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 People's Republic of China)

(Stock Code: 814)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

FINANCIAL HIGHLIGHTS

The Group achieved the following results during the six-month period ended 30 June 2008:

- Revenue amounted to approximately RMB3,356.8 million, representing a growth of approximately 30.5% as compared with the last corresponding period.
- Gross profit amounted to approximately RMB468.2 million, representing a growth of approximately 38.5% as compared with the last corresponding period.
- Gross profit margin was approximately 13.9%, approximately 0.8% higher than that of the last corresponding period.
- Profit attributable to equity holders amounted to approximately RMB76.4 million, representing a growth of approximately 34.4% as compared with the last corresponding period.
- Same store sales growth was approximately 9.5%.

* *For identification purpose only*

The board of directors (the "Board") of Beijing Jingkelong Company Limited (the "Company" or "Jingkelong") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six-month period ended 30 June 2008 (the "Reporting Period"). The unaudited consolidated results have been reviewed by the auditors, Ernst & Young and the audit committee of the Company.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
Six months ended 30 June 2008

		Six months ended 30 June	
		2008	2007
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**3,356,811**	2,572,208
Cost of sales		**(2,888,563)**	(2,234,213)
Gross profit		**468,248**	337,995
Other income and gains	*4*	**164,125**	131,335
Selling and distribution costs		**(320,353)**	(238,777)
Administrative expenses		**(109,884)**	(93,882)
Other expenses		**(17,723)**	(16,842)
Finance costs	*6*	**(43,754)**	(15,097)
PROFIT BEFORE TAX	*5*	**140,659**	104,732
Tax	*7*	**(42,486)**	(31,880)
PROFIT FOR THE PERIOD		**98,173**	72,852
Attributable to:			
Equity holders of the parent		**76,361**	56,819
Minority interests		**21,812**	16,033
		98,173	72,852
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	*9*	**18.5 cents**	14.8 cents

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Notes	**30 June 2008** *RMB'000* **(Unaudited)**	31 December 2007 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,490,033**	1,296,834
Investment properties		**8,067**	8,240
Lease prepayments for land use rights		**75,551**	76,462
Interests in associates		**202**	202
Available-for-sale investments		**51,336**	53,680
Intangible assets		**8,254**	7,964
Other long term lease prepayments		**25,033**	20,299
Total non-current assets		**1,658,476**	1,463,681
CURRENT ASSETS			
Inventories		**661,173**	599,550
Trade receivables	*10*	**771,062**	743,006
Prepayments, deposits and other receivables		**229,386**	197,610
Loan receivables		**50,000**	50,000
Investment deposit		**–**	100,000
Pledged deposits		**13,858**	19,414
Cash and cash equivalents		**585,933**	501,940
Total current assets		**2,311,412**	2,211,520
CURRENT LIABILITIES			
Trade and bills payables	*11*	**988,064**	997,417
Debentures		**–**	370,000
Tax payable		**63,055**	60,006
Other payables and accruals		**143,593**	147,850
Interest-bearing bank and other borrowing	*12*	**1,278,750**	577,462
Deferred income		**267**	267
Total current liabilities		**2,473,729**	2,153,002

	Notes	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
NET CURRENT ASSETS/(LIABILITIES)		**(162,317)**	58,518
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,496,159**	1,522,199
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowing	*12*	**78,500**	100,375
Deferred income		**3,066**	3,199
Deferred tax liabilities		**12,653**	12,333
Total non-current liabilities		**94,219**	115,907
Net assets		**1,401,940**	1,406,292
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**412,220**	412,220
Reserves		**832,653**	758,636
Proposed final dividend		**–**	72,139
		1,244,873	1,242,995
Minority interests		**157,067**	163,297
Total equity		**1,401,940**	1,406,292

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2008

1. CORPORATE INFORMATION

The Company is a joint stock limited company incorporated in the People's Republic of China (the "PRC"). The Company's H shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM") on 25 September 2006. On 26 February 2008, the Company migrated from the GEM to the Main Board of the Stock Exchange.

The registered office of the Company is located at 45 Xinyuan Street, Chaoyang District, Beijing, the PRC. The principal place of business of the Company in Hong Kong is located at 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong.

The Group is principally engaged in the retail and wholesale distribution of daily consumer products in the region covering the Beijing city and certain parts of its periphery (the "Greater Beijing Region").

