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 2017

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 2017 (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*	**2017.6.30** *RMB* **(unaudited)**	2016.12.31 *RMB* (audited)
Current Assets:			
Cash and bank balances		**804,430,553**	844,840,438
Accounts receivable	*3*	**1,680,857,193**	1,692,790,112
Prepayments		**914,708,539**	1,198,834,416
Other receivables		**161,671,769**	257,294,217
Inventories		**1,585,578,614**	1,724,194,672
Other current assets		**399,001,241**	293,270,673
Total Current Assets		**5,546,247,909**	6,011,224,528
Non-current Assets:			
Available-for-sale financial assets		**31,873,200**	29,753,200
Investment properties		**131,247,506**	134,563,814
Fixed assets		**1,038,215,641**	1,076,062,296
Construction in progress		**104,846,897**	108,915,935
Disposal of fixed assets		**1,493,905**	–
Intangible assets		**191,203,438**	196,656,797
Goodwill		**86,673,788**	86,673,788
Long-term prepaid expenses		**509,552,380**	531,022,968
Deferred tax assets		**21,352,400**	22,812,594
Other non-current assets		**303,351,343**	184,762,165
Total Non-current Assets		**2,419,810,498**	2,371,223,557
TOTAL ASSETS		**7,966,058,407**	8,382,448,085

Item	Notes	**2017.6.30** *RMB* **(unaudited)**	2016.12.31 *RMB* (audited)
Current Liabilities:			
Short-term borrowings		**2,193,254,875**	2,006,169,441
Notes payable	*4*	**452,628,131**	598,656,860
Accounts payable	*4*	**1,088,932,875**	1,224,230,304
Advance from customers		**404,323,759**	465,966,914
Payroll payable		**1,578,218**	2,111,358
Taxes payable		**97,358,397**	94,974,541
Dividends payable		**16,229,701**	3,796,189
Other payables		**214,578,355**	202,354,948
Non-current liabilities due within one year		**–**	–
Other current liabilities		**593,738,886**	865,282,645
Total Current Liabilities		**5,062,623,197**	5,463,543,200
Non-current Liabilities:			
Long-term borrowings		**–**	–
Bonds payable		**748,302,553**	747,573,030
Provisions		**–**	–
Deferred tax liabilities		**2,563,473**	2,071,925
Other non-current liabilities		**52,132,484**	50,981,814
Total Non-current Liabilities		**802,998,510**	800,626,769
TOTAL LIABILITIES		**5,865,621,707**	6,264,169,969
SHAREHOLDERS' EQUITY			
Share capital		**412,220,000**	412,220,000
Capital reserves		**605,008,846**	609,501,004
Other comprehensive income		**3,968,031**	2,672,758
Surplus reserves		**142,729,211**	142,729,211
Undistributed profits	*5*	**482,110,026**	476,230,980
Total Equity Attributable to Shareholders of the Parent Company		**1,646,036,114**	1,643,353,953
Minority Interests		**454,400,586**	474,924,163
TOTAL SHAREHOLDERS' EQUITY		**2,100,436,700**	2,118,278,116
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**7,966,058,407**	8,382,448,085

