–	–	294
Recognition of lease prepayments for land use rights	376	–	–	–	376
Impairment loss on items of property, plant and equipment	<u>1,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,000</u>

Six months ended 30 June 2006 (Audited)

	Retailing <i>RMB'000</i>	Wholesaling <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Segment revenue:					
Sales to external customers	1,121,636	1,037,148	2,321	–	2,161,105
Intersegment sales	54,205	159,431	3,990	(217,626)	–
Other income and gains	74,526	21,987	199	(3,146)	93,566
	<u>1,250,367</u>	<u>1,218,566</u>	<u>6,510</u>	<u>(220,772)</u>	<u>2,254,671</u>
Total	<u>1,250,367</u>	<u>1,218,566</u>	<u>6,510</u>	<u>(220,772)</u>	<u>2,254,671</u>
Segment results	<u>47,519</u>	<u>53,401</u>	<u>175</u>	<u>–</u>	101,095
Finance costs	(2,327)	(9,506)	–	3,146	(8,687)
Share of losses of associates	–	(10)	–	–	(10)
Profit before tax					92,398
Tax					<u>(33,277)</u>
Profit for the period					<u>59,121</u>
Assets and liabilities:					
Segment assets	1,357,419	777,259	4,410	(75,184)	2,063,904
Interests in associates	–	645	–	–	645
Total assets					<u>2,064,549</u>
Segment liabilities	(1,108,716)	(609,055)	(2,594)	75,184	<u>(1,645,181)</u>
Other segment information:					
Capital expenditure:					
Property, plant and equipment	120,166	5,960	64	–	126,190
Intangible assets	609	–	–	–	609
Depreciation:					
Property, plant and equipment	22,348	5,549	53	–	27,950
Investment properties	446	–	–	–	446
Amortisation of intangible assets	160	–	–	–	160
Recognition of lease prepayments for land use rights	376	–	–	–	376
	<u>376</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>376</u>

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:

	Three months ended 30 June		Six months ended 30 June	
	2007 <i>RMB'000</i> (Unreviewed and unaudited)	2006 <i>RMB'000</i> (Unreviewed and unaudited)	2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Audited)
Revenue				
Sale of merchandise and produce				
Retailing	566,406	466,008	1,348,894	1,121,636
Wholesaling	438,330	421,298	1,220,697	1,037,148
	<u>1,004,736</u>	<u>887,306</u>	<u>2,569,591</u>	<u>2,158,784</u>
Others	1,882	1,303	2,617	2,321
	<u>1,006,618</u>	<u>888,609</u>	<u>2,572,208</u>	<u>2,161,105</u>
Other income and gains				
Income from suppliers				
Promotion income	24,181	7,876	59,190	31,441
Display space leasing fee	12,225	4,827	31,703	19,261
Others	2,838	1,571	7,361	6,270
	<u>39,244</u>	<u>14,274</u>	<u>98,254</u>	<u>56,972</u>
Gross rental income	11,143	8,744	20,550	19,641
Net compensation on demolished properties	3,000	5,652	3,000	5,667
Interest income	2,763	5,699	5,357	7,200
Franchise fee	482	699	861	1,068
Gain on sale of wastes	961	807	1,903	1,586
Government grants	133	133	133	133
Excess over the cost of business combinations	572	–	572	–
Others	118	532	705	1,299
	<u>58,416</u>	<u>36,540</u>	<u>131,335</u>	<u>93,566</u>
Total other income and gains	<u>58,416</u>	<u>36,540</u>	<u>131,335</u>	<u>93,566</u>

5. PROFIT BEFORE TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2007 <i>RMB'000</i> (Unreviewed and unaudited)	2006 <i>RMB'000</i> (Unreviewed and unaudited)	2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Audited)
Cost of inventories sold	866,689	776,962	2,234,213	1,898,019
Depreciation:				
Property, plant and equipment	20,836	15,989	34,930	27,950
Investment properties	211	223	422	446
	21,047	16,212	35,352	28,396
Amortisation of intangible assets	194	92	294	160
Recognition of lease prepayments for land use rights	188	188	376	376
Minimum lease payments under operating lease on properties	20,560	7,963	39,053	22,079
Loss on disposal of items of property, plant and equipment	–	2	–	2
Impairment of trade and other receivables	59	3,738	59	3,738
Impairment loss on items of property, plant and equipment	1,000	–	1,000	–
Staff costs:				
Directors' and supervisors' emoluments	3,357	1,724	6,449	2,454
Other staff costs				
Wages, salaries and social security costs	62,864	39,059	125,800	94,329
Retirement benefits contributions	4,440	3,133	9,748	8,560
	67,304	42,192	135,548	102,889
	70,661	43,916	141,997	105,343
Foreign exchange difference	1,195	–	6,931	–

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2007 <i>RMB'000</i> (Unreviewed and unaudited)	2006 <i>RMB'000</i> (Unreviewed and unaudited)	2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Audited)
Interest on bank loans wholly repayable within five years	8,451	8,116	16,871	11,409
Interest on other borrowings	4,142	3,653	8,414	7,338
Total interest	12,593	11,769	25,285	18,747
Less: Interest capitalised	(5,091)	(6,560)	(10,188)	(10,060)
	<u>7,502</u>	<u>5,209</u>	<u>15,097</u>	<u>8,687</u>

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 and its associates are subject to corporate income tax at a rate of 33% on their respective taxable income.

