北京京客隆商業集團股份有限公司
BEIJING JINGKELONG COMPANY LIMITED*

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

(Stock Code: 814)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "**Board**") of Beijing Jingkelong Company Limited (the "**Company**" or "**Jingkelong**") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2016 (the "**Reporting Period**"). The unaudited consolidated results have been reviewed by the auditors, Ruihua Certified Public Accountants LLP, and the audit committee of the Company.

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

* *For identification purpose only*

FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEETS

Item	*Note*	**2016.6.30** *RMB* **(unaudited)**	2015.12.31 *RMB* (audited)
Current Assets:			
Cash and bank balances		**813,491,326**	718,323,705
Accounts receivable	*3*	**1,582,018,841**	1,824,268,380
Prepayments		**947,683,254**	1,366,408,098
Other receivables		**290,132,629**	147,135,270
Inventories		**1,573,373,261**	1,573,547,038
Other current assets		**201,295,887**	255,871,154
Total Current Assets		**5,407,995,198**	5,885,553,645
Non-current assets:			
Available-for-sale financial assets		**29,371,200**	28,789,200
Investment properties		**137,880,122**	141,196,430
Fixed assets		**1,102,238,357**	1,144,144,901
Construction in progress		**118,459,422**	101,244,425
Disposal of fixed assets		**460,997**	–
Intangible assets		**193,747,111**	193,284,906
Goodwill		**86,673,788**	86,673,788
Long-term prepaid expenses		**543,707,705**	582,568,122
Deferred tax assets		**34,325,829**	31,516,326
Other non-current assets		**178,749,552**	175,798,659
Total Non-current Assets		**2,425,614,083**	2,485,216,757
TOTAL ASSETS		**7,833,609,281**	8,370,770,402

Item	Notes	**2016.6.30** *RMB* **(unaudited)**	2015.12.31 *RMB* (audited)
Current Liabilities:			
Short-term borrowings		**2,286,246,599**	2,746,099,901
Notes payable	*4*	**467,201,428**	624,557,573
Accounts payable	*4*	**1,146,213,032**	1,201,009,866
Advance from customers		**396,692,868**	458,476,201
Payroll payable		**1,925,275**	1,347,826
Taxes payable		**83,755,951**	78,474,759
Dividends payable		**23,918,763**	2,736,306
Other payables		**169,290,146**	199,110,041
Non-current liabilities due within one year		**–**	95,000,000
Other current liabilities		**373,738,684**	51,212,042
Total Current Liabilities		**4,948,982,746**	5,458,024,515
Non-current Liabilities:			
Long-term borrowings		**–**	–
Bonds payable		**746,848,630**	746,158,430
Provision		**910,612**	910,612
Deferred tax liabilities		**2,171,835**	1,986,869
Other non-current liabilities		**51,638,191**	54,176,264
Total Non-current Liabilities		**801,569,268**	803,232,175
TOTAL LIABILITIES		**5,750,552,014**	6,261,256,690
SHAREHOLDERS' EQUITY			
Share capital		**412,220,000**	412,220,000
Capital reserves		**609,308,148**	609,308,148
Other comprehensive income		**2,458,774**	2,098,458
Surplus reserves		**139,259,934**	139,259,934
Undistributed profits	*5*	**470,379,694**	473,625,451
Total Equity Attributable to Shareholders of the Parent Company		**1,633,626,550**	1,636,511,991
Minority Interests		**449,430,717**	473,001,721
TOTAL SHAREHOLDERS' EQUITY		**2,083,057,267**	2,109,513,712
TOTAL LIABILITES AND SHAREHOLDERS' EQUITY		**7,833,609,281**	8,370,770,402