CONSOLIDATED INCOME STATEMENT

Item		Notes	Six months ended 30 June 2017 RMB (unaudited)	Six months ended 30 June 2016 RMB (unaudited)
I.	**Total operating income**	6	**6,210,704,356**	5,935,802,626
	Including: Operating income		**6,210,704,356**	5,935,802,626
II.	**Total operating costs**	6	**6,129,941,614**	5,879,944,581
	Including: Operating costs		**4,859,652,391**	4,762,984,656
	Tax and surcharges		**26,061,653**	31,136,580
	Selling expenses		**1,014,367,933**	862,665,772
	Administrative expenses		**148,742,678**	153,230,170
	Financial expenses		**81,116,959**	69,945,543
	Impairment losses on assets		**–**	-18,140
	Add: Gains or losses on changes in fair value		**–**	–
	Investment income		**332,960**	585,058
III.	**Operating profit**		**81,095,702**	56,443,103
	Add: Non-operating income		**10,124,070**	14,368,502
	Including: Gains from disposal of non-current assets		**70**	14,414
	Less: Non-operating expenses		**6,545,774**	2,187,220
	Including: Losses from disposal of non-current assets		**2,657,808**	1,271,349
IV.	**Total profit**		**84,673,998**	68,624,385
	Less: Income tax expenses	7	**30,351,536**	23,379,194
V.	**Net profit**		**54,322,462**	45,245,191
	Net profit attributable to shareholders of the parent company		**26,490,046**	17,365,243
	Profit or loss attributable to minority interests		**27,832,416**	27,879,948
VI.	**Net value of other comprehensive income after tax**		**1,639,436**	459,180
	Net value of other comprehensive income attributable to shareholders of the parent company after tax		**1,295,273**	360,316
	Other comprehensive income which can be reclassified into profit or loss subsequently		**1,295,273**	360,316
	1. Gains or losses from changes in fair value of available-for-sale financial assets		**1,269,615**	348,545
	2. Translation differences of financial statements denominated in foreign currencies		**25,658**	11,771
	Net value of other comprehensive income attributable to minority interests after tax		**344,163**	98,864
VII.	**Total comprehensive income**		**55,961,898**	45,704,371
	Total comprehensive income attributable to shareholders of the parent company		**27,785,319**	17,725,559
	Total comprehensive income attributable to minority interests		**28,176,579**	27,978,812
VIII.	**Earnings per share**			
	(I) Basic earnings per share	8	**0.06**	0.04
	(II) Diluted 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 (北京市工商局), the Company was transformed from Beijing Jingkelong Supermarket Chain Group Limited ("**Beijing Jingkelong Supermarket Chain Company Limited**" before renamed). The registered capital of the Company is RMB412,220,000. The company's unified social credit code is 91110000101782670P. The registered office and the principal place of business of the Company is located at Block No. 45, Xinyuan Street, Chaoyang District, Beijing. 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 2017.

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

2. BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS

The Company's and consolidated 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:

	2017.6.30 *RMB* (unaudited)			
Aging	**Carrying Amount**	**Proportion%**	**Bad debt provision**	**Net book value**
Within 1 year	1,531,682,953	91	–	1,531,682,953
1-2 years	45,208,627	3	–	45,208,627
2-3 years	3,135,075	–	66,264	3,068,811
3-4 years	25,380,250	1	4,483,448	20,896,802
4-5 years	1,753,916	–	1,753,916	–
Over 5 years	80,000,000	5	–	80,000,000
Total	1,687,160,821	100	6,303,628	1,680,857,193

4. NOTES AND ACCOUNTS PAYABLE

Item	**2017.6.30** *RMB* **(unaudited)**	2016.12.31 *RMB* (audited)
Notes Payable	**452,628,131**	598,656,860
Accounts Payable	**1,088,932,875**	1,224,230,304
Total	**1,541,561,006**	1,822,887,164

As at June 30, 2017, security deposit for the issuance of bank acceptances above amounted to RMB88,207,902 (December 31, 2016: RMB207,259,165).

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	**2017.6.30** *RMB* **(unaudited)**	2016.12.31 *RMB* (audited)
Within 1 year	**1,064,609,182**	1,203,278,502
1 to 2 years	**11,132,266**	10,459,241
2 to 3 years	**6,675,866**	6,307,175
Above 3 years	**6,515,561**	4,185,386
Total	**1,088,932,875**	1,224,230,304

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

5. UNDISTRIBUTED PROFITS

Item	**Six months ended 30 June 2017** *RMB* **(unaudited)**	Six months ended 30 June 2016 *RMB* (unaudited)
Before adjustment: Undistributed profits at the end of prior period	**476,230,980**	473,625,451
Adjustment: Total undistributed profits at the beginning of the period	**–**	–
After Adjustment: Undistributed profits at the beginning of the period	**476,230,980**	473,625,451
Add: Net profit attributable to the shareholders of the parent company for the period	**26,490,046**	17,365,243
Less: Ordinary shares' dividends payable	**20,611,000**	20,611,000
Undistributed profit at the end of the period	**482,110,026**	470,379,694

Dividend

A final dividend of RMB0.05 per share, in respect of year ended at December 31, 2016 (the previous corresponding period: RMB0.05 per share in respect of the year ended at December 31, 2015) was declared and paid to the shareholders of the Company. The aggregated amount of the final dividend declared and paid was RMB20,611,000, the same as the last period.

Board of directors do not suggest distributing interim dividends in the period (Prior period:0).