	Three months ended 30 June		Six months ended 30 June	
	2007 <i>RMB'000</i> (Unreviewed and unaudited)	2006 <i>RMB'000</i> (Unreviewed and unaudited)	2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Audited)
Current income tax – PRC	5,283	5,824	35,041	31,292
Deferred income tax	(3,763)	1,265	(3,161)	1,985
Total tax charge for the period	<u>1,520</u>	<u>7,089</u>	<u>31,880</u>	<u>33,277</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:

	Three months ended 30 June		Six months ended 30 June	
	2007 <i>RMB'000</i> (Unreviewed and unaudited)	2006 <i>RMB'000</i> (Unreviewed and unaudited)	2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Audited)
Profit before tax	<u>19,531</u>	<u>21,522</u>	<u>104,732</u>	<u>92,398</u>
Income tax at PRC statutory income tax rate at 33%	6,445	7,102	34,562	30,491
Effect of changes in tax rates	(4,965)	–	(4,965)	–
Expenses not deductible for tax	856	–	1,502	1,844
Tax losses not recognised	(876)	–	121	98
Others	<u>60</u>	<u>(13)</u>	<u>660</u>	<u>844</u>
Tax charge at the Group's effective rate	<u>1,520</u>	<u>7,089</u>	<u>31,880</u>	<u>33,277</u>

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which is effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic companies from 1 January 2008 will decrease from 33% to 25%. This reduction in the income tax rate will directly reduce the Group's effective tax rate prospectively from 2008. According to HKAS 12, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. As a result, the change in the corporate income tax rate has resulted a decrease in deferred tax liabilities of RMB4,965,000, which has been credited to the income tax expense during the six-month period ended 30 June 2007.

At the date of approval of these Interim Condensed Financial Statements, detailed implementation and administrative requirements relating to the New CIT Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact on its operating results and financial positions of future periods as more detailed requirements are issued.

8. INTERIM DIVIDEND

The board of the Company did not recommend the payment of any interim dividend for the six-month period ended 30 June 2007 (six-month period ended 30 June 2006: 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 periods attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the periods.

	Three months ended 30 June		Six months ended 30 June	
	2007 <i>RMB'000</i> (Unreviewed and unaudited)	2006 <i>RMB'000</i> (Unreviewed and unaudited)	2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Audited)
<i>Earnings:</i> Profit attributable to ordinary equity holders of the parent	<u>13,521</u>	<u>10,997</u>	<u>56,819</u>	<u>47,305</u>

	Three months ended 30 June		Six months ended 30 June	
	2007 (Unreviewed and unaudited)	2006 (Unreviewed and unaudited)	2007 (Unaudited)	2006 (Audited)
Number of Shares				

Shares:

Weighted average number of ordinary shares in issue during the periods used in basic earnings per share calculation	<u>384,620,000</u>	<u>246,620,000</u>	<u>384,620,000</u>	<u>246,620,000</u>
--	--------------------	--------------------	--------------------	--------------------

Diluted earnings per share amounts for the three-month and six-month periods ended 30 June 2007 and 2006 have not been presented because no diluting events existed during those periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2007, the Group acquired buildings, leasehold improvements, machinery, office equipment, motor vehicles, and construction in progress with an aggregate cost of approximately RMB111.8 million. Property, plant and equipment with an aggregate net book value of RMB181,000 were disposed of during the six-month period ended 30 June 2007.

As at 30 June 2007, the Group's buildings and construction in progress with net book values of approximately RMB167 million (31 December 2006: RMB169 million) and RMB384 million (31 December 2006: RMB294 million), respectively, were pledged to secure certain bank loans granted to the Group (note 19).

11. INVESTMENT PROPERTIES

As at 30 June 2007, all the Group's investment properties with an aggregate carrying amount of RMB16.5 million (31 December 2006: RMB16.9 million) were pledged to secure certain bank loans granted to the Group (note 19).

12. LEASE PREPAYMENTS FOR LAND USE RIGHTS

As at 30 June 2007, the Group's lease prepayments for land use rights with an aggregate carrying amount of RMB67 million (31 December 2006: RMB68 million) were pledged to secure certain bank loans granted to the Group (note 19).

13. INTANGIBLE ASSETS

Intangible assets represented the software and distribution rights acquired.

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Software	2,879	2,344
Distribution rights	<u>5,507</u>	<u>—</u>
	<u>8,386</u>	<u>2,344</u>

During the six-month period ended 30 June 2007, the Group acquired distribution rights for the wholesale of consumer sanitary products of RMB5.6 million from an independent third party, which later became a minority equity holder of a subsidiary. The distribution rights are amortised on the straight-line basis over the useful economic life of five years.

14. INVENTORIES

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Merchandise and produce for resale	437,974	490,309
Raw materials	<u>3,005</u>	<u>6,479</u>
	440,979	496,788
Low value consumables	<u>2,861</u>	<u>2,856</u>
	<u>443,840</u>	<u>499,644</u>

15. TRADE RECEIVABLES

The Group normally allows a credit period of not more than 60 days to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

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:

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Within 2 months	338,781	434,941
2 to 6 months	63,166	37,108
6 months to 1 year	515	638
1 to 2 years	37	391
	<u>402,499</u>	<u>473,078</u>

16. LOANS RECEIVABLE

Loans receivable represented the designated loans granted to Beijing Shou Lian Group Enterprise Company Limited ("Shou Lian") through Bank of Beijing. The designated loans are unsecured, interest bearing at a rate of 6.12% per annum, and due on 17 February 2008.

17. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Cash and bank balances	532,282	413,140
Pledged time deposits with original maturity of more than three months when acquired	-	16,919
Non-pledged time deposits with original maturity of:		
More than three months when acquired	-	301,401
Less than three months when acquired	50,000	127,150
	<u>582,282</u>	858,610
Less: Pledged time deposits with original maturity of more than three months when acquired	<u>-</u>	<u>(16,919)</u>
Cash and cash equivalents	<u>582,282</u>	<u>841,691</u>

18. TRADE PAYABLES

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

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Within 2 months	609,074	681,810
2 to 6 months	56,399	53,577
6 months to 1 year	4,254	5,234
1 to 2 years	983	1,798
Over 2 years	2,657	4,271
	<u>673,367</u>	<u>746,690</u>

19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Bank loans:		
Secured	294,500	488,396
Unsecured	210,000	208,000
	<u>504,500</u>	<u>696,396</u>
Other borrowings:		
Secured	210,000	210,000
Unsecured	100,000	100,000
	<u>310,000</u>	<u>310,000</u>
Total bank loans and other borrowings	814,500	1,006,396
Less: Portion classified as current liabilities	<u>(711,625)</u>	<u>(726,396)</u>
Long term portion	<u>102,875</u>	<u>280,000</u>

(A) Bank loans

All bank loans, which are denominated in RMB, bear fixed interest rates ranging from 5.9% to 6.4% (31 December 2006: 4.0% to 6.1%) per annum.