In the opinion of the directors, the controlling shareholder of the Company is Beijing Chaoyang Auxillary Food Company, a state-owned enterprise established in the PRC.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2008 (the "Interim Condensed Consolidated Financial Statements") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The Interim Condensed Consolidated Financial Statements does not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2007. The Interim Condensed Consolidated Financial Statements are presented in Renminbi ("RMB") and all values are rounded to nearest thousand, except when otherwise indicated.

As at 30 June 2008, the Group had net current liabilities of RMB162,317,000. Based on the Group's history of obtaining financing, available banking facilities, operating performance, working capital forecast and financial obligations in the next twelve months, the directors consider that there are sufficient financial resources available to the Group to meet its liabilities as when fall due and to carry on its businesses in the foreseeable future. Accordingly, the directors have prepared the Interim Condensed Consolidated Financial Statements on a going concern basis.

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting polices adopted in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007, except for the adoption of the new and revised Hong Kong Financial Reporting Standards and interpretations as noted below.

HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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 Consolidated 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, 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 months periods ended 30 June 2008 and 2007.

Six months ended 30 June 2008 (Unaudited)

	Retailing *RMB'000*	Wholesaling *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment revenue:					
Sales to external customers	1,595,388	1,756,678	4,745	–	3,356,811
Intersegment sales	–	305,995	4,140	(310,135)	–
Other income and gains	138,996	35,768	251	(10,890)	164,125
Total	1,734,384	2,098,441	9,136	(321,025)	3,520,936
Segment results	95,932	89,217	(736)	–	184,413
Finance costs	(30,295)	(22,085)	–	8,626	(43,754)
Profit before tax					140,659
Tax					(42,486)
Profit for the period					98,173
Assets and liabilities:					
Segment assets	2,636,398	1,467,458	5,513	(139,481)	3,969,888
Segment liabilities	(1,615,965)	(1,087,923)	(3,541)	139,481	(2,567,948)
Other segment information:					
Capital expenditure:					
Property, plant and equipment	221,158	26,995	7	–	248,160
Intangible assets	1,107	–	–	–	1,107
Depreciation:					
Property, plant and equipment	43,346	10,469	45	–	53,860
Investment properties	173	–	–	–	173
Amortisation of intangible assets	257	560	–	–	817
Recognition of lease prepayments for land use rights	911	–	–	–	911

Six months ended 30 June 2007 (Unaudited)

	Retailing *RMB'000*	Wholesaling *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
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
Total	1,587,480	1,434,462	7,867	(326,266)	2,703,543
Segment results	69,746	56,792	222	–	126,760
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					72,852
Assets and liabilities:					
Segment assets	1,952,043	1,151,477	5,137	(264,901)	2,843,756
Segment liabilities	(1,159,908)	(827,247)	(3,259)	264,901	(1,725,513)
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	1,000	–	–	–	1,000

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of merchandise and produce:		
Retailing	**1,595,388**	1,348,894
Wholesaling	**1,756,678**	1,220,697
	3,352,066	2,569,591
Others	**4,745**	2,617
Total revenue	**3,356,811**	2,572,208
Other income and gains		
Income from suppliers:		
Promotion income	**99,907**	59,190
Display space leasing fee	**6,192**	31,703
Others	**10,093**	7,361
	116,192	98,254
Gross rental income	**32,689**	20,550
Net compensation on demolished properties	**1,231**	3,000
Interest income	**4,689**	5,357
Government grants	**2,586**	133
Others	**6,738**	4,041
Total other income and gains	**164,125**	131,335

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**2,888,563**	2,234,213
Depreciation:		
Property, plant and equipment	**53,860**	34,930
Investment properties	**173**	422
	54,033	35,352
Amortisation of intangible assets	**817**	294
Recognition of lease prepayments for land use rights	**911**	376
Minimum lease payments under operating lease on properties	**45,557**	39,053
Gains on disposal of items of property, plant and equipment	**(573)**	–
Impairment/(reversal of impairment) of trade and other receivables	**(2,492)**	59
Impairment loss on items of property, plant and equipment	**–**	1,000
Staff costs:		
Directors' and supervisors' emoluments	**7,339**	6,449
Other staff costs		
Wages, salaries and social security costs	**156,848**	125,800
Retirement benefits contributions	**12,204**	9,748
	169,052	135,548
	176,391	141,997
Foreign exchange difference	**272**	6,931

6. FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	**27,119**	16,871
Interest on debentures wholly repayable within five years	**12,362**	–
Interest on other borrowings wholly repayable within five years	**6,083**	8,414
	45,564	25,285
Less: Interest capitalised	**(1,810)**	(10,188)
	43,754	15,097

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 25% on their respective taxable income for the six months period ended 30 June 2008 (the six months period ended 30 June 2007: 33%)

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax – PRC	**42,806**	35,041
Deferred income tax	**(320)**	(3,161)
Total tax charge for the period	**42,486**	31,880

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

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax	**140,659**	104,732
Income tax at PRC statutory income tax rate	**35,165**	34,562
Effect of changes in tax rate	**–**	(4,965)
Expenses not deductible for tax	**5,800**	1,502
Tax losses not recognised	**1,692**	121
Others	**(171)**	660
Tax charge at the Group's effective rate	**42,486**	31,880

8. INTERIM DIVIDEND

The board of the Company did not recommend the payment of any interim dividend for the six months period ended 30 June 2008 (the six months period ended 30 June 2007: Nil).

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

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

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the parent	**76,361**	56,819

	Number of shares	
	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
Shares:		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	**412,220,000**	384,620,000

Diluted earnings per share is not presented for the six months periods ended 30 June 2007 and 2008 as there were no diluting events in existence during the relevant periods.

10. TRADE RECEIVABLES

	30 June 2008 *RMB'000* (Unaudited)	31 December 2007 *RMB'000* (Audited)
Trade receivables	**775,065**	749,457
Impairment	**(4,003)**	(6,451)
	771,062	743,006

The Group normally allows a credit period of not more than 60 days to its customers and an extension of credit period is granted to some customers with long term relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group's trade receivables comprised about 3,500 customers which amount ranging from RMB0.1 million to RMB237.3 million. 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 2008 *RMB'000* (Unaudited)	31 December 2007 *RMB'000* (Audited)
Within 2 months	**603,029**	602,686
2 to 6 months	**162,203**	136,353
6 months to 1 year	**5,230**	3,855
1 to 2 years	**600**	112
	771,062	743,006

11. TRADE AND BILLS PAYABLES

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

	30 June 2008 *RMB'000* (Unaudited)	31 December 2007 *RMB'000* (Audited)
Within 2 months	**864,343**	919,937
2 to 6 months	**86,928**	69,554
6 months to 1 year	**33,403**	3,270
1 to 2 years	**1,420**	431
Over 2 years	**1,970**	4,225
	988,064	997,417

As at 30 June 2008, the bills payable of the Group amounting to RMB46.1 million was secured by certain of the Group's pledged time deposits amounting to approximately RMB13.9 million.

12. INTEREST-BEARING BANK AND OTHER BORROWING

	30 June 2008 *RMB'000* **(Unaudited)**	31 December 2007 *RMB'000* (Audited)
Bank loans:		
Secured	**892,250**	477,837
Unsecured	**165,000**	180,000
	1,057,250	657,837
Other borrowing:		
Unsecured	**300,000**	20,000
Total bank loans and other borrowing	**1,357,250**	677,837
Less: Portion classified as current liabilities	**(1,278,750)**	(577,462)
Long term portion	**78,500**	100,375

(a) Bank loans

All of the Group's bank loans, which are denominated in RMB, bear fixed interest rates ranging from 5.85% to 7.47% (31 December 2007: 5.50% to 7.47%) per annum.

(i) Secured bank loans

As at 30 June 2008, the secured bank loans of the Group amounting to RMB892.3 million were secured by certain of the Group's buildings, investment properties and lease prepayments for land use rights with aggregate net book values of approximately RMB531.7 million, RMB6.7 million and RMB70.2 million, respectively.

As at 31 December 2007, the secured bank loans of the Group amounting to RMB443.1 million were secured by certain of the Group's buildings, investment properties and lease prepayments for land use rights with aggregate net book values of approximately RMB381 million, RMB5.3 million and RMB66 million, respectively. In addition, the secured bank loans of the Group amounting to RMB34.7 million were secured by certain of the Group's pledged time deposits amounting to RMB10.4 million.

(ii) Unsecured bank loans

As at 30 June 2008, the unsecured bank loans of the Group amounting to RMB145 million (31 December 2007: RMB160 million) were guaranteed by the Company. In addition, there were designated loans as at 30 June 2008 from a third party amounting to RMB20 million (31 December 2007: RMB20 million).