6. OPERATING INCOME AND OPERATING COST

(1) Operating income and operating cost

Item	**Six months ended 30 June 2017 *RMB* (unaudited)** Income	Cost	Six months ended 30 June 2016 *RMB* (unaudited) Income	Cost
Principal operating	**5,638,638,757**	**4,856,214,405**	5,419,638,055	4,757,990,357
Other operating	**572,065,599**	**3,437,986**	516,164,571	4,994,299
Total	**6,210,704,356**	**4,859,652,391**	5,935,802,626	4,762,984,656

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

Item	**Six months ended 30 June 2017 *RMB* (unaudited)** Principal operating income	Principal operating cost	Six months ended 30 June 2016 *RMB* (unaudited) Principal operating income	Principal operating cost
Retail	**2,305,692,617**	**1,922,545,369**	2,349,622,234	1,971,413,940
Wholesale	**3,303,398,164**	**2,908,305,338**	3,062,843,340	2,780,649,435
Others	**29,547,976**	**25,363,698**	7,172,481	5,926,982
Total	**5,638,638,757**	**4,856,214,405**	5,419,638,055	4,757,990,357

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

7. INCOME TAX EXPENSES

Item	**Six months ended 30 June 2017** *RMB* **(unaudited)**	Six months ended 30 June 2016 *RMB* (unaudited)
Current income tax	**28,929,795**	26,149,232
Deferred income tax	**1,421,741**	-2,770,038
Total	**30,351,536**	23,379,194

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

Item	**Six months ended 30 June 2017** *RMB* **(unaudited)**
Accounting profit	**84,673,998**
Income tax expenses calculated at tax rate of 25%	**21,168,499**
Effect of subsidiary companies to adapt different tax rates	**20,503**
Effect of adjusting the previous years' income tax	**350**
Effect of non-taxable income	**-541,701**
Effect of non-deductible costs, expenses and losses	**1,378,433**
Effect of using deductible losses of previously unrecognized deferred tax assets	**–**
Effect of deductible losses recover from previously recognized deferred tax assets	**10,047**
Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets in the period	**8,315,405**
Income tax	**30,351,536**

8. EARNINGS PER SHARE

Item	**Six months ended 30 June 2017** *RMB* **(unaudited)**	Six months ended 30 June 2016 *RMB* (unaudited)
Net profit for the period attributable to shareholders of the parent company	**26,490,046**	17,365,243
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 2017** *RMB* **(unaudited)**	Six months ended 30 June 2016 *RMB* (unaudited)
Calculated based on the net profit attributable to ordinary shareholders of the parent company:		
Basic earnings per share	**0.06**	0.04

9. NET CURRENT ASSETS

Item	**2017.6.30** *RMB* **(unaudited)**	2016.12.31 *RMB* (audited)
Current assets	**5,546,247,909**	6,011,224,528
Less: Current liabilities	**5,062,623,197**	5,463,543,200
Net current assets	**483,624,712**	547,681,328

10. TOTAL ASSETS LESS CURRENT LIABILITIES

Item	**2017.6.30** *RMB* **(unaudited)**	2016.12.31 *RMB* (audited)
Total assets	**7,966,058,407**	8,382,448,085
Less: Current liabilities	**5,062,623,197**	5,463,543,200
Total assets less current liabilities	**2,903,435,210**	2,918,904,885

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2017, macroeconomic growth remained stable. Consumption structure continued to transform and upgrade from survival consumption to developmental consumption, from material-based consumption to service-based consumption and from traditional consumption to new consumption model. Consumer expenditure played the main contributing role in economic growth. Continuing to adhere to the operation concept of [products+services] with consumer need as the core, the Group actively promoted renovation, reformation and upgrading by deeply understanding changing consumer demand, behavior and habits. Meanwhile, e-commerce business was also actively promoted with consumer experience as the core. On one hand, Jingkelong APP mobile e-trading function was upgraded, on the other hand the existing sophisticated third-party e-commerce platforms were accessed. Through interaction between scenario experiences of offline stores and online flow, goods and services were adjusted according to the changing consumer demand, so that more comfortable and convenient shopping experiences were brought to satisfy consumers' demand for upgrading besides exploring the opportunities available under integration of online and offline development.

RETAIL BUSINESS

Continuously enhancing product mix and expanding product sales capacity

During the Reporting Period, the Group introduced best selling new products like green vegetables and tea ware, etc. through analysis of core and key categories operation data. Besides, product categories combination and mix were enhanced, channels for selection of best suppliers and advantaged brands were expanded, new products were introduced more rapidly, slow-selling products were weeded out, product turnover rate was sped up, display of goods were improved according to seasons and goods characteristics, consumers were guided through lively displays such as themed display and scenario-based display so as to increase sales of goods.

