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)

ANNUAL RESULTS ANNOUNCEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

SUMMARY

Beijing Jingkelong Company Limited (the "Company") and its subsidiaries (collectively the "Group") recorded the following results for the year ended 31 December 2007 (the "Reporting Period"):

- Retail outlets increased from 171 in 2006 to 214 (including 1 department store, 6 hypermarkets, 42 supermarkets, 137 convenience stores and 28 Shou Lian delegated stores);
- Revenue increased to approximately RMB5,640.6 million, representing a 24.5% growth as compared to 2006;
- Gross profit increased to approximately RMB721.8 million, 27.9% higher than that of 2006;
- Gross profit margin was approximately 12.8%, 0.3% higher than the 12.5% of 2006;
- Profit attributable to equity holders was approximately RMB124.6 million, represented a 25.1% growth as compared to 2006;
- Same store sales growth increased by approximately 4.8% from approximately 6.6% in 2006 to approximately 11.4% in 2007; and
- Final dividend per share (tax inclusive) was RMB17.5 cents (2006: RMB15 cents).

* For identification purposes only

REVIEW OF RESULTS

The Group expands its retail network according to its business development goal. 16 new directly-operated retail outlets and 22 new convenience stores under franchise arrangement were set up in the Chaoyang District, Haidian District, Xuanwu District, Chongwen District and other districts of Beijing City and Langfang City of Hebei Province with net operating area increasing by approximately 55,000 square meters which has further consolidated our base superiority in the Chaoyang District and simultaneously extended our Group's retail network coverage to other regions of Beijing City. Currently, the network of the Group's retail outlets covers 17 districts and counties of the 18 districts and counties of Beijing City.

We continue with our multi-tiered retail model of hypermarkets, supermarkets and convenience stores. At the same time, in view of the consumption upgrade and changes in consumers' demands, as well as the characteristics of Beijing's new residential quarters planning, the Group actively explores the new operation model to meet the need of the future development. During the Reporting Period, our fourth business model namely Community Shopping Centre commenced operation at the end of 2007, which design and lay-out were guided by consumers' preferences and behaviour and based on the types of retailing format, operation needs and function demands. The Community Shopping Centre was self-developed and constructed by the Group on self-owned land located in the high and new technology industry area of the Electronic City, Jiuxianqiao, Chaoyang District.

The Group has also been expanding its wholesale channels and business coverage. During the Reporting Period, two new companies were established with other investors, one of them specialises in selling food, beverages, wines and other merchandises to catering and entertainment enterprises, while the other one is principally engaged in the wholesale supply of consumer sanitary products. Both of them obtained satisfactory sales results despite having commenced business for less than half year. The number of sole distributorship brands in department stores, supermarkets and, catering and entertainment enterprises in Beijing, Northern China and Eastern China reached 61 during the Reporting Period. While expanding the wholesale business in Beijing, Tianjin, Hebei, and Shandong, Chapoi Trading established a wholly-owned subsidiary in Taiyuan, Shanxi Province during the Reporting Period which further extended the reach antenna of our wholesale network.

Since our strategic investment in Shou Lian in February 2007, according to the intrinsic requirements of integration of purchasing, distribution, settlement and operation management, through switching of management information system, the business systems of the 27 retail outlets under the "小白羊", "億客隆", and "星座興石" brands in Shou Lian have been systematically integrated with the business system of Jingkelong. The parallel and redundant operation of separate purchasing, distribution and operation management systems at Shou Lian has stopped and they have been integrated into the centralised chain operating system of our Group.

In October 2007, the Company successfully placed 30,360,000 H shares at HK$7.3 each. After completion of the placement, total issued capital of the Company increased to 412,220,000 shares of which 44.19% is H shares. In December 2007, the Company successfully issued short-term debentures with a total face value of RMB370,000,000. The successfully placement and issue of the short-term debentures illustrates the public confidence of our Company, and has provided our Group with funds to accelerate our business development.

Before the issue of this report, the listing of the Company has successfully migrated from GEM of the Stock Exchange to the Main Board on 26 February 2008. The successful migration provides the Company with the opportunity to expand its shareholders base, increase the liquidity of the Company's H shares and, we believe, will also have a profound significance on the Group's future development.

PROSPECTS

We believe that growth in resident income and upgrade of consumption structure will continue and positively impact on consumers' demand. With the hosting of the 2008 Beijing Olympic Games, we believe that the retail and wholesale businesses in Beijing City and parts of its periphery (the "Greater Beijing Region") will continue to prosper. The Group will seize on the business opportunities arising from the Beijing Olympic Games, continue with our development strategy of equal attention in regional development and scale as well as profits, speed up development by various methods such as organic growth, merger and acquisition to consolidate its leading position in the Greater Beijing Region.

ANNUAL RESULTS

The Board of the Company is pleased to announce the audited consolidated results and financial position of the Group for the Reporting Period, together with the audited comparative figures for the year ended 31 December 2006, as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2007

	Notes	**2007 RMB'000**	2006 RMB'000
REVENUE	4	**5,640,599**	4,530,975
Cost of sales		**(4,918,762)**	(3,966,385)
Gross profit		**721,837**	564,590
Other income and gains	4	**242,961**	224,308
Selling and distribution costs		**(521,598)**	(419,117)
Administrative expenses		**(137,008)**	(107,958)
Other expenses		**(23,493)**	(29,897)
Finance costs	5	**(27,397)**	(26,296)
Share of profits/(losses) of associates		**4**	(139)
PROFIT BEFORE TAX	6	**255,306**	205,491
Tax	7	**(86,434)**	(74,072)
PROFIT FOR THE YEAR		**168,872**	131,419
Attributable to:			
Equity holders of the parent		**124,593**	99,577
Minority interests		**44,279**	31,842
		168,872	131,419
DIVIDENDS – Proposed final	8	**72,139**	57,693
Dividend per share (RMB)	8	**17.5 cents**	15.0 cents
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT – Basic (RMB)	9	**31.9 cents**	35.1 cents