CONSOLIDATED INCOME STATEMENT

Item		Notes	**Six months ended 30 June 2016 *RMB* (unaudited)**	Six months ended 30 June 2015 *RMB* (unaudited)
I.	**Total operating income**	*6*	**5,935,802,626**	5,814,510,671
	Including: Operating income		**5,935,802,626**	5,814,510,671
II.	**Total operating costs**	*6*	**5,879,944,581**	5,748,237,350
	Including: Operating cost		**4,762,984,656**	4,639,447,106
	Business tax and surcharges		**31,136,580**	40,717,042
	Selling expenses		**862,665,772**	847,254,210
	Administrative expenses		**153,230,170**	141,187,016
	Financial expenses		**69,945,543**	79,484,445
	Impairment losses on assets		**-18,140**	147,531
	Add: Gains or losses on changes in fair value		**–**	–
	Investment income		**585,058**	653,363
III.	**Operating profit**		**56,443,103**	66,926,684
	Add: Non-operating income		**14,368,502**	4,927,983
	Including: Gains from disposal of non-current assets		**14,414**	–
	Less: Non-operating expenses		**2,187,220**	1,471,610
	Including: Losses from disposal of non-current assets		**1,271,349**	31,691
IV.	**Total profit**		**68,624,385**	70,383,057
	Less: Income tax expenses	*7*	**23,379,194**	21,857,356
V.	**Net profit**		**45,245,191**	48,525,701
	Net profit attributable to shareholders of the parent company		**17,365,243**	21,040,066
	Profit or loss attributable to minority interests		**27,879,948**	27,485,635
VI.	**Net value of other comprehensive income after tax**		**459,180**	802,500
	Net value of other comprehensive income attributable to shareholders of the parent company after tax		**360,316**	802,500
	Other comprehensive income which can be reclassified into profit or loss subsequently		**360,316**	802,500
	1. Gains or losses from changes in fair value of available-for-sale financial assets		**348,545**	802,500
	2. Translation differences of financial statements denominated in foreign currencies		**11,771**	–
	Net value of other comprehensive income attributable to minority interests after tax		**98,864**	–
VII.	**Total comprehensive income**		**45,704,371**	49,328,201
	Total comprehensive income attributable to shareholders of the parent company		**17,725,559**	21,842,566
	Total comprehensive income attributable to minority interests		**27,978,812**	27,485,635
VIII.	**Earnings per share**			
	(I) Basic earnings per share	*8*	**0.04**	0.05
	(II) Dilutive earnings per share		**–**	–

NOTES:

1. GENERAL INFORMATION

Beijing Jingkelong Company Limited (the "Company") is a joint stock limited company incorporated in the People's Republic of China (the "PRC"). On 1 November 2004, with the approval by Beijing Administration for Industry and Commerce (北京工商行政管理局), the Company (formerly known as "Beijing Jingkelong Supermarket Chain Company Limited") was established and the registered capital of the Company was RMB246,620,000.00. The Business License No. is 110000002315927. The registered office and the principal place of business of the Company is located at Block No. 45, Xinyuan Street, Chaoyang District, Beijing, the PRC. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the retail and wholesale distribution of daily consumer products.

On 25 September 2006, the H shares issued by the Company was listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("SEHK"). On 26 February 2008, all the H shares were transferred to the Main Board for listed trading. The Company issued a total of 412,220,000 ordinary shares on 30 June 2016.

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

2. BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS

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

3. ACCOUNTS RECEIVABLE

The aging of accounts receivable based on revenue recognized date is set as following:

		2016.6.30 ***RMB*** **(unaudited)**		
Aging	**Carrying amount**	**Proportion%**	**Bad debt provision**	**Net book value**
Within 1 year	1,383,250,381	87	–	1,383,250,381
1-2 years	118,745,145	8	–	118,745,145
2-3 years	–	–	–	–
3-4 years	1,777,231	–	1,753,916	23,315
4-5 years	–	–	–	–
Over 5 years	80,000,000	5	–	80,000,000
Total	1,583,772,757	100	1,753,916	1,582,018,841

4. NOTES AND ACCOUNTS PAYABLE

Item	**2016.6.30** *RMB* **(unaudited)**	2015.12.31 *RMB* (audited)
Notes payable	**467,201,428**	624,557,573
Accounts payable	**1,146,213,032**	1,201,009,866
Total	**1,613,414,460**	1,825,567,439

As at 30 June 2016, security deposit for the issuance of bank acceptances above amounted to RMB186,575,770 (31 December 2015: RMB138,005,267).

All of the bank acceptances of the Group will be due within one year.

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

Item	**2016.6.30** *RMB* **(unaudited)**	2015.12.31 *RMB* (audited)
Within 1 year	**1,130,696,308**	1,179,925,690
1 to 2 years	**4,689,003**	12,747,369
2 to 3 years	**4,283,786**	4,287,482
Above 3 years	**6,543,935**	4,049,325
Total	**1,146,213,032**	1,201,009,866

The majority of accounts payable aging over 1 year consist of the final payments for suppliers.