Continuously strengthening management of live and fresh produce operation and increasing operating capacity of live and fresh produce

During the Reporting Period, operation management of live and fresh produce was further strengthened with implementation of the version "2.0" live and fresh produce, new items were introduced to diversify product range. For example, instant fresh cut food was introduced to meet the lunch needs for the consumers who work nearby. Fruits and vegetables were packaged for sale, convenient canned food were sold such as lotus root slices, garlic moss sections and Chinese yam slices to meet the needs of customers with a quick tempo of life. The "Australian barley-fed cow" was imported to provide high-end beef product series and sold by fractions, whose selling points were highlighted through on-the-spot production to increase customers' awareness of these products. Open bidding for seasonal live and fresh produce was implemented besides strengthening direct procurement system from the place of origin, giving rise to strict control of procurement costs and maintenance of price advantage; checking on receipt, storage and sale of live and fresh produce was also stepped up to control quality and standard, so as to attract more customer flow with good quality of live and fresh produce.

Promotion of business innovation and speeding up development of community live and fresh produce stores

During the Reporting Period, the Group actively developed the Jingjie Live and fresh produce Store operated in the community live and fresh produce store model in response to the relief of non-capital functions, demographic changes and enhancement of consumption quality. The Jingjie Live and fresh produce Store mainly sells daily necessities of community residents such as meat, eggs, fruits, vegetables and milk, with live and fresh produce representing more than 50% of its operation. The store satisfies the residents' basic needs of three daily meals and creates the image of "home kitchen". It also integrates service resources by providing payment services of water and electricity bills, self-recharging service, handset charging, simple meals and self-pickup or home delivery for online shopping. These helped increase customer loyalty and increase sales. During the Reporting Period, 10 branches were opened for the Jingjie Live and fresh produce Store under the Group.

Continuous promotion of online business development and expansion of sales channels

During the Reporting Period, the Group continuously optimized the APP functions through improvement and continuous upgrading the APP's operation system, performance, interface and user experiences. New functions were added such as premium redemption and lucky draw for orders as ways to promote sale. More than 20,000 products were on sale including fruits, vegetables and daily necessities. More convenient online shopping was provided. More than 70 stores have joined third-party platforms including JD Daojia, Waimai Baidu, Meituan.com and ele.me. Marketing activities were repeatedly held in cooperation with various platforms, online orders were increased thanks to the flow and delivery systems of third-party platforms.

Diversification of means of marketing and improving services for the customers

During the Reporting Period, market research questionnaires were conducted, customers' shopping preferences were analyzed and improvements were made to modes of marketing accordingly. Customers' needs were integrated with promotion modes and festive culture, special products were displayed on festive holidays during key promotion period; shopping lucky draws were conducted. Other innovative promotion activities included online gift for offline spending, offline shopping scan for online spending and Red May Luck Draw with home delivery service etc. In order to increase members' sense of belonging and make them feel respected, member's redemption, double discount for members and point-deducting super-value shopping were introduced to increase customer flow and expand sale.

Integration of supply chain management and increasing logistics efficiency

During the Reporting Period, the upstream supply chain management was integrated to bring into full play the functions of automatic sorting system line and sorting operations for dissembled goods line of the normal-temperature logistics center. Some of the goods originally delivered to stores by suppliers were delivered by the logistics center. Products for daily delivery such as packaged cooked food and packaged bread were delivered by the live and fresh produce logistics center instead of suppliers. This has solved the small- and medium- remote stores' problem of out of stock due to late delivery of suppliers. Integrated delivery of various goods including poultry, eggs, frozen food, vegetables and daily necessities was arranged to reduce the frequency of store collection of goods and logistics costs. As a result, logistics efficiency was increased.

Attaching heavy weight to food safety management

During the Reporting Period, the Group adhered to strict approval procedures for the introduction of new products. New channels and new goods were monitored in accordance with strict quality standards, field inspections were conducted on newly-introduced channels and high-risk channels. Any channels that did not meet the required quality standard were not introduced. Hi-tech inspection devices such as atomic fluorescence spectrometer and atomic absorption spectrometer were used. Daily self-check and quality sampling of products for test were insisted as ways to monitor quality of products on sale. Live and fresh produce were strictly required to follow cold chain transport requirements so as to ensure freshness. Food safety self-checks were conducted on regular basis so as to eradicate hidden problems of food safety.