CONSOLIDATED BALANCE SHEET
31 December 2007

	Notes	**2007 RMB'000**	2006 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,296,834**	1,011,199
Investment properties		**8,240**	16,922
Lease prepayments for land use rights		**76,462**	72,194
Interests in associates		**202**	198
Available-for-sale investments		**53,680**	3,099
Intangible assets		**7,964**	2,344
Other long term lease prepayments		**20,299**	17,524
Total non-current assets		**1,463,681**	1,123,480
CURRENT ASSETS			
Inventories		**599,550**	499,644
Trade receivables	10	**743,006**	473,078
Prepayments, deposits and other receivables		**197,610**	163,102
Loan receivable		**50,000**	-
Investment deposit		**100,000**	-
Pledged deposits		**19,414**	16,919
Cash and cash equivalents		**501,940**	841,691
Total current assets		**2,211,520**	1,994,434
CURRENT LIABILITIES			
Trade and bills payables	11	**997,417**	746,690
Debentures		**370,000**	-
Tax payable		**60,006**	44,100
Other payables and accruals		**147,850**	223,671
Interest-bearing bank and other borrowings		**577,462**	726,396
Deferred income-current portion		**267**	267
Total current liabilities		**2,153,002**	1,741,124
NET CURRENT ASSETS		**58,518**	253,310
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,522,199**	1,376,790

	Notes	**2007** **RMB'000**	2006 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**100,375**	280,000
Deferred income		**3,199**	3,466
Deferred tax liabilities		**12,333**	18,679
Total non-current liabilities		**115,907**	302,145
Net assets		**1,406,292**	1,074,645
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**412,220**	384,620
Reserves		**758,636**	542,660
Proposed final dividend	8	**72,139**	57,693
		1,242,995	984,973
Minority interests		**163,297**	89,672
Total equity		**1,406,292**	1,074,645

NOTES:

1. CORPORATE INFORMATION

The Company was established in the People's Republic of China (the "PRC") as a limited liability company on 20 May 2002 and was transformed into a joint stock limited company in accordance with the PRC Company Law on 1 November 2004. The Company's registered office is located at No. 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 Company's H shares were listed on GEM of the Stock Exchange on 25 September 2006 and subsequently migrated to the Main Board on 26 February 2008.

During the Reporting Period, the Group was principally engaged in the retail and wholesale distribution of daily consumer products in the Greater Beijing Region.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared on a historical cost convention, except for the equity investments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interest is accounted for using the parent existing extension method whereby the difference between the consideration and the book value of share of net assets acquired in recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for HKFRS 7 and HKAS 1 Amendment, the adoption of these new and revised standards and interpretations has had no material effect on the financial statements.

HKFRS 7	*Financial Instruments : Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
HK(IFRIC)-Int 8	*Scope of HKFRS 2*
HK(IFRIC)-Int 9	*Reassessment of Embedded Derivatives*
HK(IFRIC)-Int 10	*Interim Financial Reporting and Impairment*

The principal effects of adopting these new and revised HKFRSs are as follows:

HKFRS 7 – *Financial Instrument: Disclosures*
This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

Amendment to HKAS 1 – *Presentation of Financial Statements – Capital Disclosures*
This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in the current year's financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the financial statements:

HKFRS 8	*Operating Segments*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HK(IFRIC)-Int 11	*HKFRS 2-Group and Treasury Share Transactions*[2]
HK(IFRIC)-Int 12	*Service Concession Arrangements*[4]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2008

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting policy for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no defined benefit scheme, HK(IFRIC)-Int 14 is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures and the adoption of HKAS 23 (Revised) may result in change in accounting policy, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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 assets. No further geographical segment information is presented as the Group's customers and operations are 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;

(ii) the wholesaling segment engages in the wholesale supply of daily consumer products to consumers including the Group's hypermarkets, supermarkets and/or convenience stores, other retail operators and trading companies; and

(iii) the "others" segment comprises, principally, the production of plastic packing materials and 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 years ended 31 December 2007 and 2006.

Year ended 31 December 2007

	Retailing RMB'000	Wholesaling RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:					
Sales to external customers	2,688,648	2,948,000	3,951	-	5,640,599
Intersegment sales	240,410	462,196	11,213	(713,819)	-
Other income and gains	197,072	58,028	601	(12,740)	242,961
Total	3,126,130	3,468,224	15,765	(726,559)	5,883,560
Segment results	101,100	181,176	423	-	282,699
Finance costs	(9,941)	(30,196)	-	12,740	(27,397)
Share of profits of associates	-	4	-	-	4
Profit before tax					255,306
Tax					(86,434)
Profit for the year					168,872
Assets and liabilities:					
Segment assets	2,573,930	1,353,464	4,992	(257,387)	3,674,999
Interests in associates	-	202	-	-	202
Total assets					3,675,201
Segment liabilities	(1,567,140)	(956,178)	(2,978)	257,387	(2,268,909)
Other segment information:					
Capital expenditure	317,386	49,665	3	-	367,054
Depreciation:					
property, plant and equipment	57,803	14,703	94	-	72,600
investment properties	457	-	-	-	457
Amortisation of intangible assets	516	653	-	-	1,169
Recognition of lease prepayments for land use rights	842	-	-	-	842
Impairment loss on items of property, plant and equipment	3,634	-	-	-	3,634
Write-off of inventories	-	1,899	-	-	1,899
Write-down of inventories to net realisable value	2,725	-	-	-	2,725
Foreign exchange difference	7,714	-	-	-	7,714

Year ended 31 December 2006

	Retailing RMB'000	Wholesaling RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:					
Sales to external customers	2,297,306	2,228,520	5,149	-	4,530,975
Intersegment sales	147,559	333,227	8,904	(489,690)	-
Other income and gains	191,543	38,247	502	(5,984)	224,308
Total	2,636,408	2,599,994	14,555	(495,674)	4,755,283
Segment results	97,742	133,793	391	-	231,926
Finance costs	(10,397)	(21,883)	-	5,984	(26,296)
Share of losses of associates	-	(139)	-	-	(139)
Profit before tax					205,491
Tax					(74,072)
Profit for the year					131,419
Assets and liabilities:					
Segment assets	2,170,050	1,106,226	4,219	(162,779)	3,117,716
Interests in associates	-	198	-	-	198
Total assets					3,117,914
Segment liabilities	(1,313,482)	(890,307)	(2,259)	162,779	(2,043,269)
Other segment information:					
Capital expenditure	256,856	21,707	63	-	278,626
Depreciation:					
property, plant and equipment	45,384	12,550	102	-	58,036
investment properties	891	-	-	-	891
Amortisation of intangible assets	383	-	-	-	383
Recognition of lease prepayments for land use rights	752	-	-	-	752
Impairment loss on items of property, plant and equipment	2,100	-	-	-	2,100
Foreign exchange difference	6,366	-	-	-	6,366