5. UNDISTRIBUTED PROFITS

Item	**Six months ended 30 June 2016** *RMB* **(unaudited)**	Six months ended 30 June 2015 *RMB* (unaudited)
Before adjustment: Undistributed profits at the end of prior period	**473,625,451**	493,671,848
Adjustment: Total undistributed profits at the beginning of the period	**–**	–
After Adjustment: Undistributed profits at the beginning of the period	**473,625,451**	493,671,848
Add: Net profit attributable to the shareholders of the parent company for the period	**17,365,243**	21,040,066
Less: Ordinary shares' dividends payable	**20,611,000**	41,222,000
Undistributed profit at the end of the period	**470,379,694**	473,489,914

Dividend

In the period ended at 31 December 2015, a final dividend of RMB0.05 per share in respect of the year (the previous corresponding period: RMB0.1 per share in respect of the year ended at 31 December 2014) was declared and paid to the owners shareholders of the Company. The aggregated amount of the final dividend declared and paid was RMB20,611,000 (the previous corresponding period: RMB41,222,000).

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

6. OPERATING INCOME AND OPERATING COST

(i) Operating income and operating cost

	Six months ended 30 June 2016 *RMB* **(unaudited)**		Six months ended 30 June 2015 *RMB* (unaudited)	
Item	**Income**	**Cost**	Income	Cost
Principal operating	**5,419,638,055**	**4,757,990,357**	5,310,399,644	4,632,187,837
Other operating	**516,164,571**	**4,994,299**	504,111,027	7,259,269
Total	**5,935,802,626**	**4,762,984,656**	5,814,510,671	4,639,447,106

(ii) Principle operating activities (classified by industry)

	Six months ended 30 June 2016 *RMB* **(unaudited)**		Six months ended 30 June 2015 *RMB* (unaudited)	
Item	**Principal operating income**	**Principal operating cost**	Principal operating income	Principal operating cost
Retail	**2,349,622,234**	**1,971,413,940**	2,389,651,616	2,012,244,422
Wholesale	**3,062,843,340**	**2,780,649,435**	2,913,204,848	2,614,036,558
Others	**7,172,481**	**5,926,982**	7,543,180	5,906,857
Total	**5,419,638,055**	**4,757,990,357**	5,310,399,644	4,632,187,837

The principal operating income mainly consists of selling food, non-staple food, daily consumer goods, beverages and wines.

7. INCOME TAX EXPENSES

Item	**Six months ended 30 June 2016** *RMB* **(unaudited)**	Six months ended 30 June 2015 *RMB* (unaudited)
Current income tax	**26,149,232**	23,298,627
Deferred income tax	**-2,770,038**	-1,441,271
Total	**23,379,194**	21,857,356

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

Item	**Six months ended 30 June 2016** *RMB* **(unaudited)**
Accounting profit	**68,624,385**
Income tax expenses calculated at 25% tax rate	**17,156,096**
Effect of subsidiary companies to adapt different tax rates	**-197,833**
Effect of adjusting the previous years' income tax	**90,647**
Effect of non-taxable income	**-173,041**
Effect of non-deductible costs, expenses and losses	**1,974,213**
Effect of using deductible losses of previously unrecognized deferred tax assets	**–**
Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets in the period	**4,529,112**
Income tax	**23,379,194**

8. EARNINGS PER SHARE

Item	**Six months ended 30 June 2016** *RMB* **(unaudited)**	Six months ended 30 June 2015 *RMB* (unaudited)
Net profit for the period attributable to shareholders of the parent company	**17,365,243**	21,040,066
Number of ordinary shares used in the calculation of basic earnings per share	**412,220,000**	412,220,000

Item	**Six months ended 30 June 2016** *RMB* **(unaudited)**	Six months ended 30 June 2015 *RMB* (unaudited)
Calculated based on the net profit attributable to ordinary shareholders of the parent company:		
Basic earnings per share	**0.04**	0.05

9. NET CURRENT ASSETS

Item	**2016.6.30** *RMB* **(unaudited)**	2015.12.31 *RMB* (audited)
Current assets	**5,407,995,198**	5,885,553,645
Less: Current liabilities	**4,948,982,746**	5,458,024,515
Net current assets	**459,012,452**	427,529,130

10. TOTAL ASSETS LESS CURRENT LIABILITIES

Item	**2016.6.30** *RMB* **(unaudited)**	2015.12.31 *RMB* (audited)
Total assets	**7,833,609,281**	8,370,770,402
Less: Current liabilities	**4,948,982,746**	5,458,024,515
Total assets less current liabilities	**2,884,626,535**	2,912,745,887