Prudent development of retail network

During the Reporting Period, the Group focused on improving the operational capability of its stores, and was prudent in expanding new stores. The Group opened 3 convenience stores. Due to reasons including expiration of tenancy and modifications to the stores making losses, 3 supermarkets and 6 directly-operated convenience stores were closed during the Reporting Period. In addition, the Group renovated and upgraded and format upgrading of 9 convenience stores.

The Group had 242 retail outlets as at 30 June 2017, including 181 directly-operated outlets and 61 franchise-operated outlets, with total net operating area of 299,856 square metres. The following table sets out the number and net operating area of the Group's retail outlets as at 30 June 2017:

	Department stores	**Hypermarkets**	**Supermarkets**	**Convenience stores**	**Total**
Number of retail outlets:					
Directly-operated	2	12	63	104	181
Franchise-operated	–	–	1	60	61
Total	2	12	64	164	242
Net operating area (square metres):					
Directly-operated	39,742	86,089	140,671	20,884	287,386
Franchise-operated	–	–	880	11,590	12,470
Total	39,742	86,089	141,551	32,474	299,856

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		
	2017	2016	Variance
	RMB'000	*RMB'000*	
Directly-operated retail outlets:			
Hypermarkets	**644,743**	651,757	-1.1%
Supermarkets	**1,444,557**	1,499,976	-3.7%
Convenience stores	**175,521**	157,878	11.2%
Department stores	**20,693**	21,645	-4.4%
(including commissions)	**17,519**	18,373	-4.6%
Online retail business	**20,179**	18,366	9.9%
Total retail principal operating income	**2,305,693**	2,349,622	-1.9%
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	**15.9**	15.5	0.4p.p

During the Reporting Period, the retail principal operating income of the Group decreased by approximately 1.9% mainly due to the following reasons: (i) an overall same-store sales decrease of approximately 0.74% during the Reporting Period; and (ii)the impact of the closure of six loss-making supermarkets in 2016 and three supermarkets during the Reporting Period.

During the Reporting Period, gross profit margin of the directly-operated retail business (excluding department stores) increased from 15.5% of the last corresponding period to 15.9%, mainly because of: (i) adjusting and optimizing the composition of the commodities by reinforcing the introduction of imported products and customised products, and increasing the standardization, the packaging and the operating capacity of live and fresh produce during the Reporting Period; and (ii) the optimization of the marketing and pricing policies.

WHOLESALE BUSINESS

Continuous strengthening and expansion of online and offline distribution channels

During the Reporting Period, the Group followed up and solved key problems in sale, operation and logistics of existing sales customers in all business link. The cooperation relationship with existing sale channels was improved through enhancing sales service quality and standard and increasing customer satisfaction. Intensive cooperation with major e-commerce mainstream platforms continued, especially in order handling, transport supervision and delivery control so as to provide better service and greater support to e-commerce merchants; sales to e-commerce merchants thus increased steadily. The market share was expanded through continuous expansion of offline sale channels leveraging the Group's sophisticated brand resources, marketing skills and logistics system.

Further strengthening brand development strategies

During the Reporting Period, the Group continuously diversified brand resources, introduced advantaged brands, added new suppliers and producers, expanded categories and types of products besides developing products under private brands. The private-branded products developed included rose cookies, dried fungus, dried fish, frozen fruits and vegetable and dried nuts. Sales network for products under private brands was developed through integration of online and offline channels. On the other hand, goods were continuously imported leveraging the Group's advantage in sale channel, where market coverage was ensured, greater efforts were made in tracking and analyzing operation data of imported goods so as to increase its marketability.

New development in third-party logistics business

During the Reporting Period, the Group continuously developed third-party logistics business. Through tender, the Group became the common logistics center for third-party convenience stores as well as operator of normal-temperature and low-temperature daily delivery. The Group continued to develop third-party logistics and common logistics warehouse with upper stream suppliers. As a result, the third-party logistics business has recorded significant growth in revenue.