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

	2007 RMB'000	2006 RMB'000
Revenue		
Sales of merchandise and produce		
Retailing	**2,688,648**	2,297,306
Wholesaling	**2,948,000**	2,228,520
	5,636,648	4,525,826
Others	**3,951**	5,149
Total revenue	**5,640,599**	4,530,975
Other income and gains		
Income from suppliers		
Promotion income	**100,739**	70,700
Display space leasing fee	**42,707**	30,976
Others	**18,684**	16,432
	162,130	118,108
Gross rental income	**49,486**	40,313
Net compensation on demolished properties	**2,817**	17,002
Compensation for early termination of rental agreements	**6,000**	-
Interest income	**9,691**	37,417
Others	**12,837**	11,468
Total other income and gains	**242,961**	224,308

5. FINANCE COSTS

	2007 RMB'000	2006 RMB'000
Interest on bank loans wholly repayable within five years	**36,808**	28,323
Interest on other borrowings wholly repayable within five years	**15,872**	15,745
	52,680	44,068
Less: Interest capitalised	**(25,283)**	(17,772)
	27,397	26,296

6. PROFIT BEFORE TAX

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

	2007 RMB'000	2006 RMB'000
Cost of inventories sold	**4,918,762**	3,966,385
Depreciation:		
Property, plant and equipment	**72,600**	58,036
Investment properties	**457**	891
	73,057	58,927
Amortisation of intangible assets	**1,169**	383
Recognition of lease prepayments for land use rights	**842**	752
Minimum lease payments under operating lease on properties	**77,693**	50,015
Losses/(gains) on disposal of items of property, plant and equipment, net	**(242)**	555
Impairment/(reversal of impairment) of trade and other receivables	**(8,344)**	6,640
Write-off of inventories	**1,899**	-
Write-down of inventories to net realisable value	**2,725**	5
Net rental income	**(42,692)**	(34,272)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**6,794**	6,041
Impairment loss on items of property, plant and equipment	**3,634**	2,100
Auditors' remuneration	**2,050**	1,385
Staff costs:		
Directors' and supervisors' emoluments	**3,956**	3,072
Other staff costs		
Wages, salaries and social security costs	**203,567**	185,432
Retirement benefit contributions	**20,662**	18,431
	224,229	203,863
	228,185	206,935
Foreign exchange difference	**7,714**	6,366

7. TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group is not liable for income tax in Hong Kong as it did not have assessable income currently arising in Hong Kong. Under the prevailing PRC income tax law, the Group and its associates are subject to corporate income tax at a rate of 33% on their respective taxable income.

The income tax in the consolidated income statement of the Group comprised the following:

	2007 RMB'000	2006 RMB'000
Current income tax- PRC	**92,780**	71,140
Deferred income tax	**(6,346)**	2,932
Total tax charge for the year	**86,434**	74,072

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:

	2007 RMB'000	**%**	2006 RMB'000	%
Profit before tax	**255,306**		205,491	
Income tax at PRC statutory income tax rate	**84,251**	**33.0**	67,812	33.0
Expenses not deductible for tax	**4,243**	**1.7**	3,570	1.7
Tax losses not recognised	**3,704**	**1.5**	2,857	1.4
Effect on change in deferred tax rate	**(5,687)**	**(2.2)**	-	-
Others	**(77)**	**-**	(167)	-
Tax charged at the Group's effective rate	**86,434**	**33.9**	74,072	36.1

On 16 March 2007, the National People's Congress approved the Corporate Income Law of the PRC (the "New CIT Law), which was become effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic companies from 1 January 2008 will decrease from 33% to 25%. This reduction in the income tax rate will directly reduce the Group's effective tax rate prospectively from 2008. According to HKAS 12, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the periods when the assets are realised or the liabilities are settled. As a result, the change in the corporate income tax rate has resulted a decrease in deferred tax liabilities of RMB5,687,000, which has been credited to the income tax expense during the year.

8. DIVIDENDS

	2007 RMB'000	2006 RMB'000
Proposed final – RMB17.5 cents (2006: RMB15.0 cents) per ordinary share	**72,139**	57,693

The proposed final dividend per share for the year ender 31 December 2007 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

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

	2007 RMB'000	2006 RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the parent	**124,593**	99,577

	Number of shares 2007	2006
Shares:		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**390,719,448**	283,672,055

The Company's weighted average number of shares in issue used in the basic earnings per share calculation for the year ended 31 December 2007 is determined by adjusting 27,600,000 new H shares issued on the placement on 12 October 2007.

The Company's weighted average number of shares in issue used in the basic earnings per share calculation during the year ended 31 December 2006 is determined by adjusting 120,000,000 new H shares issued upon listing on the GEM of the Stock Exchange and further 18,000,000 new shares issued as a result of the full exercise of the over-allotment option on 25 September 2006.

Diluted earnings per share for the years ended 31 December 2007 and 2006 have not been presented because no diluting events existed during these two years.

10. TRADE RECEIVABLES

	2007 RMB'000	2006 RMB'000
Trade receivables	**749,457**	489,484
Impairment	**(6,451)**	(16,406)
	743,006	473,078

The Group normally allows a credit period of not more than 60 days to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables comprised about 3,500 customers which amount ranging from RMB0.1 million to RMB192.1 million, there is no significant concentration of credit risks. 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:

	2007 RMB'000	2006 RMB'000
Within 2 months	**602,686**	434,941
2 to 6 months	**136,353**	37,108
6 months to 1 year	**3,855**	638
1 to 2 years	**112**	391
	743,006	473,078

The movements in provision for impairment of trade receivables are as follows:

	2007 RMB'000	2006 RMB'000
At 1 January	**16,406**	24,625
Impairment losses recognised	**568**	6,295
Amount written-off as uncollectible	**(1,611)**	(5,489)
Impairment losses reversed	**(8,912)**	(9,025)
At 31 December	**6,451**	16,406

The individually impaired trade receivables related to customers that were long outstanding over 360 days. The Group does not held any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2007 RMB'000	2006 RMB'000
Not past due	**695,731**	428,970
Less than 1 month past due	**30,213**	21,629
1 to 3 months past due	**12,612**	20,511
Over 3 months past due	**4,450**	1,968
	743,006	473,078

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or credit enhancements over these balances.