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2016, national economy remained generally stable, was able to advanced, and had a good development trend amidst stability, but still came under relatively huge downward pressure. Traditional businesses still faced a complicated macro environment, with excessive competition among entities coupled with a huge impact from e-commerce. From January to June, national online retail sales of physical goods grew rapidly, increasing by 26.6% year on year, and in turn the proportion of such sales among the total retail sales of social consumer goods increased to 11.6%, representing an increase of 0.8 percentage points from last year. Factors such as changes in residents' consumption habit, the decrease in the number of mobile population and the increase in operating costs of enterprises also affected impact on traditional business enterprises. In response to the tests and challenges, the Group actively adjusted and transformed itself by shifting its focus on its goods to the needs of its consumers, actively expanding e-commerce and engaging in innovating its business model, as well as adopting a series of measures to adapt to market changes.

RETAIL BUSINESS

Continuous development of mobile apps

During the Reporting Period, in order to improve user experience, the Group continuously revised and optimized the relevant mobile APP. To provide extensive shopping options for customers, the Group, capitalizing on the advantage of its wide distribution of stores, upgraded its original platform-shopping mode into "supermarket shopping mode" by synchronizing the tens of thousands of goods available at physical supermarkets to the online platform. With the connection of the offline physical world with the online digital world, consumers were able to browse and shop at the stores which corresponded to the delivery address or self-pickup store they had chosen, thereby satisfying consumers' demands to shop at supermarkets online. Goods were categorized more specifically by adjusting the categories model from two levels to three levels, making it much easier for users to search for goods.Moreover, same-day self-pickup and same-day delivery services were made available for live and fresh produce.

Strengthening standardized operation of fresh produce

During the Reporting Period, the Group set up a version "2.0" live and fresh produce project team, aiming to implement more detailed standards and requirements for the variety, ordering, receipt, storage, display, sale, clearing and daily operation and management of live and fresh produce available at retail stores through packaging, standardization and branding operations. Purchasing and processing standards for fresh produce were revised in addition to the strictly control over the logistics quality of fresh produce. By upgrading the commodities mix, quality and equipment, the Group improved its merchandising capability of fresh produce and consolidated its competitive strength of physical stores in the fresh produce business to attract a steady customer flow.

Making exploration and innovation from multidimensional perspectives including marketing method, payment method and business model

During the Reporting Period, the Group leveraged online tools for marketing and promotion. Through the Jingkelong Wechat public platform, the Group launched multiple interactive events, sent marketing and promotion pictures and texts to continuously lead consumers to the use of the Jingkelong APP, and continuously carried out Wechat goods pre-sales events to enrich online goods operation activities. The Group provided the function of "Nearby Stores" on the Alipay platform. When using Alipay Wallet, users could find Jingkelong Supermarket or Convenience Store within two kilometres of the located position by clicking the "Nearby" function on the platform. It has realized the integrated membership function, such as the online binding of membership cards of physical store members, the online and offline uses of bonus points and participation in members' rewards. After opening Wechat payment and Alipay payment channels, the Group continued to participate in relevant payment date activities and also successively launched mobile payment functions such as Jingdong wallet, Apple pay and Bestpay etc. to meet the consumers' need for fast payment channels for offline shopping. Given increasing changes in the consumption environment, consumption habit and consumption behaviour, the Group actively explored in innovating the business models of convenience stores and carried out pilot work to transform the existing convenience stores into community-based fresh produce convenience stores to highlight the business objective of "home kitchen's good helper". The fresh produce stores mainly sell kitchen-related goods such as vegetables, fruits, meats and staple food, so as to meet the community residents' convenience demand.

Improve store management by strengthening data analysis

During the Reporting Period, the Group insisted on conducting data integration and analysis, especially in respect of sensitive indices such as contact ratio, inventory efficiency, and status of shelf sales goods, group purchase and special offer operations, in order to obtain information on single store (store average), single item (Top 10) ranking, vendor brand channels, sales classification of ABC, price range indication and shelf sales ratio of major categories such as fruits and vegetables, cooked food, eggs, frozen food, liquor, daily chemicals and knitted cotton goods. Through such analysis, problems were identified in the operation system and specific solutions were formulated to provide effective support for the management in their decision making process.