WHOLESALE OPERATING RESULTS

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

	For the six months ended 30 June		
	2017	2016	Variance
	RMB'000	*RMB'000*	
Principal operating income recognised by Chaopi Group*	**3,549,231**	3,318,846	6.9%
Less: Intersegment Sales	**(247,273)**	(258,184)	-4.2%
Sales to franchisees	**1,440**	2,182	-34.0%
Consolidated Wholesale principal operating income	**3,303,398**	3,062,844	7.9%
Gross profit margin (%)**	**11.1**	8.5	2.6p.p

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

** *This represents gross profit margin recognised by Chaopi Trading and its subsidiaries including intersegment sales.*

During the Reporting Period, the wholesale principal operating income of Chaopi Group increased by approximately 7.9%, 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 expansion the sales channels and the increase in customers; and (iii) the sales contribution from the newly introduced brands and imported products.

During the Reporting Period, the gross profit margin was 11.1%, the corresponding period was 8.5%, mainly because of: (i) adjusting the commodities mix by introducing the higher gross profit, meanwhile obsoleting the low gross profit ones; (ii) the gradually rising of partial liquor prices.

FINANCIAL RESULTS

	For the six months ended 30 June		
	2017	2016	Variance
	RMB'000	*RMB'000*	
Principal operating income	**5,638,639**	5,419,638	4.0%
Gross profit	**782,424**	661,648	18.3%
Gross profit margin (%)	**13.9%**	12.2%	1.7p.p
Earnings before interest and tax	**165,176**	142,139	16.2%
Net profit	**54,322**	45,245	20.1%
Net profit margin (%)	**1.0%**	0.8%	0.2p.p
Net profit attributable to shareholders of the parent company	**26,490**	17,365	52.5%
Net profit margin attributable to shareholders of the parent company (%)	**0.5%**	0.3%	0.2p.p

PRINCIPAL OPERATING INCOME

During the Reporting Period, the Group's principal operating income increased by approximately 4.0%, of which retail principal operating income decreased by approximately 1.9%, and wholesale principal operating income increased by approximately 7.9%.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group increased by approximately 18.3% compared with the last corresponding period. During the Reporting Period, the gross profit margin was 13.9% (last corresponding period: 12.2%).

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

During the Reporting Period, net profit attributable to shareholders of the parent company increased by approximately 52.5% compared with the last corresponding period. The earnings before interest and tax amounted to approximately RMB165,176,293, representing a increase of RMB23,037,187 compared with the last corresponding period, and the net profit attributable to shareholders of the parent company increased from RMB17,365,243of the last corresponding period to RMB26,490,046.

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 2017, the Group had non-current assets of RMB2,419,810,498 (comprising mainly fixed assets, investment property, and land use right for a total of RMB1,320,406,094), and non-current liabilities of RMB802,998,510 (comprising mainly bonds payable of RMB748,302,553).

As at 30 June 2017, the Group had current assets of RMB5,546,247,909. Current assets mainly comprised of cash and cash equivalents of RMB703,922,651, inventories of RMB1,585,578,614, accounts receivable of RMB1,680,857,193 and prepayments and other receivables of RMB1,076,380,308. The Group had current liabilities of RMB5,062,623,197. Current liabilities mainly comprised of notes payable and accounts payable of RMB1,541,561,006, short term bank loans of RMB2,193,254,875 and other current liabilities of RMB593,738,886 (including short-term bonds of RMB512,672,056).

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 30 June 2017, the Group had bank loans of RMB2,193,254,875, which consisted of accounts receivable factored bank loans of RMB173,946,875, unsecured bank loans of RMB2,019,308,000. All the Group's bank loans bear interest rates ranging from 1.15% to 5.0025% per annum.

Certain of the Group's margin deposit of RMB88,207,902 were pledged for notes payable of RMB452,628,131 as at 30 June 2017.

The Group's gearing ratio* was approximately 73.6% as at 30 June 2017, which was slightly higher than approximately 73.4% 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 2017, the Group employed 7,206 employees domestically (as at 30 June 2016: 7,862 employees). The total staffing costs (including directors' and supervisors' remunerations) of the Group for Reporting Period amounted to RMB377,967,121 (corresponding period of 2016: RMB373,043,741). 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 2017, the Group did not have any significant contingent liabilities.

CHANGES OF EQUITY INTEREST IN THE ONE SUBSIDIARY

On 16 February 2017, pursuant to three agreements entered into between Chaopi Trading and three independent third parties, the said three independent third parties in aggregate disposed of 22.25% of the equity interest in Beijing Chaopi Huilong Trading Company Limited ("**Chaopi Huilong**") to Chaopi Trading for a consideration of RMB4,077,636. After the completion of the said transfer, the Company held an indirect interest of approximately 79.85% in Chaopi Huilong.