(i) Secured bank loans

As at 30 June 2007, the secured bank loans of the Group amounting to RMB294.5 million were secured by certain of the Group's buildings, construction in progress, investment properties and lease prepayments for land use rights with aggregate net book values of approximately RMB167 million (note 10), RMB384 million (note 10), RMB16.5 million (note 11) and RMB67 million (note 12), respectively.

As at 31 December 2006, the secured bank loans of the Group amounting to RMB432 million were secured by certain of the Group's buildings and construction in progress, investment properties and lease prepayments for land use rights with aggregate net book values of approximately RMB169 million (note 10), RMB294 million (note 10), RMB16.9 million (note 11) and RMB68 million (note 12), respectively. In addition, the secured bank loans of the Group amounting to RMB56.4 million were secured by certain of the Group's pledged time deposits (note 17).

(ii) Unsecured bank loans

As at 30 June 2007, the unsecured bank loans of the Group amounting to RMB190 million (31 December 2006: RMB180 million) were guaranteed by the Company. In addition, there were designated loans as at 30 June 2007 from a third party amounting to RMB20 million (31 December 2006: RMB28 million).

(B) Other borrowings

(i) Secured other borrowings

The secured other borrowings of the Group as at 30 June 2007 were the borrowings from Beijing International Trust and Investment Company Limited ("BITIC") amounting RMB210 million (31 December 2006: RMB210 million), which was secured by the 71.7% equity interest in a subsidiary.

(ii) Unsecured other borrowings

The unsecured other borrowings of the Group as at 30 June 2007 were the borrowings from BITIC amounting to RMB100 million (31 December 2006: RMB100 million), which were guaranteed by the Company.

All the Group's other borrowings as at 30 June 2007 are denominated in RMB and bear fixed interest rates ranging 5.3% to 6.1% (31 December 2006: 5.3% to 6.1%) per annum.

20. ISSUED CAPITAL

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Issued and fully paid:		
232,820,000 domestic shares of RMB1.00 each	232,820	232,820
151,800,000 H shares of RMB1.00 each	<u>151,800</u>	<u>151,800</u>
	<u>384,620</u>	<u>384,620</u>

21. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from 1 to 15 years. The terms of the leases generally also require the tenants to pay security deposits.

As at 30 June 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Within one year	15,470	21,263
In the second to fifth years, inclusive	36,523	56,380
After five years	<u>17,683</u>	<u>20,815</u>
	<u>69,676</u>	<u>98,458</u>

(b) As lessee

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 5 to 20 years.

As at 30 June 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Within one year	71,189	60,260
In the second to fifth years, inclusive	293,939	270,896
After five years	<u>619,289</u>	<u>624,518</u>
	<u>984,417</u>	<u>955,674</u>

22. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments, principally for the construction and acquisition of property, plant and equipment at the balance sheet date:

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Authorised, but not contracted for	2,923	16,307
Contracted, but not provided for	<u>60,178</u>	<u>84,864</u>
	<u>63,101</u>	<u>101,171</u>

(b) Investment commitments

As at 30 June 2007, the Group had a commitment amounting to RMB50 million in respect of a capital contribution to Shou Lian. After the completion of the capital contribution, the Group will own 11.04% of the enlarged equity capital of Shou Lian and treat it as an equity investment. As at 31 December 2006, the Group had a commitment authorised but not contracted for amounting to RMB6,132,000 in respect of a capital contribution to a subsidiary.

23. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with Chaoyang Auxillary during the six-month periods ended 30 June 2007 and 2006:

	<i>Notes</i>	Six months ended 30 June	
		2007	2006
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Expenses on property leasing	(i)	3,914	4,033
Compensation income	(ii)	–	5,426
Interest expense		–	74
		<u> </u>	<u> </u>

Notes:

- (i) The Group entered into lease and supplement agreements with Chaoyang Auxillary to lease certain properties for operation purpose for a lease term of 20 years at basic annual rental expenses, including related business taxes and property taxes, in aggregate of approximately RMB7,828,000 for the period from 1 January 2007 to 31 December 2008.
- (ii) The gross compensation income for six-month period ended 30 June 2006 was received from Chaoyang Auxillary for the Company's loss of business and the related items of property, plant and equipment, primarily leasehold improvements and machinery and equipment of a demolished retail outlet originally rented from Chaoyang Auxillary.
- (iii) Pursuant to a deed of indemnity dated 1 March 2006 and a supplementary agreement dated 10 August 2006, Chaoyang Auxillary has undertaken to indemnify the Company against certain costs, expenses, losses and claims that the Company and one of its subsidiaries, Beijing Chaopi Trading Company Limited, may suffer, details of which are set out in the Group's annual financial statements for the year ended 31 December 2006.
- (b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Short term employee benefits	7,716	3,974
Post-employment benefits	1,068	143
	<u> </u>	<u> </u>
Total compensation paid to key management personnel	<u>8,784</u>	<u>4,117</u>

24. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2007.

25. POST BALANCE SHEET EVENT

In July 2007, the Company proposed to issue 3,700,000 short term commercial papers with a nominal value of RMB100 each, in aggregate amounting to RMB370,000,000. The short term commercial papers will be issued at par and have a maturity of one year from the date of issuance. The proceeds from the issue will be used to finance the working capital of the Company.

Up to the date of this announcement, the proposal is pending approval of the People's Bank of China. The application of the short term commercial papers did not have significant impact on the Interim Condensed Financial Statements for the six-month period ended 30 June 2007.

26. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Interim Condensed Financial Statements were approved and authorised for issue by the board of directors on 9 August 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six-month period ended 30 June 2007 (the “Reporting Period”), the Company and its subsidiaries (collectively the “Group”) continued in using the “京客隆” and “朝批” brand names to extend its retail and wholesale businesses in the region covering Beijing city and certain parts of its periphery (the “Greater Beijing Region”) in order to cater various demand of a diverse range of customers, ranging from retail operators to end consumers.

RETAIL BUSINESS

1. Development of retail network, maintains quality expansion

The Group set up two directly-operated supermarkets and 11 franchise-operated convenience stores during the Reporting Period in accordance with its designated development plan for steady expansion of retail network.

The total number of the Group’s retail outlets was 175 as at 30 June 2007, including 84 directly-operated outlets and 91 franchise-operated outlets. The following table sets out the number and net operating area of the Group’s retail outlets as at 30 June 2007:

	Hypermarkets	Supermarkets	Convenience stores	Total
Number of retail outlets:				
Directly-operated	5	40	39	84
Franchise-operated	–	1	90	91
	<u>5</u>	<u>41</u>	<u>129</u>	<u>175</u>
Net operating area (square metres):				
Directly-operated	44,938	92,317	8,841	146,096
Franchise-operated	–	880	17,941	18,821
	<u>44,938</u>	<u>93,197</u>	<u>26,782</u>	<u>164,917</u>

Franchise arrangement of Shou Lian's retail network

Pursuant to the franchise agreement signed between the Company and Beijing Shou Lian Group Company Limited ("Shou Lian") on 10 February 2007, the Company will integrate Shou Lian's retail network into the Group's centralized information management system by way of information system switching. At the same time, to integrate Shou Lian's retail network into the Company's consolidated sourcing and logistics systems. During the Reporting Period, through adjusting the group organization structure of Shou Lian, conformity of commodity, unification of financial system and coverage of information network system, eight retail outlets of Shou Lian have been successfully completed switching with operating area of approximately 37,000 square metres. Upon the completion of the switching, systems of these eight switched retail outlets operate smoothly and gradually enhancing their operating status.

Preparation work of community shopping centre

The Jiuxiaoqiao community shopping centre which is planned to commence operation in the fourth quarter of 2007 will comprise a hypermarket, theme department stores and other entertainment and ancillary facilities is currently under construction. During the Reporting Period, the project construction work progressed smoothly, over 80% of recruitment of commodity brands and leasing work for other entertainment and ancillary facilities have been completed.

2. Strengthening of internal management, enhancement of core competitiveness

The Group's strong and modernized logistics and distribution systems and information management system are the foundation for supporting its healthy and rapid development which bring efficiency and enhanced the Group's core competitiveness.

Perfection of logistics and distribution function

During the Reporting Period, the Group's dry product logistics centre has redesigned operational procedures of the pass-through products and distribution systems of convenience stores in order to prepare for the introduction of the semi-automatic logistics classifying and picking equipment in enhancing the distribution function.

The live and fresh produce logistics centre continues to perfect base construction, implements planting orders, cost plan purchase and entire route quality control. Through the formulation of planting technical operating regulations and procedures for each produce, establishes production history forms and management records for chemicals and fertilizers, conducts entire route management for the daily production behaviour of planting base, implements quality traceable system to ensure the safety, quality and quantity of produce. As at 30 June 2007, purchase and planting bases have been established in 64 counties and towns within 17 provinces of the nation, the nationwide purchase network basically built in shape.

The live and fresh produce logistics centre has become one of the first batch enterprises for the catering of Olympic Games, its brand image and market competitiveness have been promoted.

Enhancement of information management system

During the Reporting Period, the system risk was reduced with the transformation of safety mechanism of the information system and the strengthening of the reliability of operational system support; coordinated business development, enhanced support and innovation of the information system, successfully realized the system switching of Shou Lian's retail outlets, provided safeguard for business connection.

Enhancement of operational efficiency

In order to further achieve simplification and efficiency of retail outlets, the Group has re-established the adjusted scheme of organization structure for its retail outlets. During the Reporting Period, such work has been implemented for those newly-opened retail outlets and will be gradually promoted to all the retail outlets.

Through development of source commodity, the procurement department speeds up in eliminating unsaleable commodities, adopts measures such as key introduction of brandname commodities to optimize purchase, realizes commodity dynamic management in ensuring supply of high-quality and well-selling commodities to retail outlets and raise of their profit level. At the same time, by adopting the principle of high quality, high gross profit, high sales rate, lower selling price in enhancing the development dynamics of own branded products and achieving higher level of gross profit.

The operating department positively develops marketing strategies, combining the actual situation of retail outlets in formulating concretely marketing schemes, strengthening operating supervision of retail outlets, continues unceasingly in adjusting commodity structure, shop layout and commodity exhibition according to changes in consumers' demand in enhancing operating efficiency of retail outlets.

Enhancement of service quality

During the Reporting Period, the Group further enhanced its customer service system by positively developing customer maintenance projects, innovating convenient service projects according to customers' requirements. The Group has strengthened its training of service management team and established "service star" system in order to strengthen consumers' recognition of the high-quality service brand of "京客隆".

At the same time, the Group is seriously concerned in building up good cooperative partner relationship with suppliers. During the Reporting Period, the Group achieved the reconciliation of transaction and balances with all its suppliers through the internet for their convenience. Through the development of investigation and study on present situation of supplier cooperation to thoroughly understand their opinions and suggestions and formulated corresponding measures for timely improvement.

