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

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

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

(Stock Code: 814)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

HIGHLIGHTS

- Revenue was approximately RMB7,439 million, representing an increase of approximately 11.2% as compared to 2009;
- Gross profit was approximately RMB1,041 million, representing an increase of approximately 11.8% as compared to 2009;
- Gross profit margin was approximately 14.0%, representing a slight increase as compared to 13.9% in 2009;
- Profit attributable to equity holders was approximately RMB180.5 million, representing an increase of approximately 22.1% as compared to 2009;
- Basic earnings per share was approximately RMB43.8 cents; and
- The proposed final dividend per share was RMB20 cents (tax inclusive, 2009: RMB18 cents).

* *For identification purpose only*

The board of directors (the "Board") of Beijing Jingkelong Company Limited (the "Company" or "Jingkelong") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 (the "Reporting Period").

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
REVENUE	4	**7,438,729**	6,691,036
Cost of sales		**(6,397,472)**	(5,759,316)
Gross profit		**1,041,257**	931,720
Other income and gains	4	**495,442**	423,709
Selling and distribution costs		**(880,270)**	(744,743)
Administrative expenses		**(213,020)**	(226,943)
Other expenses		**(44,458)**	(45,069)
Finance costs	5	**(93,940)**	(85,109)
PROFIT BEFORE TAX	6	**305,011**	253,565
Income tax expense	7	**(76,510)**	(65,049)
PROFIT FOR THE YEAR		**228,501**	188,516
Attributable to:			
Owners of the parent	9	**180,502**	147,783
Non-controlling interests		**47,999**	40,733
		228,501	188,516
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	9	**43.8 cents**	35.9 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010	2009
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**228,501**	188,516
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Changes in fair value	**2,560**	3,208
Income tax effect	**(640)**	(986)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**1,920**	2,222
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**230,421**	190,738
Attributable to:		
Owners of the parent	**182,422**	150,005
Non-controlling interests	**47,999**	40,733
	230,421	190,738

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,839,832**	1,666,608
Investment properties		**7,326**	7,793
Prepaid land lease payments		**85,817**	88,271
Goodwill		**90,204**	–
Intangible assets		**11,055**	7,330
Available-for-sale investments		**48,853**	4,293
Deferred tax assets		**12,172**	–
Other long term lease prepayments		**58,157**	64,532
Total non-current assets		**2,153,416**	1,838,827
CURRENT ASSETS			
Inventories		**997,356**	785,251
Trade receivables	*10*	**1,185,689**	1,198,390
Prepayments, deposits and other receivables		**542,034**	430,566
Loan receivable		**50,000**	50,000
Pledged deposits		**21,966**	51,999
Cash and cash equivalents		**574,532**	413,811
Total current assets		**3,371,577**	2,930,017
CURRENT LIABILITIES			
Trade and bills payables	*11*	**1,065,512**	1,031,207
Debentures		**498,733**	–
Tax payable		**17,198**	50,005
Other payables and accruals		**597,817**	544,630
Interest-bearing bank and other borrowings	*12*	**1,185,000**	1,575,980
Deferred income – current portion		**1,216**	910
Total current liabilities		**3,365,476**	3,202,732
NET CURRENT ASSETS/(LIABILITIES)		**6,101**	(272,715)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,159,517**	1,566,112

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*12*	**430,000**	6,000
Deferred income		**2,398**	2,665
Deferred tax liabilities		**12,286**	11,671
Other liabilities		**10,075**	8,900
Total non-current liabilities		**454,759**	29,236
Net assets		**1,704,758**	1,536,876
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**412,220**	412,220
Reserves		**997,895**	902,038
Proposed final dividend	*8*	**82,444**	74,200
		1,492,559	1,388,458
Non-controlling interests		**212,199**	148,418
Total equity		**1,704,758**	1,536,876

NOTES TO FINANCIAL STATEMENTS

31 December 2010

1. CORPORATE INFORMATION

The Company is a joint stock limited company incorporated in the People's Republic of China (the "PRC").

The registered office of the Company is located at Block 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, 18 Chater Road, Central, Hong Kong.

The Group are principally engaged in the retail and wholesale distribution of daily consumer products in the region covering Beijing city and certain parts of its periphery.