11. TRADE AND BILLS PAYABLES

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

	2007 RMB'000	2006 RMB'000
Within 2 months	**919,937**	681,810
2 to 6 months	**69,554**	53,577
6 months to 1 year	**3,270**	5,234
1 to 2 years	**431**	1,798
Over 2 years	**4,225**	4,271
	997,417	746,690

The trade payables are non-interest bearing and are normally settled on 60-days terms.

As at 31 December 2007, the bills payable of the Group amounting to RMB30 million was secured by certain of the Group's pledged time deposits amounting to approximately RMB9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group stuck to the regional development strategy, promoted integrated development of its retail and wholesale distribution businesses, respectively under the "京客隆" and "朝批" brand names to extend its retail and wholesale distribution businesses in the Greater Beijing Region, to cater various demand of a diverse range of customers, ranging from retail operators to end consumers.

RETAIL BUSINESS

Development of Retail Network

During the Reporting Period, the Group's retail network extended steadily. Throughout the year, 16 directly-operated retail outlets (including 1 department store, 1 hypermarket, 5 supermarkets and 9 convenience stores) were opened and 22 convenience stores were set up through franchise arrangements which consolidate the Group's regional superiority and brand cognition in the Greater Beijing Region.

The Community Shopping Centre commenced business in November 2007, comprises a hypermarket, a department store, catering and servicing facilities with net operating area of approximately 36,000 square metres. Introduction of medium-range to upscale fashionable general merchandise brands, modern space design and spacious comfortable shopping environment remarkably promote the brand recognition of the Company which provides the Group a recent development platform.

In February 2007, the Company invested RMB50 million for increasing the registered capital of Shou Lian and provided delegation of 45.3% Shou Lian equity interest pursuant to the capital increase agreement and cooperation agreement signed with Shou Lian. According to the intrinsic requirements of retail chain-operation, through switching of management information system, the business systems of the 27 retail outlets under the brand names of 小白羊", "亿客隆", and "星座兴石" in Shou Lian have been systematically integrated with the business system of Jingkelong during the Reporting Period. The parallel and redundant operation of separate purchasing, distribution and operation management systems at Shou Lian has stopped and they have been integrated into the centralised chain operating system of the Group.

The following table set out the number and net operating area of the Group's retail outlets as at 31 December 2007:

	Department stores	Hypermarkets	Supermarkets	Convenience stores	Total
Number of retail outlets					
Directly-operated	1	6	41	48	96
Franchise-operated	-	-	1	89	90
Shou Lian delegated stores	1	5	22	-	28
	2	11	64	137	214
Net operating area (square metres)					
Directly-operated	27,800	53,138	95,820	10,804	187,562
Franchise-operated	-	-	880	16,746	17,626
Shou Lian delegated stores	19,300	23,695	34,292	-	77,287
	47,100	76,833	130,992	27,550	282,475

Sourcing and supplier management

The Group maintained keen market insight throughout the Reporting Period. In view of the gradual transition of consumption concept, upgrade of consumption structure, the Group was committed to optimise merchandise structure and develop in-house branded products constantly with the category variety and quality being guaranteed. During the Reporting Period, exploration of in-house brands was expanded with new products of 202 categories being introduced, achieving sales of RMB43.6 million which represented a 46% growth.

To date, sourcing and plant bases of vegetables and fruits have been established in 72 cities of 14 provinces in China. The quantity ratio of sourcing from vegetable and fruit bases amounted to 93.96% and 93.21% respectively, which effectively secure quality and safety of the Group's live and fresh produce.

Through establishment of synthetic evaluation and inspection system during the Reporting Period, the Group practiced classified and stratified grading and management of suppliers to make a dynamic selection of suppliers. Through studying and visiting, the Group collected suppliers' suggestions extensively to improve the Group's service provided to suppliers and the relationship between suppliers and the Group.

Merchandise operation management

The Group kept on strengthening management and direction of operation for retail outlets. Along with the increase in coverage of new retail outlets established outside the Chaoyang District, the Group conducted deep research on regional marketing strategy in order to expand districts outside Chaoyang District market share and brand influence gradually. The Group formulated the daily management standards of live and fresh produce and conducted progress activities of live and fresh produce pointedly to improve operational level of live and fresh produce in retail outlets.

Establishment of logistics and distribution and information systems

Being one of the Group's core competitiveness, the self-established formidable and modernised logistics infrastructure and management information system support the Group to maintain sound and speedy development. During the Reporting Period, the Group increased investment and consummated functions of its logistics infrastructure and management information systems to adapt to the need of fast expansion of retail network and business development.

During the Reporting Period, the Group's live and fresh produce logistics centre completed the dilatation of the pork processing workshop resulting in daily allocating and cutting processing capability of pig promoted from 500 heads to over 1,000 heads and also increased storage capability of the frozen workshop by 400 tones. Because of reliable product quality, the Group's live and fresh produce logistics centre has been selected as one of the first batch of supply enterprises for catering of the Olympic Games which provided new opportunity for enhancing the market competitiveness of the live and fresh brand of Jingkelong. The normal temperature logistics centre smoothly completed technological transformation of pass-through products and distribution system of convenience stores.

A three-year information development project has been formulated in the Reporting Period to provide reliable support for the Group to scalize development of multi-tiered retail model and strengthen function management of the headquarter. The Group kept on implementing data application project according to plan, increasing automatic level of data application work and strengthening integration of information technology and operational system.

Establishment of consumer loyalty

The Group insists on operational aims of "Customer first, Good faith" and consumers-oriented market strategy and, strives in enhancing customer loyalty.