3. Operation results for different types of directly-operated retail format

Revenue (Unaudited)

	Three months ended 30 June				Six months ended 30 June			
	2007		2006		2007		2006	
	Percentage of retail revenue	Revenue	Percentage of retail revenue	Revenue	Percentage of retail revenue	Revenue	Percentage of retail revenue	Revenue
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Hypermarket	137,711	24.3	141,153	30.3	402,701	29.9	360,685	32.2
Supermarket	372,371	65.7	288,753	62.0	823,703	61.1	675,540	60.2
Convenience store	56,324	10.0	36,102	7.7	122,490	9.0	85,411	7.6
Total	<u>566,406</u>	<u>100.0</u>	<u>466,008</u>	<u>100.0</u>	<u>1,348,894</u>	<u>100.0</u>	<u>1,121,636</u>	<u>100.0</u>

Gross profit and gross profit margin (Unaudited)

	Three months ended 30 June				Six months ended 30 June			
	2007		2006		2007		2006	
	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Hypermarket	22,190	16.1	17,670	12.5	61,132	15.2	48,379	13.4
Supermarket	56,608	15.2	45,756	15.8	123,340	15.0	100,253	14.8
Convenience store	8,370	14.9	5,280	14.6	18,313	15.0	12,592	14.7
Total	<u>87,168</u>	<u>15.4</u>	<u>68,706</u>	<u>14.7</u>	<u>202,785</u>	<u>15.0</u>	<u>161,224</u>	<u>14.4</u>

Hypermarkets Operations

During the Reporting Period, the revenue generated from the hypermarkets operations was approximately RMB402.7 million, representing approximately 29.9% of the total retail revenue of the Group. The increase in revenue of approximately 11.6% during the Reporting Period was mainly due to the contribution of revenue by the Jiugong hypermarket which has commenced operation since the last day of 2006 and the same store sales growth of approximately 7.8%.

Supermarkets Operations

The revenue generated from the supermarkets operations during the Reporting Period was approximately RMB823.7 million, representing approximately 61.1% of the total retail revenue of the Group. The increase in revenue of approximately 21.9% during the Reporting Period was mainly attributable to the total revenue contributed by the 13 supermarkets set up during the period from the second half of 2006 to the first half of 2007, and the same store sales growth of approximately 15.2%.

Convenience Stores Operations

During the Reporting Period, the revenue generated from the convenience stores operations was approximately RMB122.5 million, representing approximately 9.0% of the total retail revenue of the Group. The increase in revenue of approximately 43.4% during the Reporting Period was mainly attributable to the total revenue contributed by the four new convenience stores set up during the second half of 2006 and the same store sales growth of approximately 16.6% during the Reporting Period.

The gross profit margins generated from the hypermarkets operations, supermarkets operations and convenience stores operations increased in the Reporting Period mainly because of (i) better bargaining power with suppliers as an increase in purchase volume, (ii) higher gross profit margin generated by the self-operated live and fresh produce, and (iii) continuously optimization of product mix.

WHOLESALE BUSINESS

The synergic development of wholesale and retail businesses is the Group's unique operating mode and one of its incomparable competitive advantages. For enhancing the operating result of wholesale business, the Group endeavours to extend its coverage on operation scope and operation locality.

During the Reporting Period, the Group through its subsidiary, Beijing Chaopi Trading Company Limited ("Chaopi Trading") established Beijing Chaopi Huilong Trading Company Limited ("Chaopi Huilong") with other investors mainly to engage in wholesale distribution of food, wines, beverages, etc. to catering business. The sales channels of the wholesale business have been extended from present department stores and supermarkets to catering business. Meanwhile, Chaopi Trading established Beijing Chaopi Zhongde Trading Company Limited ("Chaopi Zhongde") with another investor mainly to engage in wholesale distribution of consumer sanitary products. The operating categories of the wholesale business have been strengthened by the wholesale distribution of consumer sanitary products in addition to the existing base of focusing in food and non-staple food.

In relation to internal operating management, Chaopi Trading uses standardization and fine-tuning as its goal, gradually perfecting its internal operating system and realizing the omni-directional unification management. Through adopting standard contract management, strengthening accounts receivable tracing in effectively avoiding transaction risk.

The businesses of the Tianjin branch and the subsidiaries in Qingdao and Shijiazhuang pursuing steady. According to the business development needs, the subsidiaries in Qingdao and Shijiazhuang became the wholly-owned subsidiaries of Chaopi Trading after it acquired the shares from the minority shareholders of these two subsidiaries during the Reporting Period.

Moreover, for enhancing technical content and distribution efficiency of the wholesale logistics and distribution systems, the wholesale distribution centres have been modified, extended and constructed during the Reporting Period to lay foundation for the introduction of the automatic logistics classifying and picking equipment in the second half of 2007.

Operation results (Unaudited)

	Three months ended 30 June		Six months ended 30 June	
	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Revenue	438,330	421,298	1,220,697	1,037,148
Gross profit	52,034	42,583	134,295	101,188
Gross profit margin (%)	<u>11.9</u>	<u>10.1</u>	<u>11.0</u>	<u>9.8</u>

During the Reporting Period, the revenue of wholesale business was approximately RMB1,220.7 million, representing approximately 47.5% of the total revenue, which was approximately 17.7% higher than that of corresponding period last year. The increase was primarily due to (i) the tremendous expansion of wholesale business arising from the rapid expansion of domestic retail business resulting in increase in demand of the Group's products, (ii) increase in number of regional sole distributorships, (iii) more inventories with selling prices anticipated to be increased in 2007 were stored in advance to accommodate the upcoming market demand and (iv) continuously optimization of product mix. Gross profit margin increased from approximately 9.8% in the first half of 2006 to approximately 11.0% was mainly because of (i) better bargaining power with suppliers as an increase in purchase volume, (ii) increase in regional sole distributorships with relatively higher gross profit margin, (iii) more inventories with selling prices anticipated to be increased in 2007 were stored in advance to accommodate the upcoming market demand, and (iv) continuously optimization of product mix.