(b) Other borrowing

The unsecured other borrowing of the Group as at 30 June 2008 was the borrowing from New Time Trust & Investment Company Limited, an independent third party, amounting to RMB300 million which was guaranteed by the Company.

The Group's other borrowing as at 30 June 2008 is denominated in RMB and bears a fixed interest rate of 7.30% (31 December 2007: 6.57%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group continued to focus on the operation and development of its retail and wholesale businesses in the Greater Beijing Region.

RETAIL BUSINESS

1. Expansion of retail network

Setting up new retail outlets

During the Reporting Period, the Group stuck to the regional expansion strategy and set up 1 directly-operated hypermarket (net operating area of approximately 7,000 square metres), 3 directly-operated supermarkets (net operating area of approximately 3,200 square metres) and 9 franchise-operated convenience stores (net operating area of approximately 1,500 square metres) in the Greater Beijing Region, and transformed 1 directly-operated supermarket whose operating area was comparably smaller than the other supermarkets to a directly-operated convenience store.

The total number of the Group's retail outlets was 222 as at 30 June 2008, including 99 directly-operated outlets, 95 franchise-operated outlets and 28 Shou Lian delegated stores, and the total net operating areas reached approximately 291,000 square metres. The following table sets out the number and net operating areas of the Group's retail outlets as at 30 June 2008:

	Department stores	**Hyper-markets**	**Super-markets**	**Convenience stores**	**Total**
Number of retail outlets:					
Directly-operated	1	7	42	49	99
Franchise-operated	–	–	1	94	95
Shou Lian delegated stores*	1	5	22	–	28
	2	12	65	143	222
Net operating area (square metres):					
Directly-operated	27,800	60,138	95,886	11,304	195,128
Franchise-operated	–	–	880	17,523	18,403
Shou Lian delegated stores	19,300	23,695	34,292	–	77,287
	47,100	83,833	131,058	28,827	290,818

* *In February 2007, the Company invested RMB50 million for the 11.04% equity interest of Shou Lian Company Limited ("Shou Lian") and provided delegation of the 45.3% Shou Lian equity interest pursuant to the capital increase agreement and cooperation agreement signed with Shou Lian. Since then, the Group operates Shou Lian's retail outlets as Shou Lian delegated stores under the franchise agreement signed between the Company and Shou Lian.*

Redesigning and redecorating Shou Lian delegated stores

On the base of integrating the business system of Shou Lian delegated stores into the centralized purchase, logistics, settlement and management information system of Jingkelong, the Group began to take steps to improve the operation capability and profitability of Shou Lian delegated stores. The first step is to redesign and redecorate the stores to recover and rationalize the operating area and layout which were reduced and leased to third parties because of the continuing decline of self operating capability in the past. By now, 2 supermarkets have been reopened after finishing redecorating with obvious improved results. The Group expects that the redesign and redecoration will enlarge the operating area of Shou Lian delegated stores, especially extend the live and fresh produce region, and rationalize the percentage of self-operating area to attract more consumers and improve operating performance.

2. Lifting operation capability

Detailed management of logistics infrastructures

The Group's strong and modernized logistics infrastructures are the foundation for the Group's healthy and rapid growth, and upholding scientific detailed management throughout all the process is the key to the realization of the centralized logistics function for cost control and profitability improvement.

During the Reporting Period, the Group continued to expand the sourcing bases of live and fresh produce and introduce new commodities in over 70 counties of 18 provinces in China. For example, the daily sales volume of papaya reached the highest 6-7 tons from 1.5-2.5 tons after the papaya sourcing base was built up in Hainan province and relevant marketing and promotional activities were introduced. Meanwhile, the Group paid more attention on cost control by supervising all the leaks throughout the centralized process with no ignorance. For example, the expense for logistics turnover boxes was controlled effectively by way of transforming the management model for logistics turnover boxes with a purpose to make all the parties including the live and fresh produce logistics center, retail outlets, suppliers and transportation parties to be responsible for the management of logistics turnover boxes.

As for the normal-temperature logistics center, GPS supervisor management system was installed and implemented on the transportation vehicles, working situation and condition of the transportation vehicles could be real-time monitored and adjusted which is helpful for promoting transportation efficiency.

Application of the digital information in daily business operation

The Group continued to implement the consumer-oriented operation concept, covert the traditional marketing experience to digital marketing and carry out consumer-dividing marketing on the base of analysis of consumer characteristics and behavior. During the Reporting Period, installation and trial application of the data application system in 5 supermarkets have been finished for comprehensively promoting the application of data application system in the operation management divisions, retail outlets and purchasing division during the second half of current year.