Continuous improvement in customer service work was performed during the Reporting Period. Customer satisfaction was improved by perfecting customer service standards and criteria, smoothing various communication channels. The Group conducted "Bring knowledge of live and fresh commodities in community" activities in more than 30 retail outlets for enriching content of "consumer school". Combining the welcome of Olympic Games, the Group developed service star evaluation activity with 78 service stars being selected which stimulated staff sense of honor and promoted work enthusiasm. By positively advancing membership system and related management work, the Group had 880,000 members and conducted points reward and member price promotion for attracting loyal customers.

In order to create a more comfortable shopping environment for consumers, the Group redesigned and redecorated the existing retail outlets according to the original plan. During the Reporting Period, the redesign and redecoration has been successfully performed for the first hypermarket in Tianshuiyuan. The new shopping environment received good comments and welcome from consumers, and improved the brand image.

Operating results for different types of directly-operated retail format

Revenue

	2007		2006	
	Revenue RMB'000	**Percentage of retail revenue (%)**	Revenue RMB'000	Percentage of retail revenue (%)
Hypermarkets	**712,097**	**26.5**	700,997	30.5
Supermarkets	**1,763,647**	**65.6**	1,419,103	61.8
Convenience stores	**212,904**	**7.9**	177,206	7.7
Total	**2,688,648**	**100.0**	2,297,306	100.0

Gross profit and gross profit margin of directly-operated retail business

	2007		2006	
	Gross profit RMB'000	**Gross profit margin (%)**	Gross profit RMB'000	Gross profit margin (%)
Hypermarkets	**108,653**	**15.3**	102,261	14.6
Supermarkets	**279,643**	**15.9**	205,397	14.5
Convenience stores	**32,625**	**15.3**	26,164	14.8
Total	**420,921**	**15.7**	333,822	14.5

During the Reporting Period, the Group's revenue and gross profit of retail business increased by approximately 17% and 26.1%, respectively.

Hypermarket Operation

Hypermarket operation is the important part of the Group's retail business which is currently the most competitive business among chain retail operators. During the Reporting Period, the revenue generated from the hypermarket operation was approximately RMB712.1 million, representing approximately 26.5% of the total retail revenue of the Group. The increase in 2007 revenue was approximately 1.6%.

Supermarket Operation

Supermarket operation is the Group's most mature business and major contributor to the Group's retail business. During the Reporting Period, the revenue generated from the supermarket operation was approximately RMB1,763.6 million, representing approximately 65.6% of the total retail revenue of the Group. The significant increase in 2007 revenue was approximately 24.3%.

Convenience Store Operation

The business of the Group's convenience stores upholds the strategy in running both directly-operated and franchise-operated convenience stores at the same time. During the Reporting Period, the revenue generated from the convenience store operation was approximately RMB 212.9 million, representing approximately 7.9% of the total retail revenue of the Group. The significant increase in 2007 revenue was approximately 20.1%.

The gross profit margin generated from the retail operation maintained the tendency of stable increment during the two years was mainly because of (i) better bargaining power with suppliers as an increase in purchase volume, (ii) higher gross profit margin generated by self-operated live and fresh produce as an increase in sales volume, and (iii) continuous optimisation of product mix.

WHOLESALE BUSINESS

The integrated development of wholesale and retail business is a unique business model and one of the incomparable competitive advantages of the Group. Through sharing of information and mutual cooperation, the wholesale and retail businesses of the Group achieved synchronisation of rapid development during the Reporting Period.

Chaopi Trading, the Group's subsidiary set up two new companies, Chaopi Zhongde and Chaopi Huilong which are respectively engaged in wholesale distribution of consumer sanitary products and wholesale supply to catering and entertainment businesses during the Reporting Period. They obtained good operating results since their commencement of businesses from the second half of 2007 which brought effective development of operating scope and sales channels as well as enhancing overall growth of the wholesale business.

In addition, Chaopi Trading positively extended non-local market and established a subsidiary in Taiyuan, Shanxi Province during the Reporting Period, following the establishment of Tianjin branch, and the subsidiaries in Qingdao and Shijiazhuang, which further extended network coverage of the wholesale business.

Operation results

	2007	2006
	RMB'000	RMB'000
Revenue	**2,948,000**	2,228,520
Gross profit	**299,973**	229,375
Gross profit margin (%)	**10.2**	10.3

During the Reporting Period, the revenue of wholesale business was approximately RMB2,948 million. Excluding the 2007 sales to Shou Lian of approximately RMB221.4 million, the revenue is approximately 22.4% higher than that of 2006. The significant increase in 2007 revenue was mainly due to (i) contribution of sales by Chapoi Zhongde and Chaopi Huilong with businesses commenced in mid 2007, (ii) increase in number of sole distributorship brands, and (iii) continuous optimisation of product mix. Gross profit margin maintained at approximately the same level during the two years, and was approximately 11% in 2007 after excluding 2007 sales to Shou Lian.

FINANCIAL REVIEW

FINANCIAL RESULTS

	2007	2006
	RMB'000	RMB'000
Revenue	**5,640,599**	4,530,975
Gross profit	**721,837**	564,590
Gross profit margin（%）	**12.8**	12.5
Other income and gains	**242,961**	224,308
Selling and distribution costs	**(521,598)**	(419,117)
Administrative expenses	**(137,008)**	(107,958)
Other expenses	**(23,493)**	(29,897)
Finance costs	**(27,397)**	(26,296)
Tax	**(86,434)**	(74,072)
Profit for the year	**168,872**	131,419
Profit attributable to equity holders of the parent	**124,593**	99,577
Net profit margin (%)	**2.2**	2.2
Basic earnings per share-RMB	**31.9 cents**	35.1 cents

Revenue

Revenue represents the net invoiced value of goods sold, after deduction of relevant taxes and allowances for returns and trade discounts.

The Group's revenue increased by approximately 24.5%, from approximately RMB4,531 million in 2006 to approximately RMB5,640.6 million was primarily due to the increase in retail and wholesale revenue by approximately 17% and 32.3%, respectively.