FINANCIAL REVIEW

Financial results

	Three months ended 30 June		Six months ended 30 June	
	2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Unaudited)	2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Audited)
Revenue	1,006,618	888,609	2,572,208	2,161,105
Gross profit	139,929	111,647	337,995	263,086
Gross profit margin (%)	13.9	12.6	13.1	12.2
Profit for the period	18,011	14,433	72,852	59,121
Profit attributable to equity holders of the parent	13,521	10,997	56,819	47,305
Net profit margin (%)	1.3	1.2	2.2	2.2

Revenue

The Group's revenue increased by approximately 19.0% from approximately RMB2,161.1 million in the first half of 2006 to approximately RMB2,572.2 million during the Reporting Period was primarily due to the increase in retail and wholesale revenue by approximately 20.3% and 17.7% respectively. The increase in retail revenue from approximately RMB1,121.6 million in the first half of 2006 to approximately RMB1,348.9 million during the Reporting Period was mainly attributable to the contribution from the 13 supermarkets set up during the period from the second half of 2006 to the first half of 2007, and the overall same store sales growth of approximately 13.5%. The increase in the wholesale business during the Reporting Period was mainly because of (i) the tremendous expansion of wholesale business arising from the rapid expansion of domestic retail business resulting in increase in demand of the Group's products, (ii) increase in number of regional sole distributorships, (iii) more inventories with selling prices anticipated to be increased in 2007 were stored in advance to accommodate the upcoming market demand and (iv) continuously optimization of product mix.

Gross profit and gross profit margin

During the Reporting Period, the gross profit of the Group was approximately RMB338.0 million, representing an increase of approximately 28.5% compared with approximately RMB263.1 million of corresponding period last year. The increase was in line with the increase in revenue. The increase in gross profit margin from approximately 12.2% in the first half of 2006 to approximately 13.1% was mainly attributable to (i) better bargaining power with suppliers as an increase in purchase volume, (ii) higher gross profit margin generated by the self-operated live and fresh produce, (iii) increase in regional sole distributorships with relatively higher gross profit margin, (iv) more inventories with selling prices anticipated to be increased in 2007 were stored in advance to accommodate the upcoming market demand, and (v) continuously optimization of product mix.

Profit for the period

Profit for the period increased by approximately 23.2% from approximately RMB59.1 million in the first half of 2006 to approximately RMB72.9 million during the Reporting Period. The increase was mainly attributable to the increase in revenue of approximately 19.0% resulting in an increase in gross profit of approximately 28.5% and an increase in other income and gains of approximately 40.4%.

INDEBTEDNESS

As at 30 June 2007, the Group had outstanding borrowings of RMB814.5 million, comprising secured bank loans of RMB294.5 million, unsecured bank loans of RMB210 million, secured borrowings from Beijing International Trust and Investment Company Limited (“BITIC”) of RMB210 million, and unsecured borrowings from BITIC of RMB100 million. The Group’s secured bank loans and other borrowings are secured by:

- Pledge of 71.7% equity interest in Chaopi Trading owned by the Company; and
- Certain of the Company’s buildings, construction in progress, investment properties and lease prepayments for land use rights with an aggregate net book value of approximately RMB634.5 million as at 30 June 2007.

The Group’s net gearing ratio increased from approximately 13.8% as at the end of 2006 to approximately 20.8% as at 30 June 2007 was primarily due to the acquisition of property, plant and equipment during the Reporting Period.

BITIC Loans and Employee Investments

To rationalize the Group’s financing arrangement, the Company has been obtaining loans from BITIC (“BITIC Loans”) since June 2004.

BITIC has offered and may continue to offer investment proposal to those interested employees of the Group to invest in its trust loan programme for the Group. The investments made by the said employees (the “Employee Investments”) have been used to fund the BITIC Loans provided by BITIC from time to time.

As at 30 June 2007 and the date of this announcement, both the total accrued Employee Investments and total sum of BITIC Loans amounted to RMB310 million. As at the same dates, both the total number of participating employees was 1,995.

FOREIGN CURRENCY RISK

All the operating revenues and expenses of the Group are principally denominated in RMB.

Due to the depreciation of HK\$ against RMB, a foreign exchange loss of approximately RMB6.9 million in respect of the listing proceeds received in HK\$ from the initial public offering of the Company's H shares was recorded by the Group during the Reporting Period. As at 30 June 2007, the Group has converted all its HK\$ into RMB, accordingly the fluctuations in HK\$ against RMB will not have any further impact on the Group's results and operations.

EMPLOYEES

As at 30 June 2007, the Group employed 4,791 full-time employees in the PRC. The total staff costs (including directors' and supervisors' remunerations) of the Group for the Reporting Period amounted to approximately RMB142.0 million (corresponding period of 2006: RMB105.3 million). The staff emoluments (including directors and supervisors) of the Group are based on duty (position), experience, performance, and market rates, in order to maintain their remunerations at competitive levels.

During the Reporting Period, specialized training seminars such as pre-job training, staff back-up support, etc. had been conducted for about 4,500 staff to enhance their technical and professional knowledge.

STRATEGIES AND PLANS

The Group is a leading retail and wholesale operator in the Greater Beijing Region. The Group's mission is to further strengthen its foothold in the Greater Beijing Region and to expand steadily to its periphery. With a superior and well-established back-up foundation, the Group has formulated a realistic and feasible future development plan, amongst other things:

- To migrate the H share listing from GEM to the Main Board (the "Main Board Migration"). The event of the Main Board Migration has been approved by an extraordinary general meeting on 20 March 2007. On 27 April 2007, the Company has submitted an advance booking form to the Stock Exchange for the Main Board Migration. On 27 June 2007, the Company received the approval in-principle from the listing committee of the Stock Exchange for the proposed listing of the Company's H shares on the Main Board by way of introduction. The Company expects its H shares to commence trading on the Main Board during the fourth quarter of 2007. The Directors believe that the shareholder base can be further expanded and the liquidity of the shares will be enhanced after the Main Board Migration as well as a long-lasting effect in the Group's future development, financial aspect, etc.
- To maximize synergic effect through the integration of Shou Lian's retail outlets. The Directors believe that upon completion of integration of the retail network of Shou Lian under franchise arrangement, the public recognition of the Group's "京客隆" brandname will be further enhanced. The Group can further expand its retail distribution network to cover other parts of Beijing city and increase its revenue through distribution of products to Shou Lian. The cost benefit of the Group's logistics systems can be more effectively realized with the incorporation of Shou Lian's retail outlets into that of the Group. Moreover, the economies of scale of the Group can be further enhanced in terms of sourcing ability and bargaining power.
- Continue to expand the retail and wholesale distribution network in the Greater Beijing Region, northern China and eastern China. To speed up development rate, apart from the initial concrete development plan through organic growth, the Group will strive for suitable merger and acquisition

opportunities. With the support of its existing advanced logistics systems and information management systems, the Group will pro-actively seek opportunities of mergers and acquisitions in the retail chain industry in the Greater Beijing Region and will utilize its existing wholesale distribution network within and outside the Greater Beijing Region to continue expansion of the regional coverage of its wholesale business.