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

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 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

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same Reporting Period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash– settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009) *(Include other standards as appropriate)*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows, HKAS 12 Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rate*s, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendment most applicable to the Group are as follows:

HKAS 7 Statement of Cash Flows: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has three reportable operating segments as follows:

(a) the retailing segment engages in the distribution of live and fresh produce, dry products, beverages, processed food and daily necessities through the department stores, hypermarkets, supermarkets and/or convenience stores of the Group (the "Retail Outlets");

(b) the wholesaling segment engages in the wholesale supply of daily consumer products to consumers, including the Retail Outlets, other retail operators, and trading companies; and

(c) the "others" segment comprises, principally, the production of plastic packing materials, and the installation and maintenance of commercial equipment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is measured consistently with the Group's profit before tax except that excess over the cost of acquisition of non-controlling interests and share of losses of associates are excluded from such measurement in the consolidated financial statements. The Group's income tax is managed on a group basis and is not allocated to operating segments.

All assets and liabilities are included in the segment information, neither assets nor liabilities are managed on a group basis.

Intersegment sales and transfers are conducted based on mutually-agreed terms.

The Group has not placed reliance on any single external customers, amounting to 10% or more of its revenues.

No geographical information is presented as all of the Group's revenue is derived from customers based in Mainland China, and all of its assets are located in Mainland China.

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 December 2010 and 2009.

Year ended 31 December 2010

	Retailing	**Wholesaling**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue				
Sales to external customers	**3,395,359**	**4,036,014**	**7,356**	**7,438,729**
Intersegment sales	**–**	**538,132**	**8,891**	**547,023**
	3,395,359	**4,574,146**	**16,247**	**7,985,752**
Reconciliation:				
Elimination of intersegment sales				**(547,023)**
Revenue from operations				**7,438,729**
Segment results	**148,225**	**155,784**	**1,002**	**305,011**
Profit before tax				**305,011**
Segment assets	**3,285,299**	**2,243,782**	**5,405**	**5,534,486**
Reconciliation:				
Elimination of intersegment receivables				**(9,493)**
Total assets				**5,524,993**
Segment liabilities	**2,222,477**	**1,604,421**	**2,830**	**3,829,728**
Reconciliation:				
Elimination of intersegment payables				**(9,493)**
Total liabilities				**3,820,235**
Other segment information				
Capital expenditure*	**212,483**	**44,923**	**16**	**257,422**
Depreciation:				
Property, plant and equipment	**124,666**	**26,818**	**66**	**151,550**
Investment properties	**467**	**–**	**–**	**467**
Amortisation of intangible assets	**1,061**	**1,270**	**–**	**2,331**
Recognition of prepaid land lease payments	**2,454**	**–**	**–**	**2,454**
Impairment losses recognised/ (reversed) in the income statement	**1,500**	**(727)**	**–**	**773**
Foreign exchange differences	**67**	**–**	**–**	**67**

* *Capital expenditure consists of additions to property, plant and equipment, intangible assets and prepaid land lease payments.*

Year ended 31 December 2009

	Retailing *RMB'000*	Wholesaling *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue				
Sales to external customers	3,110,211	3,573,491	7,334	6,691,036
Intersegment sales	–	521,670	5,719	527,389
	3,110,211	4,095,161	13,053	7,218,425
Reconciliation:				
Elimination of intersegment sales				(527,389)
Revenue from operations				6,691,036
Segment results	125,758	127,229	578	253,565
Profit before tax				253,565
Segment assets	2,973,279	1,831,721	4,719	4,809,719
Reconciliation:				
Elimination of intersegment receivables				(40,875)
Total assets				4,768,844
Segment liabilities	1,915,570	1,354,756	2,517	3,272,843
Reconciliation:				
Elimination of intersegment payables				(40,875)
Total liabilities				3,231,968
Other segment information				
Capital expenditure*	297,848	9,377	35	307,260
Depreciation:				
Property, plant and equipment	110,188	27,801	85	138,074
Investment properties	504	–	–	504
Amortisation of intangible assets	848	1,120	–	1,968
Recognition of prepaid land lease payments	2,454	–	–	2,454
Impairment losses reversed in the income statement	–	(153)	–	(153)
Foreign exchange differences	119	–	–	119

* *Capital expenditure consists of additions to property, plant and equipment, intangible assets and prepaid land lease payments.*