Gross profit and gross profit margin

During the Reporting Period, the gross profit of the Group was approximately RMB721.8 million, representing an increase of approximately 27.9% compared with approximately RMB564.6 million of last year. The increment was in line with the increase in revenue. The increase in gross profit margin from approximately 12.5% to approximately 12.8% in current year was mainly attributable to (i) better bargaining power with suppliers as increase in purchase volume, (ii) higher gross profit generated by the self-operated live and fresh produce, (iii) increase in sole distributorship brands with relatively higher gross profit margin, and (iv) continuous optimisation of product mix.

Other income and gains

Other income and gains mainly represents income from suppliers for display space leasing fee and promotion income, rental income from leasing of investment properties and counters, net compensation on demolished properties and interest income.

The Group's other income and gains increased by approximately 8.3% from approximately RMB224.3 million to approximately RMB243 million in the Reporting Period was mainly due to the increase in income from suppliers of approximately RMB44 million and rental income of approximately RMB9.2 million.

Selling and distribution costs

Selling and distribution costs mainly represent salary and welfare, depreciation, energy fee, rental expenses, repair and maintenance, transportation expenses, packaging expenses, advertising expenses and pre-operating expense.

The Group's selling and distribution costs increased by approximately 24.5% from approximately RMB419.1 million to approximately RMB521.6 million in 2007. The increase was primarily due to the increase in salary and welfare, depreciation, energy fee, rental expenses, advertising expenses and pre-operating expenses as new retail outlets and wholesale subsidiaries were set up and commenced operation in 2007. Selling and distribution costs as percentage of revenue maintained at approximately 9.3% during the two years.

Administrative expenses

Administrative expenses mainly represent salary and welfare, social security costs (including retirement benefits contribution), depreciation expenses and entertainment expenses.

The Group's administrative expenses increased by approximately 26.9% from approximately RMB108 million to approximately RMB137 million in 2007. The increase was mainly attributable to the increase in social security costs as a result of a general increase in salary. Administrative expenses as a percentage of revenue maintained at approximately 2.4% during the two years.

Other expenses

Other expenses primarily comprise impairment of trade and other receivables, impairment loss on property, plant and equipment, various taxes and surcharges and foreign exchange loss.

The Group's other expenses decreased from approximately RMB30 million to approximately RMB23.5 million in 2007. Other expenses as a percentage of revenue decreased from approximately 0.7% to approximately 0.4% in current year.

Finance costs

Finance costs represent interest on bank loans and other borrowings.

The Group's finance costs slightly increased from approximately RMB26.3 million to approximately RMB27.4 million in 2007 was primarily due to the increase in interest expenses on bank loans and other borrowings as a result of increase in interest rates in 2007 and compensated by an increase of interest capitalized of approximately RMB7.5 million. Finance costs as a percentage of revenue maintained at approximately 0.5% during the two years.

Tax

The Group is not subject to Hong Kong profit tax as the Group had no assessable profit arising in or derived from Hong Kong during the Reporting Period.

The members of the Group are subject to corporate income tax at a rate of 33% on their respective taxable profit pursuant to the relevant PRC tax laws and regulations.

Income tax increased by 16.7%, from approximately RMB74.1 million to approximately RMB86.4 million in 2007, primarily due to the increase in taxable income. The Group's effective corporate income tax rate decreased from 36.1% to 33.9% in 2007 was mainly because of the reversal of deferred tax liabilities of approximately RMB5.7 million resulting from the reduction of PRC statutory tax rate to 25% from 2008.

Profit for the year

Profit for the year increased by approximately 28.5% from approximately RMB131.4 million to approximately RMB168.9 million in current year. The increase was mainly attributable to an increase in revenue of approximately 24.5% resulting in increase in gross profit of approximately 27.9% and an increase in other income and gains of approximately 8.3%.

Profit attributable to equity holders of the parent and net profit margin

Profit attributable to equity holders of the parent increased by approximately 25.1% from approximately RMB99.6 million to approximately RMB124.6 million in current year. The net profit margin maintained at approximately 2.2% during the two years.

Basic earnings per share

The Group recorded basic earnings per share of RMB31.9 cents for 2007, which was calculated on the basis of the weighted average number of approximately 390,719,448 shares, representing approximately 9.1% lower than RMB35.1 cents of last year.

ANALYSIS OF KEY FINANCIAL RATIO

	2007	2006
Inventory turnover days	**41**	41
Debtor turnover days	**39**	37
Creditor turnover days	**65**	64
Net gearing ratio (%)	**37.4**	13.8

The Group's inventory turnover days and creditor turnover days maintained at about the same level during the two years.

The Group's debtor turnover days increased slightly was mainly due to a longer credit period was granted to Shou Lian for purchase from the Group in 2007.

The Group's net gearing ratio was 37.4% which was significantly higher than 13.8% of last year. The increase was primarily due to the acquisition of property, plant and equipment during the Reporting Period.

STRATEGIES AND PLANS

Look forward to the future, opportunity and challenge of the Group's retail and wholesale businesses go hand in hand. In spit of competition becoming keen gradually, we still believe that there are huge room and potential for future expansion of the Group.

In 2008, we will continue to implement regional development strategy. Depending on the Group's perfect modernised logistics infrastructure and management information system, keeping on promoting core competitiveness unceasingly, the Group will make efforts to expand coverage area, strengthen regional advantage in the Greater Beijing Region and devote to become a regional leading strong enterprise.

Adhering to the principle of seeking stable progress, the Group will strive for more flexible development ways. While completion of the conformity of Shou Lian's retail outlets properly, the Group will continue to seek opportunities for new mergers, acquisitions and reorganizations to expand regional market share.

The Group will continue to implement the consumer-oriented marketing concept, convert traditional experience marketing to data basis marketing, further exert and develop the function of membership cards system and carry out consumer-dividing marketing on the base of analysis of consumer characteristics and behaviour.

The Group will continue to strengthen construction of logistics infrastructure and management information systems in order to further promote efficiency, reduce costs and strengthen the Group's core competitiveness. The wholesale distribution will introduce automatic classifying and picking equipment which will largely promote distribution efficiency and establish the foundation for further development of the third party logistics service provided to manufacturers and retail operators.

In 2008, the Group will pay further attention in strengthening enterprise culture and training, continue to devote in establishing a specialised and international management team and assiduous and reliable staff troop and, implement staff career design and training project in enhancing overall quality of staff troop.