Implementation of difference management

Along with the expansion of new retail outlets from concentrating in Chaoyang District to the 17 districts among the 18 districts of Beijing, the Group began to implement regional marketing strategy. On the basis of studying regional consuming behavior and characteristics, the Group conducted difference management and marketing promotion in line with the location and maturity of retail outlets. During the period from March to May of current year, the Group carried out special marketing and promotional activities for live and fresh produce in supermarkets located in Tongzhou District of Beijing which contributed to promoting the volume of customers and sales growth of these stores.

Consolidation of consumer loyalty

During the Reporting Period, the Group continued to consolidate consumer loyalty. As at 30 June 2008, the total number of Jingkelong members exceeded 1 million. The Group kept carrying out promotional activities such as offering special discount prices and members' reward.

3. Operation results of retail business

Revenue and Gross profit (Unaudited)

	For the six months ended 30 June		
	2008	2007	**Increase**
	RMB'000	*RMB'000*	***(%)***
Revenue	**1,595,388***	1,348,894	**18.3**
Gross profit	**283,562***	202,785	**39.8**

* *Approximately RMB10.85 million out of the total retail revenue and approximately RMB10.85 million out of the total retail gross profit were the results mainly generated from the operation of Jiulong department store, which commenced business at the end of 2007. The Company entered into concessionaire agreements with certain concessionaires for allowing them to occupy designated areas in the department store and establish their own sales counters for their products. The Company charged each concessionaire a commission (represents the revenue and gross profit as noted above) calculated at an agreed percentage rate of the gross turnover of respective concessionaire.*

During the Reporting Period, the Group's revenue and gross profit of retail business increased by approximately 18.3% and 39.8%, respectively.

Different types of retail format

Revenue and Gross profit (Unaudited)

	For the six months ended 30 June			For the six months ended 30 June		
	2008	2007		**2008**	2007	
Directly-operated	**Revenue**	Revenue	**Increase**	**Gross profit**	Gross profit	**Increase**
	RMB'000	*RMB'000*	***(%)***	***RMB'000***	*RMB'000*	***(%)***
Hypermarkets	**497,581**	402,701	**23.6**	**82,664**	61,132	**35.2**
Supermarkets	**950,830**	823,703	**15.4**	**167,822**	123,340	**36.1**
Convenience stores	**136,132**	122,490	**11.1**	**22,231**	18,313	**21.4**

Gross profit margin (Unaudited)

	For the six months ended 30 June		
	2008	2007	
Directly-operated	**Gross profit margin**	Gross profit margin	**Increase**
	(%)	*(%)*	***(%)***
Hypermarkets	**16.6**	15.2	**1.4**
Supermarkets	**17.7**	15.0	**2.7**
Convenience stores	**16.3**	15.0	**1.3**
Average	**17.2**	15.0	**2.2**

During the Reporting Period, the revenue generated from the hypermarket operation was approximately RMB497.6 million, representing approximately 31.2% of the total retail revenue of the Group ; the revenue generated from the supermarket operation was approximately RMB950.8 million, representing approximately 59.6% of the total retail revenue of the Group and the revenue generated from the convenience store operation was approximately RMB136.1 million, representing approximately 8.5% of the total retail revenue of the Group.

The increase in revenue of approximately 23.6%, 15.4% and 11.1% of the hypermarket operation, supermarket operation and convenience store operation respectively, was mainly attributable to the new stores opened in the second half of 2007 and the Reporting Period.

The increase in gross profit of approximately 35.2%, 36.1% and 21.4% of the hypermarket operation, supermarket operation and convenience store operation respectively, was mainly contributed by (i) the new stores opened in the second half of 2007 and the Reporting Period; (ii) the gross profit margin increased from 15.0% to 17.2%.

The increase in gross profit margin generated from the retail operation from approximately 15.0% in the first half of 2007 to approximately 17.2% in the Reporting Period, was mainly contributed by (i) higher gross profit margin generated by self-operated live and fresh produce, (ii) better bargaining power with suppliers due to increase in purchase volume, and (iii) continuous optimisation of product mix.

WHOLESALE BUSINESS

The integrated development of wholesale and retail businesses is the Group's unique business mode and one of its incomparable competitive advantages. In order to enhance the operation results, the Group endeavored to extend its wholesale business in respect of operation location, commodity category coverage and regional sole distributorship of brands of products.