- Continue to improve logistics and distribution and information management system in order to further enhancing efficiency, reducing costs, strengthening the Group core competitiveness.

REVIEW OF BUSINESS OBJECTIVES

The following is a summary of comparison of the Group’s actual business progress for the Reporting Period with its business objectives as set out in the prospectus dated 12 September 2006 in respect of the initial public offering of the Company’s H shares (the “Prospectus”).

Expansion of Retail Distribution Network in the PRC

	Business objectives	Actual business progress
Hypermarkets	Open not less than 2 hypermarkets in the Greater Beijing Region in 2007	Preparation works are in progress for 2 hypermarkets which are expected to open during the last quarter of 2007.
Supermarkets	Open not less than 8 supermarkets in the Greater Beijing Region in 2007	<ul style="list-style-type: none"> • 2 supermarkets were opened in February 2007 with each in Xuanwu District and Haidian District of Beijing with a total net operating area of approximately 5,200 square metres. • 2 supermarkets were opened in July 2007 with each in Chaoyang District and Chongwen District of Beijing with a total net operating area of approximately 5,400 square metres. • A lease agreement with a period of 6 months has been signed for the temporary operation of a supermarket nearby to the hypermarket currently under renovation and upgrading.

Business objectives

Convenience stores Open not less than 8 directly-operated convenience stores in the Greater Beijing Region in 2007

Open not less than 15 convenience stores in the Greater Beijing Region through franchise arrangements in 2007

Actual business progress

The planning of establishing 5 directly-operated convenience stores to be opened during the third quarter of 2007 was confirmed.

Opened a total of 11 convenience stores through franchise arrangements, with eight in Chaoyang District, and each in Haidian District, Changping District and Xuanwu District, respectively with a total net operating area of approximately 2,800 square metres.

Increase Operating Efficiency

Business objectives

Logistics centre Further consolidate the logistics capacity for retail distribution

Actual business progress

Dry product logistics centre

- Re-designed the operational procedures of centralized handling pass-through products of retail outlets and piecemeal distribution arrangements of convenience stores for preparing the implementation of the semi-automatic logistics classifying and picking equipment.

Live and fresh produce logistics centre

- Continued in enhancing the establishment of live and fresh produce supply bases at their places of origin. Direct supply bases have been established in 64 counties and towns within 17 provinces and cities in the PRC.
- Commenced to conduct expansion and innovation of the pork processing workshop.

	Business objectives	Actual business progress
Information management systems	Develop enterprise data resources excavation system	<ul style="list-style-type: none"> • Conducted feasibility study on the enterprise data resources excavation system. • Completed the safety reformation of membership card system, upgraded the efficiency of network system, enhancing the safety of information management system.
Operating system	Continue to promote and improve a uniform operating format and services standard	<ul style="list-style-type: none"> • Adjusted the chain shop organization structure and regional establishment standards. Formulated the standards for job function and responsibility of the Group's retail outlets. • Continued in adjusting commodity structure, layout of retail outlets and commodity display according to changes in consumers' demand.
Staff training	Offer training courses to store managers and staff at new retail outlets	Conducted specialized training seminars such as pre-job training, on-job training, staff back-up support, English training etc. for about 4,500 staff.

Further Brand-building

	Business objectives	Actual business progress
Existing retail outlets	Renovating and upgrading the existing retail outlets	Renovation and upgrading of 1 hypermarket is in progress which is expected to re-open in the second half of 2007.
Enhancing customer services quality	Perform survey on customer satisfaction	<ul style="list-style-type: none">• Conducted customer satisfaction survey in March 2007.• Increased convenient service projects to customers.• Developed “service star” evaluation activities.
	Provide delivery services to elderly and disable customers	Continued to provide delivery services to elderly and disabled customers according to their requests for nearby retail outlets.
Introducing own branded products	Introduce other owned branded products	Further introduced 71 types of owned branded products making a total of 287 types.

USE OF PROCEEDS FROM LISTING

The intended application of proceeds according to the same percentages as stated in the Prospectus during the period from the listing of the Company's H shares on 25 September 2006 up to 31 December 2008, the actual application from 25 September 2006 to 30 June 2007, and the unutilized balance as at 30 June 2007 were as follows:

	Intended application from 25 September 2006 to 31 December 2008 <i>HK\$'000</i>	Actual application from 25 September 2006 to 30 June 2007 <i>HK\$'000</i>	Unutilized balance as at 30 June 2007 <i>HK\$'000</i>
Expansion of retail distribution network in the PRC			
Open not less than 5 hypermarkets, 19 supermarkets and 19 convenience stores in the Greater Beijing Region	356,600	210,805	145,795
Increase operating efficiency			
Logistics centres/Information management system	175,400	30,826	144,574
Working capital			
Working capital including but not limited to brand building	<u>52,600</u>	<u>51,875</u>	<u>725</u>
Total	<u>584,600</u>	<u>293,506</u>	<u>291,094</u>

OTHER INFORMATION

1. CORPORATE GOVERNANCE

The Group puts strong emphasis to achieving high standard of corporate governance as it believes that an effective corporate governance practices not only monitor and regulate its business activities, but also can attract more investors to invest in the Company.

The Company has complied with all the code provisions as set out in Appendix 15 of the GEM Listing Rules in protecting and maximizing the interests of shareholders during the Reporting Period.

Directors' 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 Rules 5.48 to 5.67 of the GEM 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.