CAPITAL STRUCTURE

On 12 October 2007, an aggregate of 30,360,000 H shares were placed by the Company to independent investors, comprising 27,600,000 new H shares (the "Placing H Shares) and 2,760,000 H shares converted from an equal number of the domestic shares held by Chaoyang Auxillary, the controlling shareholder of the Company in accordance with the approvals from the relevant PRC authorities and applicable PRC laws and regulations and issued as H shares (the "Sale H Shares") at an offer price of HK$7.3 per share with a nominal value of RMB1.0. As a result, the Company's issued shares increased from 384,620,000 shares, comprising 232,820,000 domestic shares and 151,800,000 H shares to 412,220,000 shares, representing 230,060,000 domestic shares and 182,160,000 H shares.

The entire net proceeds from the sale of the Sale H Shares have been remitted to The National Social Security Fund Council of the PRC. Total net proceeds after deducting the commission and expenses of the Placing H Shares payable by the Company amounted to approximately HK$196 million will be used for the expansion and operation of the Group's retail and wholesale distribution businesses.

The placing of the 30,360,000 H shares was conducted and fully utilised pursuant to the general mandate granted to the directors at an extraordinary general meeting of the Company held on 14 August 2007.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group mainly financed its operations through internally generated cash flows, borrowings from banks and the net proceeds received from the initial public offer of the H shares in September 2006.

As at 31 December 2007, the Group had non-current assets of approximately RMB1,463.7 million, which mainly comprised property, plant and equipment of approximately RMB1,296.8 million and non-current liabilities of approximately RMB115.9 million mainly comprised of interest-bearing bank loans of approximately RMB100.4 million.

As at 31 December 2007, the Group had net current assets of approximately RMB58.5 million. Current assets mainly comprised of cash and cash equivalents of approximately RMB501.9 million, inventories of approximately RMB599.6 million, trade receivables of approximately RMB743 million and prepayments, deposits and other receivables of approximately RMB197.6 million and, investment deposit of RMB100 million. Current liabilities mainly comprised of trade and bills payables of approximately RMB997.4 million, interest-bearing bank and other borrowings of approximately RMB577.5 million, short-term debentures of RMB370 million and, other payables and accruals of approximately RMB147.9 million.

FOREIGN CURRENCY RISK

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

Due to the recent depreciation of HK$ against RMB, a foreign exchange loss of approximately RMB7.7 million primarily arose from the listing proceeds received in HK$ in relation to the initial public offering of the Company's H shares was recorded by the Group during the Reporting Period. As at 31 December 2007, the Group has converted all its cash and bank balances (except cash of HK$78,000) denominated in HK$ into RMB currency, accordingly the fluctuations in HK$ against RMB will not have any further impact on the Group's results and operations.

EMPLOYEES

As at 31 December 2007, the Group had a total of 5,068 full-time employees, representing an increase of 467 employees from 31 December 2006. Total staff costs (including directors' and supervisors' remunerations) of the Group amounted to approximately RMB228.2 million for 2007 (2006: RMB206.9 million). The emoluments of the staff (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. The Group participates in defined contribution retirement benefits schemes organised by the local government authorities in the PRC. The directors believe that the Group's employees are one of the most valuable assets which contributed significantly to the success of the Group. The Group recognises the importance of staff training and hence provides regular internal and external trainings to them to enhance their technical and professional knowledge.

INDEBTEDNESS

As at 31 December 2007, the Group had an aggregate borrowings of approximately RMB1,047.8 million, consisted of secured short-term bank loans of approximately RMB377.4 million, unsecured short-term bank loans of RMB180 million, secured long-term bank loans of approximately RMB100.4 million, unsecured short-term other borrowings of RMB20 million and unsecured short-term debentures of RMB370 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 RMB452.3 million as at 31 December 2007, and

- Certain of the Group's pledged time deposits of approximately RMB10.4 million as at 31 December 2007.

The Group has fully repaid the borrowings from Beijing International Trust and Investment Company Limited during the Reporting Period.

According to an independent legal opinion, all the borrowings incurred in 2007 are in compliance with the relevant PRC applicable laws.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

The Company did not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.24 of the GEM Listing Rules.

CONTINGENT LIABILITIES

As at 31 December 2007, the Group had no material contingent liabilities.

POST BALANCE SHEET EVENT

On 21 March 2008, the Group entered into a loan agreement with New Time Trust & Investment Company Limited, an independent third party to borrow interest-bearing loan amounting to RMB300 million, which was guaranteed by the Company. The loan is unsecured, bearing fixed interest rate of 7.3% per annum and repayable on 22 March 2009.

REVIEW OF BUSINESS OBJECTIVES

The following is a summary of the comparison of the Group's business objectives as set out in the prospectus dated 12 September 2006 in respect of the initial public offering of the Company's H shares on GEM of the Stock Exchange (the "Prospectus") with its actual progress during the Reporting Period.

EXPANSION OF RETAIL DISTRIBUTION NETWORK IN THE PRC

	Business objectives	Actual progress
Hypermarkets	Open not less than 2 hypermarkets in the Greater Beijing Region in 2007	One hypermarket was opened in Jiuxianqiao, Chaoyang District of Beijing with net operating area of approximately 8,200 square metres. Due to winter construction influence, the other hypermarket located in Guanzhuang, Chaoyang District of Beijing with operating area of approximately 7,000 square metres has commenced business on 28 January 2008.
Supermarkets	Open not less than 8 supermarkets in the Greater Beijing Region in 2007	Five supermarkets were opened in Beijing of which two in Chaoyang District and, each in Xuanwu District, Chongwen District and Haidian District, respectively with a total net operating area of approximately 11,700 square metres. Due to winter construction influence, the supermarket located in Langfang City, Hebei Province with operating area of approximately 1,680 square metres has commenced business on 18 January 2008. Due to location selection, rental and other factors, the other two planned supermarkets cannot be opened on schedule.
Convenience stores	Open not less than 8 convenience stores in the Greater Beijing Region in 2007	Nine convenience stores were opened with 8 in Chaoyang District of Beijing and 1 in Langfang City, respectively with total net operating area of approximately 1,960 square metres.
	Open not less than 15 convenience stores in the Greater Beijing Region through franchise arrangements in 2007	22 convenience stores were opened through franchise arrangements, of which 14 in Chaoyang District, two in Changping District, two in Tongzhou District and, each in Haidian District, Xuanwu District, Xicheng District and Shijingzhan District respectively with a total net operating area of approximately 5,000 square metres