4. REVENUE, OTHER INCOME AND GAINS

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

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

	2010	2009
	RMB'000	*RMB'000*
Revenue		
Direct sale of merchandise and produce:		
Retailing	**3,369,831**	3,087,063
Wholesaling*	**4,036,014**	3,573,491
	7,405,845	6,660,554
Commissions from concessionaire sales	**25,528**	23,148
Others	**7,356**	7,334
Total revenue	**7,438,729**	6,691,036

* *Included in the amounts are sales to franchisees amounting to RMB422,418,000 (2009: RMB459,093,000).*

	2010	2009
	RMB'000	*RMB'000*
Other income and gains		
Income from suppliers:		
Promotion income	**327,227**	269,305
Display space leasing income and others	**15,429**	15,096
	342,656	284,401
Gross rental income	**88,710**	81,333
Interest income	**30,537**	26,329
Government grants#	**3,028**	7,337
Franchise fee	**7,129**	7,639
Net compensation on demolished properties	**2,244**	1,579
Others	**21,138**	15,091
Total other income and gains	**495,442**	423,709

\# *Various local government grants have been granted to reward the Group for its contributions to the local economy and employing the surplus rural labour. There were no unfulfilled conditions or contingencies attaching to these grants.*

5 FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**88,005**	50,297
Interest on other borrowings wholly repayable within five years	**6,647**	35,804
	94,652	86,101
Less: Interest capitalised	**(712)**	(992)
	93,940	85,109

6. PROFIT BEFORE TAX

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

	2010	2009
	RMB'000	*RMB'000*
Cost of inventories sold	**6,397,472**	5,759,316
Depreciation:		
Property, plant and equipment	**151,550**	138,074
Investment properties	**467**	504
	152,017	138,578
Amortisation of intangible assets	**2,331**	1,968
Amortisation of prepaid land lease payments	**2,454**	2,454
Minimum lease payments under operating leases on properties	**126,565**	117,484
Losses on disposal of items of property, plant and equipment, net	**4,854**	13,010
Accrual/(reversal) of impairment of trade and other receivables	**773**	(153)
Net rental income	**(88,710)**	(72,534)
Auditors' remuneration	**2,153**	2,200
Staff costs:		
Directors' emoluments	**6,904**	6,703
Other staff costs		
Wages, salaries and social security costs	**338,675**	323,875
Retirement benefit contributions	**31,692**	28,725
	370,367	352,600
	377,271	359,303
Foreign exchange differences	**67**	119

7. INCOME 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 does not have assessable income currently arising in Hong Kong. Under the prevailing PRC income tax law, the Group and its associates are subject to corporate income tax at a rate of 25% on their respective taxable income.

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

	2010	2009
	RMB'000	*RMB'000*
Current income tax – PRC	77,428	65,965
Deferred income tax	(918)	(916)
Total tax charge for the year	76,510	65,049

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

	2010		2009	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**305,011**		253,565	
Income tax at the PRC statutory income tax rate	**76,253**	**25.0**	63,391	25.0
Expenses not deductible for tax	**2,712**	**0.9**	1,190	0.5
Tax losses not recognised	**1,274**	**0.4**	2,250	0.9
Tax effect of non-taxable income	**(1,591)**	**(0.5)**	(1,817)	(0.7)
Others	**(2,138)**	**(0.7)**	35	–
Tax charge at the Group's effective rate	**76,510**	**25.1**	65,049	25.7

8. DIVIDEND

	2010	2009
	RMB'000	*RMB'000*
Proposed final – RMB20.0 cents (2009: RMB18.0 cents) per ordinary share	**82,444**	74,200

The proposed final dividend for the year 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 calculation of the basic earnings per share amount 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.

	2010	2009
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**180,502**	147,783

	Number of shares	
	2010	2009
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**412,220,000**	412,220,000

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during those years.

10. TRADE RECEIVABLES

The Group normally allows a credit period of not more than 60 days to its customers. A longer credit period is granted to its major customers with long term relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group's trade receivables as at 31 December 2010 comprised about 2,500 (2009: 2,500) customers with amounts ranging from RMB0.001 million to RMB260.5 million (2009: RMB0.001 million to RMB462.1 million). Trade receivables are non-interest-bearing except for amounts due from Beijing Shoulian Trading Company Limited ("Shoulian"), an independent third party, which bore interest at a rate of 5.3% (2009: 5.3%) per annum.