Board of Directors

The Board is currently comprised of nine Directors (being four executive Directors, two non-executive Directors and three independent non-executive Directors) who have served as Directors for the whole Reporting Period and their term of office will end on 31 October 2007. At the annual general meeting of the Company held on 18 May 2007, the engagement of the nine Directors has each been extended for a further term of three years commencing 1 November 2007.

During the Reporting Period, the Board fulfilled the requirement of having three independent non-executive Directors as required by the GEM Listing Rules and the number of independent non-executive Directors being at least one-third of the members of the Board, and it also met the requirement of having one independent non-executive Director qualified as a professional accountant or having the professional accounting and financial management expertise.

Chairman and General Manager

Mr. Wei Tingzhan and Mr. Li Jianwen are the chairman of the Board and the general manager of the Company, respectively, which are two clearly defined positions. The chairman is responsible for the operation of the Board while the general manager is in charge of the Group's business development and management. The Articles of Association of the Company sets out the respective duties and power of the chairman and the general manager in detail.

Audit Committee

Pursuant to the Rules 5.28 of the GEM Listing Rules, the Company has set up an audit committee on 29 July 2005. In compliance with the Rule of 5.29 of the GEM Listing Rules, the authority and responsibilities of the audit committee has been properly written out. The audit committee reviews the effectiveness of external audits, internal controls and risk evaluation and also provides comments and advice to the Board. The audit committee comprises three independent non-executive Directors, namely Mr. Chung Chi Kong, Mr. Huang Jiangming and Mr. Fan Faming. Mr. Chung Chi Kong is the chairman of the audit committee. The unaudited consolidated results have been reviewed by the Company's audit committee.

The unaudited consolidated results for the Reporting Period have also been reviewed by the Company's auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor, on the basis of their review, concluded that nothing has come to their attention that causes them to believe that the interim condensed consolidated financial statements is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

2. DISCLOSURE OF INTERESTS

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

As at 30 June 2007, 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 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 pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, or sections 324 and 347 of Part XV of the SFO, to be notified to the Company and the Stock Exchange 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	0.61	0.37
Li Jianwen	Personal	1,354,712	0.58	0.35
Li Chunyan	Personal	208,417	0.09	0.05
	Beneficiary (<i>Note 1</i>)	187,575	0.08	0.05
Liu Yuejin	Beneficiary (<i>Note 2</i>)	375,151	0.16	0.10
Gu Hanlin	Personal	1,417,237	0.61	0.37
Li Shunxiang	Personal	5,210,428	2.24	1.35
Yang Baoqun	Personal	1,042,086	0.45	0.27
Qu Xinhua	Personal	833,669	0.36	0.22
Wang Shuying	Beneficiary (<i>Note 3</i>)	375,151	0.16	0.10

Notes:

1. These 187,575 domestic shares are held by Shanxi Trust Investment Company Limited (“Shanxi Trust”) as trust property, the beneficiary of which is Ms. Li Chunyan.
2. These 375,151 domestic shares are held by Shanxi Trust as trust property, the beneficiary of which is Mr. Liu Yuejin.
3. These 375,151 domestic shares are held by Shanxi Trust as trust property, the beneficiary of which is Ms. Wang Shuying.

Save as disclosed above, as at 30 June 2007, none of the Directors, supervisors or chief executive of the Company nor 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 pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, or sections 324 and 347 of Part XV of the SFO, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, 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 Auxillary Food Company	Beneficial owner	170,169,808	73.09	44.24
Shanxi Trust	Trustee (<i>Note</i>)	26,635,710	11.44	6.93

Note: These 26,635,710 domestic shares are trust property, the beneficiaries of which are 122 employees and officers of the Company.

Long positions in the H shares of the Company

Name	Total number of H shares held	Approximate percentage of total issued H shares (%)	Approximate percentage of total issued shares (%)
UOB Asset Management Limited ("UOB Asset") (Note 1)	20,528,000	13.52	5.34
United Overseas Bank Limited ("UOB") (Note 2)	20,528,000	13.52	5.34
Fidelity International Limited (Note 3)	8,667,000	5.71	2.25

Notes:

1. These 20,528,000 H shares were held by UOB Asset in its capacity as an investment manager.
2. UOB Asset is a subsidiary of UOB and UOB is therefore deemed to have an interest in the 20,528,000 H shares in which UOB Asset is interested.
3. These 8,667,000 H shares were held by Fidelity International 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 2007, 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.

3. 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.

4. COMPETITION AND CONFLICT OF INTEREST

None of the Directors, supervisors, the management shareholders, the significant shareholders or the substantial shareholders of the Company or any of their respective associates had engaged in any business that competed or might compete, either directly or indirectly, with the business of the Group, as defined in the GEM Listing Rules, or had any other conflict of interests with the Group during the Reporting Period.

5. COMPLIANCE ADVISER'S INTEREST

Based on the latest information and notices from DBS Asia Capital Limited (“DBS Asia”), the Company’s compliance advisor, pursuant to Rules 6A.32 and 18.75 of the GEM Listing Rules, neither DBS Asia nor its directors, employees or associates had any interests in the securities of the Company or any other companies in the Group (including options or right to subscribe for such securities) as at 30 June 2007. Pursuant to an agreement dated 30 March 2006 entered into between DBS Asia and the Company (the “Agreement”), DBS Asia received and will receive fees for acting as the Company’s compliance advisor for a term expiring on the date on which the Company distributes the annual report for the second full financial year after listing of the Company’s H shares on GEM of the Stock Exchange on 25 September 2006, or for the period until termination of the Agreement as stipulated therein.

By order of the Board
Wei Tingzhan
Chairman

Beijing, PRC
9 August 2007

As at the date of this announcement, the executive Directors of the Company are Wei Tingzhan, Li Jianwen, Li Chunyan and Liu Yuejin; the non-executive Directors are Gu Hanlin and Li Shunxiang; and the independent non-executive Directors are Fan Faming, Huang Jiangming and Chung Chi Kong.