INCREASE OPERATING EFFICIENCY

	Business objectives	Actual progress
Logistics centre	Further consolidate and upgrade the logistics capacity for retail and wholesale distribution businesses	Completed the dilatation of the pork processing workshop resulting in the daily allocating and cutting processing capability of pig promoted from 500 heads to over 1,000 heads and also increased the storage capability of the frozen workshop by 400 tones.
Management information systems	Develop and enhance enterprise data resources excavation system	Implemented feasibility study for development of enterprise data resources excavation system. Completed safety upgrade of membership card system, promoted network system efficiency and strengthened safety of management information system.
Operating system	Continue to promote and improve uniform operating and services standard	Adjusted layouts of retail outlets and merchandise display. Developed pork and vegetables display competition. Strengthened surveillance and inspection of service, hygiene, merchandise quality and etc. in retail outlets
Staff training	Offer training courses to store managers and staff at new retail outlets	Conducted 145 different batches of training classes with 8,435 times of shopkeepers and staff trained.

FURTHER BRAND-BUILDING

	Business objectives	Actual progress
Existing retail outlets	Renovating and upgrading existing retail outlets	Conducted redesign and renovation for one hypermarket.
Enhancing customer services quality	Perform survey on customer satisfaction	Provided assistance to customers with the set up of on-line communication channels and through customer mailbox. Set up on-line inquiry function of member reward points. Provided on-line account reconciliation and notification service for suppliers.
	Provide delivery services to elderly and disable customers	Provided free delivery service to elderly and disable customers according to their requests for nearby retail outlets.
Introducing in-house branded products	Introduce in-house branded products	Further introduced 202 categories of in-house branded products achieving a total of 369 categories.

USE OF PROCEEDS FROM GEM LISTING

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

	Intended application from 25 September 2006 to 31 December 2008	**Actual application from 25 September 2006 to 31 December 2007**	**Unutilised balance as at 31 December 2007**
	HK$'000	HK$'000	HK$'000
Expansion of retail distribution network in the PRC			
Open not less than five hypermarkets, 19 supermarkets and 19 convenience stores in the Greater Beijing Region	356,600	306,970	49,630
Increase operating efficiency			
Logistics centre / Management information system	175,400	45,832	129,568
Working capital			
Working capital including but not limited to brand building	52,600	52,600	-
Total	**584,600**	**405,402**	**179,198**

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (the "Code") in protecting and maximising the interests of shareholders during the Reporting Period, saving for the directors' retirement by rotation as discussed below.

Provision A4.2 of the Code requires that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's Articles of Association stipulates that directors shall be elected by shareholders in general meeting for a term of three years and shall be eligible for re-election upon the expiry of the term. Having taking 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 deviating from the aforementioned provision of the Code. As approved by an ordinary resolution at the annual general meeting held on 18 May 2007, the second session of the Board was established and the term of service of each director including the non-executive directors is three years commenced from 1 November 2007.

AUDIT COMMITTEE

An audit committee has been established on 29 July 2005 pursuant to Rule 5.28 of the GEM Listing Rules, and the Board of the Company passed a resolution on 13 December 2007 to establish the second session of Audit Committee. Its authority and responsibility are properly written out in compliance with Rule 5.29 of the GEM Listing Rules. The audit committee provides an important link between the Board and the external auditors in matters falling within the scope of the audit of the Company and the Group. It reviews the effectiveness of the external audit, internal controls and risk evaluation and, provides comments and suggestions to the Board. The audit committee comprises three independent non-executive directors, namely Mr. Chung Chi Kong, Mr. Huang Jiangming and Mr. Fan Faming. Mr. Chung Chi Kong is the chairman of the audit committee.

The Group's audited annual results for the Reporting Period have been reviewed by the audit committee of the Company.

DIRECTORS' AND SUPERVISORS' RIGHTS IN ACQUIRING SHARES AND DEBENTURES

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or its subsidiaries granted to any directors and supervisors or their respective associates (as defined under the GEM Listing Rules), or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors and supervisors to acquire such rights in any other body corporate.

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 and up to the date of this announcement.

COMPETITION AND CONFLICT OF INTEREST

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

COMPLIANCE ADVISER

Based on the latest information and notices from DBS Asia Capital Limited ("DBS Asia"), the Company's compliance advisor, pursuant to Rules 6A.32 and 18.75 of the GEM Listing Rules, neither DBS Asia nor its directors, employees or associates had any interests in the securities of the Company or any other companies in the Group (including options or right to subscribe for such securities) as at 31 December 2007. Pursuant to an agreement dated 30 March 2006 entered into between DBS Asia and the Company (the "Agreement"), DBS Asia received and will received fees for acting as the Company's compliance advisor for a term expiring on the date on which the Company distributes the annual report for the second full financial year after listing of the Company's H shares on GEM of the Stock Exchange on 25 September 2006, or for the period until termination of the Agreement as stipulated therein.

A new agreement dated 26 February 2008 was entered into between DBS Asia and the Company (the "New Agreement") after the migration of the Company's listing from GEM of the Stock Exchange to the Main Board and the Agreement become void accordingly. The terms of the New Agreement are similar to that of the Agreement except DBS will act as the Company's compliance advisor for a term expiring on the date on which the Company distributes the annual report for the year ending 31 December 2009.

DISTRIBUTION OF DIVIDEND

The directors have proposed a dividend of RMB17.5 cents per share (tax inclusive) payable to the shareholders whose name appear on the register of members of the Company on the date of the annual general meeting 2007 (the "AGM"), subject to the approval of the shareholders at the AGM by way of an ordinary resolution. The register of members of the Company will be closed from 29 April 2008 to 19 May 2008, both days inclusive, during which no transfer of shares of the Company will be effective. Dividends will be payable on 23 June 2008. Payment to domestic shareholders of the Company will be made in RMB, while payment to the H shareholders will be made in HK$.

By order of the Board
Wei Tingzhan
Chairman

Beijing, PRC
24 March 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.