An aged analysis of the trade receivables of the Group and the Company as at the end of the Reporting Period, based on the invoice date and net of provision, is as follows:

	Company	
	2010	2009
	RMB'000	*RMB'000*
Within 2 months	**635,557**	728,925
2 to 6 months	**270,592**	242,527
6 months to 1 year	**111,952**	202,570
1 to 2 years	**167,588**	24,368
	1,185,689	1,198,390

11. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the Reporting Period, based on the invoice date, is analysed as follows:

	2010	2009
	RMB'000	*RMB'000*
Within 2 months	**918,616**	818,916
2 to 6 months	**131,082**	203,291
6 months to 1 year	**9,164**	4,999
1 to 2 years	**5,012**	2,262
Over 2 years	**1,638**	1,739
	1,065,512	1,031,207

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

As at 31 December 2010, the bills payable of the Group amounting to RMB87.3 million (2009: RMB152.1 million) were secured by certain of the Group's pledged time deposits amounting to RMB22.0 million (2009: RMB48.3 million).

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2010		2009	
	Maturity	***RMB'000***	*Maturity*	*RMB'000*
Current				
Bank loans – secured		**–**	2010	568,470
Bank loans – unsecured	**2011**	**1,185,000**	2010	560,000
Other borrowings – unsecured		**–**	2010	397,510
Current portion of long term bank loans – secured		**–**	2010	50,000
		1,185,000		1,575,980
Non-current				
Bank loans – secured	**2013**	**430,000**	2011	6,000
		1,615,000		1,581,980

All of the Group's bank loans, which are denominated in RMB, bear interest at fixed rates ranging from 4.0% to 5.6% (2009: 4.9% to 7.5%) per annum.

As at 31 December 2010, the secured bank loans of the Group amounting to RMB430.0 million (2009: RMB612 million), which were secured by certain of the Group's buildings, investment properties and Prepaid land lease payments with aggregate net book values of approximately RMB160.1 million (2009: RMB649.8 million) , RMB5.9 million (2009: RMB6.3 million), and RMB24.0 million (2009: RMB83.1 million), respectively.

Except for the bank loans of the Group amounting to RMB720 million (2009: RMB210 million) were guaranteed by the Company, RMB315 million (2009: nil) were guaranteed by Chaopi Trading, the Group's and the Company's bank loans amounting to RMB150 million (2009: RMB350 million) were unsecured as at 31 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2010, as the macro-economic situation improved and the market vitality ushered in new development opportunities, the wholesale and retail business of fast moving consumer goods embraced the great opportunity. The Group upheld its stable-development tactics in expanding the distribution network, consolidated its leading position in the regional market, refined internal management, improved operation techniques, upgraded the efficiency of procurement, logistics and operational management, and achieved stable results growth.

RETAIL BUSINESS

Stably expanding the retail network and acquiring the Shou Lian Supermarket

During the Reporting Period, the Group continued its tactics of regional expansion. It opened 12 directly-operated stores (1 department store, 6 supermarkets and 5 convenience stores), and 9 franchised stores (1 supermarket and 8 convenience stores) in Beijing and the Langfang region of Hebei province. The Qingta Community Shopping Center (including 1 department store and 1 supermarket both being theme stores) successfully duplicated the model in Jiuxianqiao Community Shopping Center of the Group. These two shopping centers have helped materialized the Group's reasonable distribution in the eastern and western parts of Beijing, laying a solid foundation for further expansion.

Under fierce market competition, the Group renovated and upgraded 5 existing stores, improving the shopping environment to attract more customers. The sales of these 5 stores increased greatly after the renovation.

Since February 2007 when the Shou Lian shops were delegated to the Group, their sales and profitability have gradually improved due to brand effect and system resources of Jingkelong. To expand the Group's coverage in Beijing and trigger synergy with Shou Lian shops, the Group finalized the acquisition of 20 Shou Lian shops at the end of 2010. Most of these shops are located beyond Chao Yang District, complementing the Group's original network in Beijing. We are confident that the Shoulian shops will see better operation efficiency and bring great profits for the Group.