Boost logistics efficiency by optimising logistics and distribution management

During the Reporting Period, using the automatic sorting system, the normal-temperature distribution centre gradually sorted out the existing operation procedures one by one. Sorting operations for dissembled goods under cross-docking logistics were included in the automatic sorting machine, further reducing manual operation and improving distribution efficiency and service quality of shipments. The promotion of logistics standardisation continued, and certain selected warehousing distribution goods were shifted to operation of cross-docking logistics, thereby increasing the distribution volume of goods by cross-docking logistics. On the basis of enhancing daily operational management, the fresh produce logistics centre actively introduced equipment and facilities and sped up the development of small-packaged products. With respect to the properties and processing standards of goods, the fresh produce logistics centre conducted repeated tests in multiple aspects such as material selection, packaging, specification and edible method etc. and launched more than 100 types of box-packed products.

Implementation of food safety management

During the Reporting Period, in order to better implement food safety management and prevent potential food safety hazards, the Group carried out strict monitoring over the quality of goods. Imports from new channels and new goods were monitored in accordance with strict quality standards, and field inspections were conducted on newly introduced channels and high-risk channels. Any channel which did not meet the quality requirements was not introduced. The distribution centre strengthened its management over the date of manufacture and the shelf life of goods received, and rejected all goods which did not meet inspection requirements. Emphasis was also placed on checking the expiration dates of the goods in stock at the logistics centre, so as to ensure that no goods nearing expiration date or expired goods were distributed to the stores. The quality of fresh produce was strictly controlled in the procurement bases. Different packaging and transportation standards were adopted according to different seasons and different storage transportation demands of different fresh produce. The sanitary condition and temperature control of distribution trucks were supervised, safety checks for goods on sale were enhanced, and food safety management in stores were regulated.

Prudent development of retail network

During the Reporting Period, the Group focused on improving the operational capability of its stores and was prudent and cautious in developing the scale of its stores. One new retail store was opened during the Reporting Period. Due to reasons including the expiration of tenancies and adjustments to operational strategies, 4 supermarkets and 6 franchise-operated convenience stores were closed during the Reporting Period. In addition, the Group completed the renovation work for 1 supermarket and 4 convenience stores.

As at 30 June 2016, the Group had a total of 252 retail outlets, including 189 directly-operated outlets and 63 franchise-operated outlets, with total net operating area of 307,870 square metres. The following table sets out the number and net operating area of the Group's retail outlets as at 30 June 2016:

	Department stores	**Hypermarkets**	**Supermarkets**	**Convenience stores**	**Total**
Number of retail outlets:					
Directly-operated	2	12	68	107	189
Franchise-operated	–	–	1	62	63
Total	2	12	69	169	252
Net operating area (square metres):					
Directly-operated	39,742	86,089	148,205	20,354	294,390
Franchise-operated	–	–	880	12,600	13,480
Total	39,742	86,089	149,085	32,954	307,870

RETAIL OPERATING RESULTS

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

	For the six months ended 30 June		
	2016	2015	Variance
	RMB'000	*RMB'000*	
Directly-operated retail outlets:			
Hypermarkets	**651,757**	685,072	-4.9%
Supermarkets	**1,499,976**	1,502,983	-0.2%
Convenience stores	**157,878**	158,464	-0.4%
Department stores	**21,645**	25,212	-14.1%
(including commissions)	**18,373**	21,814	-15.8%
Online retail business	**18,366**	17,921	2.5%
Total retail principal operating income	**2,349,622**	2,389,652	-1.7%
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	**15.5**	15.0	0.5p.p

During the Reporting Period, the retail principal operating income of the Group decreased by approximately 1.7% mainly due to the following reasons: (i) an overall same-store sales decrease of approximately 1.67% during the Reporting Period; (ii) the impact of intensive market competition and fast development of e-commerce on physical stores; and (iii) the impact of closed stores.

During the Reporting Period, the gross profit margin of the directly-operated retail business (excluding department stores) increased from 15.0% in the last corresponding period to 15.5%, mainly because of: (i) adjusting and optimizing the composition of the commodities by gradually increasing the proportion of high gross profit margin products during the Reporting Period; and (ii) an improvement in the pricing management of promotion commodities.

WHOLESALE BUSINESS

Continuous expansion of e-commerce supplier business

During the Reporting Period, the Group had been proactive in promoting e-commerce supplier business. It kept diversifying the goods sold online and introduced new brands of goods, strengthening the cooperation with various e-commerce platforms, taking advantage of its existing offline resources to realize the interaction of online and offline sales and brand sharing. Building on an enhanced cooperation with existing e-commerce platforms, it made efforts to explore new platforms, and gradually established cooperative relationships with medium and small-sized platforms and expanded the channels of online sales. With such efforts, the Group saw constant growth in its e-commerce supplier business.