During the Reporting Period, the Group continued to consolidate the wholesale distribution operation in Northern, Eastern China and Ring Bohai Economic Circle, wholesale distribution network has obtained leading position in Tianjin and achieved excellent performance in Taiyuan of Shanxi province and Shijiazhuang of Hebei province.

The number of regional sole distributorship brands reached 67 with new regional sole distributorship in respect of 6 brands being obtained during the Reporting Period. Total revenue of these regional sole distributorship brands as a percentage to the Group's total wholesale business turnover (exclude sales to Shou Lian) accounted for approximately 49.5% which contributed to the maintenance and improvement of gross profit margin of wholesale business.

Operation results (Unaudited)

	For the six months ended 30 June		
	2008	2007	**Increase**
	RMB'000	*RMB'000*	***(%)***
Total revenue	**2,062,673**	1,410,755	**46.2**
Less: Intersegment sales	**(305,995)**	(190,058)	**61.0**
Consolidated revenue	**1,756,678**	1,220,697	**43.9**
Consolidated gross profit	**183,561**	134,295	**36.7**
Gross profit margin* (%)	**10.0**	9.6	**0.4**

* *Include intersegment sales and exclude sales to Shou Lian*

The increase in consolidated revenue of approximately 43.9% during the Reporting Period primarily due to (i) the sales to Shou Lian of approximately RMB205.6 million during the Reporting Period; (ii) the tremendous expansion of wholesale business risen from the rapid expansion of domestic retail business, resulting in increase in demand of the Group's products, (iii) contribution of sales by Chaopi Zhongde, Chaopi Huilong and Chaopi Taiyuan with businesses commenced in mid and late 2007 respectively, (iv) increase in number of regional sole distributorship brands, and (v) continuous optimization of product mix.

The increase in gross profit margin from approximately 9.6% in the first half of 2007 to approximately 10.0% during the Reporting Period mainly because of (i) better bargaining power with suppliers due to increase in purchase volume, (ii) increase in regional sole distributorship brands with higher gross profit margin, and (iii) continuous optimization of product mix.

FINANCIAL REVIEW

Financial results (Unaudited)

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Revenue	**3,356,811**	2,572,208
Gross profit	**468,248**	337,995
Gross profit margin (%)	**13.9**	13.1
Profit for the period	**98,173**	72,852
Profit attributable to equity holders of the parent	**76,361**	56,819
Net profit margin attributable to equity holders of the parent (%)	**2.3**	2.2

Revenue

The Group's revenue increased by approximately 30.5% from approximately RMB2,572.2 million in the first half of 2007 to approximately RMB3,356.8 million during the Reporting Period primarily due to the increase in retail and wholesale revenue by approximately 18.3% and 43.9%, respectively.

Gross profit and gross profit margin

During the Reporting Period, the gross profit of the Group was approximately RMB468.2 million, representing an increase of approximately 38.5% compared with approximately RMB338.0 million of last corresponding period. The increase was in line with the increase in revenue. The increase in gross profit margin from approximately 13.1% in the first half of 2007 to approximately 13.9% during the Reporting Period was attributable to the increase in gross profit margins of the retail and wholesale businesses.

Profit for the period

Profit for the period increased by approximately 34.8% from approximately RMB72.9 million in the first half of 2007 to approximately RMB98.2 million during the Reporting Period. The increase in profit matched with the sound growth of revenue and gross profit during the Reporting Period.

CAPITAL STRUCTURE

During the Reporting Period, there has been no change in the capital structure of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group mainly financed its operations through internally generated cash flows, bank and other borrowings and the placement of H shares in October 2007.

As at 30 June 2008, the Group had non-current assets of approximately RMB1,658.5 million, which mainly comprised property, plant and equipment of approximately RMB1,490.0 million and non-current liabilities of approximately RMB94.2 million mainly comprised interest-bearing bank and other borrowing of approximately RMB78.5 million.

As at 30 June 2008, the Group had net current liabilities of approximately RMB162.3 million. Current assets mainly comprised cash and cash equivalents of approximately RMB585.9 million, inventories of approximately RMB661.2 million, trade receivables of approximately RMB771.1 million and prepayments, deposits and other receivables of approximately RMB229.4 million. Current liabilities mainly comprised trade and bills payables of approximately RMB988.1 million, interest-bearing bank and other borrowing of approximately RMB1,278.8 million and, other payables and accruals of approximately RMB143.6 million.