OUTLOOK

In the first half of 2017, with the stable growth in the retail market and the rationalizing consumption structure of Beijing, the urban-industrial restructuring and the consumption upgrade projects have already shown their values; and in the second half of the year, the coordinated development of Beijing, Tianjin and Hebei and the further implementation of reliefing Beijing's non-capital functions will present the Group with new growth opportunities. The Group will continue to fully grasp the nature of retail industry- products and services, establish its own database through collecting consumption information for analysis of consumers' behavior and preference so that the changes in demand for goods and services from consumers can be clearly identified, which in turn will enable an adjustment of product mix and service offering according to the data analysis. With the aid of leveraging the function of store as a core section of logistics and distribution, the transformation of traditional retail sector will be completed through various measures including upgrading the segment operation, online/offline omni-channel operation and the introduction of smart technology. By both capturing the e-commerce growth opportunities and constantly securing secure the offline market, the Group will promote a closer cooperation with upstream manufacturers, strengthen the brand development strategy, as well as integrate the branding resources of upstream suppliers with the Group's profound distribution network. The Group will also continue to introduce new products and brands, increase the number of imported products, enrich the varieties of products under private brand and continuously enhance the competitiveness of the wholesale business.

EVENTS AFTER THE REPORTING PERIOD

On 14 July 2017, the Group, through its non-wholly owned subsidiary established a subsidiary, Beijing Chaopi Huansheng International Trading Company Limited ("**Chaopi Huansheng**"), to mainly engage in wholesaling and retailing food and health food; import and export of goods; import and export agents. The registered capital of Chaopi Huansheng was RMB15,000,000, which has not been paid. The Company held an indirect equity interest of approximately 40.72% in Chaopi Huansheng.

On 8 August 2017, the Company entered into the equity transfer agreement with the Vendor, Beijing Shoulian Company Limited ("**Shoulian**") for the acquisition of the 85% interest of Beijing Lianchao Company Limited at a total consideration of RMB244,020,502. Details of this acquisition have been disclosed in the Company's announcements dated 8 August 2017.

As at August 15, 2016, according to the agreement ‘non-financial corporate debt financing instruments of the inter-bank bond market underwriting agreement’ signed with the main underwriter of Bank of Beijing Co., Ltd., the Company issued the second short-term financing bond in 2016 with par value of RMB300,000,000, a term of maturity of 365 days, value date at August 16, 2016, due date at August 16, 2017 and interest rate of 2.94%. By the end of reporting date, the Company had collected all of this short-term financing bond fund.

As at August 18, 2016, according to the agreement ‘non-financial corporate debt financing instruments of the inter-bank bond market underwriting agreement’ signed with the main underwriter of Bank of Beijing Co., Ltd., the Company issued the third short-term financing bond in 2016 with par value of RMB200,000,000, a term of maturity of 365 days, value date at August 19, 2016, due date at August 19, 2017 and interest rate of 2.98%. By the end of reporting date, the Company had collected all of this short-term financing bond fund.

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 2017 unaudited interim consolidated results. The Audit Committee considered that the interim financial report for the six months ended 30 June 2017 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 2017, 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	2,022,579	0.88	0.49
Shang Yongtian	Personal	989,451	0.43	0.24
Li Chunyan	Personal	505,992	0.22	0.12
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	365,151	0.16	0.09
Yao Jie	Personal	125,051	0.05	0.03
Wang Hong	Personal	186,696	0.08	0.05

Save as disclosed above, as at 30 June 2017, 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 2017, 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

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 (%)
Schroders Plc *(Note 1)*	19,977,000 (L)	10.96	4.85
China Galaxy International Asset Management (Hong Kong) Co., Limited *(Note 2)*	14,231,500 (L)	7.81	3.45
China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) *(Note 3)*	13,117,000 (L)	7.20	3.18
Schroder Investment Management (Hong Kong) Limited *(Note 4)*	13,036,000 (L)	7.16	3.16
Citigroup Inc. *(Note 5)*	11,134,000 (L)	6.11	2.70

(L) – Long Position

Note:

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

2. These 14,231,500 H shares were held by hina Galaxy International Asset Management (Hong Kong) Co., Limited in its capacity as an investment manager.

3. These 13,117,000 H shares were held by China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) in its capacity as an investment manager.

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

5. These 11,134,000 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 2017, 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
25 August 2017

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