Continuous diversification of goods, extension of supply chain and expansion of distribution network

During the Reporting Period, the Group continued to introduce new suppliers, brands and products. At the same time, the Group also insisted on the strategy of developing its private brands. To meet market demands, tailor-made products and private brand goods were developed for goods such as beverages, seasoning, snack foods, chemicals for daily use, etc. and various private brand product promotion activities were conducted, featuring special operations and product advantages. The Group continued to expand its offline distribution network to increase downstream retail customers, and made use of its existing competitive resources to conduct regional brand promotion in regional areas, and introduced new brands into regional companies, so as to perfect the commodity structure of various regions and increase the sales capacity and sales scale of regional subsidiaries.

Enhance competitiveness by accelerating development of logistics standardization

During the Reporting Period, the Group continued to insist upon establishing standardized logistics. It improved the independent logistics functions of the logistics centre such as information and comprehensive function, and constantly optimized logistics chains to reduce the costs. New third party customers were actively introduced to continuously optimize third party logistics services and expand third party business scales.

WHOLESALE OPERATING RESULTS

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

	For the six months ended 30 June		
	2016	2015	Variance
	RMB'000	*RMB'000*	
Wholesale principal operating income recognised by Chaopi Group*	**3,318,846**	3,202,149	3.6%
Less: Intersegment Sales	**(258,184)**	(291,790)	-11.5%
Sales to franchisees	**2,182**	2,846	-23.3%
Total wholesale principal operating income	**3,062,844**	2,913,205	5.1%
Gross profit margin (%)**	**8.5**	9.3	-0.8p.p

* *Chaopi Group represents Beijing Chaopi Trading Company Limited (the "**Chaopi Trading**") and its subsidiaries.*

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

During the Reporting Period, the wholesale principal operating income recognized by Chaopi Group increased by approximately 5.1%, which was mainly due to the following reasons: (i) the sales contribution from increased sales to e-commerce during the period; (ii)the sales contribution from the new subsidiaries in the second half of 2015; and (iii) the sales contribution from the newly introduced distribution brands.

During the Reporting Period, the gross profit margin of wholesale business recognized by the Chaopi Group was 8.5%, as compared to 9.3% in the corresponding period last year, mainly because of: (1) the decline of gross profit due to the intensive competition in the market; and (ii) more sales promotions were launched in order to benefit the customers.

FINANCIAL RESULTS

	For the six months ended 30 June		
	2016	2015	Variance
	RMB'000	*RMB'000*	
Principal operating income	**5,419,638**	5,310,400	2.1%
Gross profit	**661,648**	678,212	-2.4%
Gross profit margin (%)	**12.2%**	12.8%	-0.6p.p
Earnings before interest and tax	**142,139**	154,190	-7.8%
Net profit	**45,245**	48,526	-6.8%
Net profit margin (%)	**0.8%**	0.9%	-0.1p.p
Net profit attributable to shareholders of the parent company	**17,365**	21,040	-17.5%
Net profit margin attributable to shareholders of the parent company (%)	**0.3%**	0.4%	-0.1p.p

PRINCIPAL OPERATING INCOME

During the Reporting Period, the Group's principal operating income increased by approximately 2.1%, of which the retail principal operating income decreased by approximately 1.7%, and the wholesale principal operating income increased by approximately 5.1%.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group decreased by approximately 2.4% compared with the last corresponding period. During the Reporting Period, the gross profit margin was 12.2% (last corresponding period: 12.8%).

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

During the Reporting Period, net profit attributable to shareholders of the parent company decreased by approximately 17.5% compared with the last corresponding period. The earnings before interest and tax amounted to approximately RMB142,139,106, representing a decrease of RMB12,050,416 compared with the last corresponding period, and the net profit attributable to shareholders of the parent company decreased from RMB21,040,066 of the last corresponding period to RMB17,365,243.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2016, the Group had non-current assets of RMB2,425,614,083 (comprising mainly fixed assets, investment property, and land use right for a total of RMB1,396,292,610), and non-current liabilities of RMB801,569,268 (comprising mainly bonds payable of RMB746,848,630).