INDEBTEDNESS

As at 30 June 2008, the Group had aggregate borrowings of approximately RMB1,357.3 million, consisted of secured short-term bank loans of approximately RMB813.8 million, unsecured short-term bank loans of RMB165.0 million, secured long-term bank loans of RMB78.5 million and unsecured short-term other borrowing of RMB300.0 million. The secured bank loans were secured by certain of the Group's buildings, investment properties and lease prepayments for land use rights with an aggregate carrying value of approximately RMB608.6 million as at 30 June 2008.

The Group's net gearing ratio* was approximately 54.0% as at 30 June 2008 which was higher than approximately 37.4% as at 31 December 2007. The increase was primarily due to an increase of bank loans and other borrowing and acquisition of property, plant and equipment during the Reporting Period.

* *(Total borrowings – pledged deposits, and cash and cash equivalents)/Total equity*

FOREIGN CURRENCY RISK

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

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

EMPLOYEES

As at 30 June 2008 the Group employed 5,585 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 RMB176.4 million (corresponding period of 2007: RMB142.0 million). The staff emolument (including directors and supervisors) of the Group are based on duty (position), experience, performance, and market rates, in order to maintain their remunerations at a competitive level.

During the Reporting Period, specialized training seminars such as pre-job training, staff back-up support, etc. had been conducted for about 7,812 staff to enhance their technical and professional knowledge.

CONTINGENT LIABILITIES

As at 30 June 2008, the Group did not have any significant contingent liabilities.

POST BALANCE SHEET EVENTS

(a) On 14 July 2008, the Company issued debentures in aggregate amounting to RMB370 million with a term of maturity of one year. The RMB debentures are unsecured, interest-bearing at 6.8% per annum and are issued through Bank of Beijing. The carrying amounts of the debentures approximate to their fair values.

(b) On 22 July 2008, the Group, through a non-wholly owned subsidiary, established a subsidiary, Tangshan Chaopi Trading Company Limited ("Chaopi Tangshan"), to engage in the wholesale of general merchandise. The Group holds an indirect effective interest of 76.42% in Chaopi Tangshan. The total equity of Chaopi Tangshan is RMB5 million and has been fully paid up on 9 July 2008.

(c) On 24 July 2008, the Group, through a non-wholly owned subsidiary, established a subsidiary, Tianjin Chaopi Trading Company Limited ("Chaopi Tianjin"), to engage in the wholesale of general merchandise and provision of storage services. The Group holds an indirect effective interest of 76.42% in Chaopi Tianjin. The total equity of Chaopi Tianjin is RMB15 million and has been fully paid up on 17 July 2008.

Save as the events disclosed above, the Group did not have any significant post balance sheet events taken place subsequent to 30 June 2008.

STRATEGIES AND PLANS

The Group will reinforce its leading retail and wholesale operation position in the fast moving consumer goods market in the Greater Beijing Region by carrying out the following strategies and plan, amongst other things:

- In term of development strategy, on the one hand, to open more new stores in the Greater Beijing Region, and build new wholesale distribution network in Northern, Eastern China and Ring Bohai Economic Circle in the second half of this year and in the coming years, and speed up development by various methods such as organic growth, merger and acquisition; on the other hand, to take continuous effective measures to improve management and performance of the existing retail and wholesale distribution network for healthy expansion of scale.

- In term of enhancement of logistics infrastructure, the automatic classifying and picking equipment have been introduced from Japan in the Reporting Period and will be installed and put into use in the second half of current year to improve the hourly picking capability to 10,000 pieces.

OTHER INFORMATION

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the Reporting Period, saving for the directors' retirement by rotation as set out below.

Director's Securities Transactions

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

The Board

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

Audit Committee

The audit committee of the Company (the "Audit Committee") together with the management of the Company and the independent auditors, have considered and reviewed the accounting principles and practices adopted by the Group and have discussed matters in relation to internal control and financial reporting, including the review of the Group's 2008 unaudited interim consolidated results. The Audit Committee considered that the interim financial report for the six-month period ended 30 June 2008 is in compliance with the relevant accounting standards, requirements of the Stock Exchange and the Laws of Hong Kong, and appropriate disclosures have been made.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

By order of the Board
Wei Tingzhan
Chairman

Beijing, PRC
15 August 2008

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.