As at 30 June 2016, the Group had current assets of RMB5,407,995,198. Current assets mainly comprised of cash and cash equivalents of RMB576,865,556, inventories of RMB1,573,373,261, accounts receivable of RMB1,582,018,841 and prepayments and other receivables of RMB1,237,815,883. The Group had current liabilities of RMB4,948,982,746. Current liabilities mainly comprised of notes payable and accounts payable of RMB1,613,414,460, short-term bank loans of RMB2,286,246,599 and other current liabilities of RMB373,738,684 (including short-term bonds of RMB303,646,416).

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 30 June 2016, the Group had bank loans of RMB2,286,246,599, which consisted of accounts receivable factored bank loans of RMB178,382,991, and unsecured bank loans of RMB2,107,863,608. All of the Group's bank loans bear interest rates ranging from1.40% to 4.60% per annum.

Certain of the Group's margin deposit of RMB186,575,770 were pledged for notes payable of RMB467,201,428 as at 30 June 2016.

The Group's gearing ratio* was approximately 73.4% as at 30 June 2016, which was slightly higher than approximately 71.4% in the previous corresponding period.

* *Represented by: Total Liabilities/Total Assets*

FOREIGN CURRENCY RISK

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

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

EMPLOYEES

As at 30 June 2016, the Group employed 7,862 employees domestically (as at 30 June 2015: 8,102 employees). The total staff costs (including directors' and supervisors' remunerations) of the Group for the Reporting Period amounted to RMB373,043,741 (corresponding period in 2015: RMB382,096,587). The staff emolument (including directors' and supervisors' emoluments) of the Group are based on duty (position), experience, performance and market rates, in order to maintain their remunerations at a competitive level.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities.

ESTABLISHMENT OF ONE SUBSIDIARY

On 29 February 2016, the Group, through its non-wholly owned subsidiary Chaopi Trading established a subsidiary, Chaopi International Trading Company (the "Chaopi International Trading"), to mainly engage in developing cross-border e-commerce services for imported goods. The registered capital of Chaopi International Trading was RMB5,000,000, which has been fully paid up by Chaopi Trading. The Company held an indirect equity interest of approximately 79.85% in Chaopi International Trading.

OUTLOOK

China's economy will continue to face relatively huge downside pressure in the second half of 2016. But as various State reform policies are further implemented and with residents' income increasing steadily, it is expected that the consumer market will generally display stability and improve in the second half of the year. Following the increasingly intense market competition, online and offline enterprises are respectively undergoing mergers and acquisitions, and reorganisations. In face of the various fierce challenges and pressures, the Group will continue to use "goods + services" as its base and "cost control" as its core, and adopt the consumer demand-oriented approach for retail business. It will provide consumers with convenient and efficient shopping experience by focusing on promoting the development of mobile Apps, upgrading of live and fresh produce operation and business model innovation (through the integration of online and offline operations). For its wholesale business, extension of management of the supply chain will be accelerated, as well as the development of the e-commerce supplier business to maintain the competitive edge of an integrated development of retail and wholesale businesses.

EVENTS AFTER THE REPORTING PERIOD

On 12 August 2016, the Group, through its non-wholly owned subsidiary, Chaopi Trading, established a subsidiary, Beijing Chaopi Jiusheng Mingpin Trading Company Limited (the "Chaopi Jiusheng"), to mainly engage in operational activities in the incrementing part of the of the brand names of 39 percent alcohol content Wuliangye (39度五糧液) and Maotai (茅台). The registered capital of Chaopi Jiusheng was RMB30,000,000, which, as at date of this announcement, has not yet been paid up by Chaopi Trading. The Company held an indirect equity interest of approximately 79.85% in Chaopi Jiusheng.

On 18 July 2016, Chaopi Trading, certain existing investors and an independent third party collectively contributed in a capital injection into a non-wholly owned subsidiary of the Company, Beijing Chaopi Tianhua Trading Company Limited (the "Chaopi Tianhua"), increasing the registered capital of Chaopi Tianhua from RMB10,000,000 to RMB20,000,000. Chaopi Trading had fully paid up the relevant contribution of RMB5,343,000, and the other investors (including the independent third party)had fully paid the relevant contribution of RMB4,657,000, respectively. Once the increase of registered capital completed, the Company will become a holder of an indirect equity interest of approximately 42.66% in Chaopi Tianhua.

On 15 August 2016, according to the signed "Interbank bonds market debt financing instruments of non-financial enterprises underwriting agreement", the Company issued of the year 2016 the second phase of short-term bonds with a coupon rate of 2.94%, a term of maturity of 365 days, value date to be 16 August 2016 and maturity date to be 16 August 2017 in aggregate amounting to RMB300 million through Bank of Beijing Co., Ltd. As at date of this announcement, the Company has received raised capital through issuing this short-term bond.

On 18 August 2016, according to the signed "Interbank bonds market debt financing instruments of non-financial enterprises underwriting agreement", the Company issued of the year 2016 the third phase of short-term bonds with a coupon rate of 2.98%, a term of maturity of 365 days, value date to be 19 August 2016 and maturity date to be 19 August 2017 in aggregate amounting to RMB200 million through Bank of Beijing Co., Ltd. As at date of this announcement, the Company has received raised capital through issuing this short-term bond.

OTHER INFORMATION

Corporate governance

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

Provision A 4.2 of the Corporate Governance Code requires that every director (including those appointed for a specific term) of a listed issuer shall be subject to retirement by rotation at least once every three years. The Company's Articles of Association of the Company stipulates that each director shall be elected by the general meeting of the Company for a term of not more than three years, and eligible for re-election upon the expiry of the term. Having taken into account of the continuity of the Group's operation and management policies, the Company's Articles of Association contains no express provision for the directors' retirement by rotation and thus deviate from the aforementioned provision of the Corporate Governance Code.

Director's Securities Transactions

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

Audit Committee

The Audit Committee together with the management of the Company and the independent auditor have considered and reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting, including the review of the Group's 2016 unaudited interim consolidated results. The Audit Committee considered that the interim financial report for the six months ended 30 June 2016 was in compliance with the relevant accounting standards, requirements of the Stock Exchange and the Laws of Hong Kong, and appropriate disclosures have been made.

Disclosure of interests

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

As at 30 June 2016, the interests and positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the domestic shares of the Company

Name	Capacity	Number of domestic shares held	Approximate percentage of total issued domestic shares (%)	Approximate percentage of total issued shares (%)
Li Jianwen	Personal	1,482,579	0.64	0.36
Shang Yongtian	Personal	449,451	0.20	0.11
Li Chunyan	Personal	395,992	0.17	0.10
Liu Yuejin	Personal	375,151	0.16	0.09
Li Shunxiang	Personal	5,210,428	2.26	1.26
Yang Baoqun	Personal	1,042,086	0.45	0.25
Liu Wenyu	Personal	265,151	0.12	0.06
Yao Jie	Personal	125,051	0.05	0.03
Wang Hong	Personal	82,525	0.04	0.02

Save as disclosed above, as at 30 June 2016, none of the directors, supervisors or chief executive of the Company nor any of their associates had any interest and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Listing Rules.

Substantial Shareholders

As at 30 June 2016, so far as is known to the directors, supervisors or chief executive of the Company, the persons (other than a director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the domestic shares of the Company

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

Positions in the H shares of the Company

Name	Total number of H shares held	Approximate percentage of total issued H shares	Approximate percentage of total issued shares
		(%)	(%)
Schroders Plc *(Note 1)*	19,977,000 (L)	10.96	4.85
Templeton Asset Management Ltd. *(Note 2)*	16,364,900 (L)	8.98	3.97
JPMorgan Chase & Co. *(Note 3)*	16,362,900 (L)	8.98	3.97
	8,000 (S)	0.00	0.00
	16,346,900 (P)	8.97	3.97
Schroder Investment Management (Hong Kong) Limited *(Note 4)*	13,036,000 (L)	7.16	3.16
Citigroup Inc. *(Note 5)*	11,658,000 (L)	6.39	2.82
	5,508,000 (P)	3.02	1.34

(L) – Long Position
(S) – Short Position
(P) – Lending Pool

Note:

1. These 19,977,000 H shares were held by Schroders Plc in its capacity as an investment manager.

2. These 16,364,900 H shares were held by Templeton Asset Management Limited in its capacity as an investment manager.

3. 16,346,900 H shares were held by JPMorgan Chase & Co. in its capacity as a custodian corporation/an approved lending agent of which 16,346,900 H shares were in a lending pool. JPMorgan Chase & Co. was also a beneficial owner of 16,000 H shares and had a short position over 8,000 H Shares.

4. These 13,036,000 H shares were held by Schroder Investment Management (Hong Kong) Limited in its capacity as an investment manager.

5. These 11,658,000 H shares were held by Citigroup Inc. 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 2016, no other persons (not being a director, supervisor or chief executive of the Company) had, or were deemed or taken to have any interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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

Beijing, PRC
24 August 2016

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