The following table set out the number and net operating area of the Group's retail outlets as at 31 December 2010:

	Department stores	Hypermarkets	Supermarkets	Convenience stores	Total
Number of retail outlets					
Directly-operated	2	8	74	62	146
Franchise-operated	–	–	2	88	90
	2	8	76	150	236
Net operating area (square metres)					
Directly-operated	39,742	68,223	155,523	14,375	277,863
Franchise-operated	–	–	4,048	16,168	20,216
	39,742	68,223	159,571	30,543	298,079

Improving the intensive procurement system and strengthening core competitiveness

Adopting the Procurement Accountability Mechanism. To innovate the procurement and profit-making model and reform the traditional procurement approach in which the procurement staff is only responsible for purchasing but not for selling, the Group has appointed the certain procurement commissioners for specific categories of goods, who are not only responsible for channel assessment, developing new goods, negotiating transaction terms and ensuring timely delivery, but also responsible for display guidance, configuration management and promotion design of the goods in the category they look after. In this way, the procurement commissioners have the intensified duty to manage the structure and sales of the goods they have procured, thus greatly improving the competitiveness of the goods in the retail outlets.

Exploring the channel origin to ensure quality goods. The Group, by procuring branded goods, made great efforts to boost the overall sales volume. It made site visits to check the production procedure, equipment, hygiene and management of the newly-developed suppliers. By signing goods supply guarantee agreements, sending the Group's personnel to reside in the goods supplier's factory and uniform transit of daily-supplied goods, the Group ensured the sources of major goods during festivals and holidays and daily fresh food.

Professional procurement of fresh food from production bases. The Group established separate Fresh Produce Procurement Centers. By taking full advantage of the procurement centers in the category, grade, price and freshness of the fresh produce, the Group conducted strict control of selecting, grading, quality inspection and acceptance to ensure it procures good quality and healthy fresh produce. In 2010, the Group, for the first time, contracted aquatic products in Zhou Shan, Wen Ling and Bei Hai, increasing the sales of aquatic products.

Greater efforts in building the logistics centers and improving the logistics system

The normal-temperature logistics center is becoming a modern logistics service. Following the modern logistics norm featured by "three-dimensional storage, paperless operation, mechanized transport, single-direction flow and standard logistics", the Group initiated the project of renovating and upgrading the normal-temperature logistics center to match the sales growth target set for the next 5 years. During the Reporting Period, we have finalized project feasibility study, plan and procedure drafting, civil construction and information system switch. After the project is completed, the efficiency of the normal-temperature logistics center will considerably improve. At the same time, it will be able to provide the best logistics service tailored for each shop and convenience store, and meet the increasing demand for goods logistics of our directly-operated and franchised shops.

Strengthening the internal management of the Fresh Food Logistics Center. After the procurement function is taken away from the Fresh Food Logistics Center, the efforts were concentrated on internal management, regulating the work procedure, improving quality control and cost control. The Logistics Center also engaged in secondary delivery and provided guidance for meat selling in the shops. These efforts greatly improved the delivery efficiency of fresh food and retained many customers of fresh food for the Group.

Strengthening operational management and promoting sales in retail outlets

Strengthening the management of fresh produce and improving operations. By selling fresh produce whole day in the shops, and carrying out uniform operating hours and categories of fresh produce in all shops, the shops greatly improved the quality, display and marketing atmosphere of the fresh produce. At the same time, the Group adopted a standard inspection mechanism, enhanced the operational management of the shops, properly adjusted the goods display and added to the categories of goods to satisfy consumer demands.

New marketing ideas and regulated shop image. Considering the season features and different demands for goods at different times, the Group's shops launched theme promotions for every 2 months. On local cuisine weeks and the Group anniversary, the shops launched promotions in the form of coupons and percentage discount. These innovative promotions, combined with marketing themes, have strengthened the marketing results. At the same time, the Group pushed forward the marketing standards, introduced uniform price tags, theme POP and billboards, thus reducing the marketing cost and building a unified shop image.

Better service for the member card holders to foster customer loyalty. The Group organized the monthly "Membership Day" on the second Tuesday of each month. On the Membership Day, member card holders can get double bonus points, half price and discounted price for some goods in the shops. Furthermore, the Group provided the membership service and organized lectures for the members. On average, the sales on the Membership Days increased by 5% compared with those on non-membership-day Tuesdays.

Operation results of retail business

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

	2010	2009	Increase
	RMB'000	*RMB'000*	*(%)*
Directly-operated retail outlets:			
Hypermarkets	**1,057,554**	1,000,240	5.7
Supermarkets	**2,027,623**	1,836,552	10.4
Convenience stores	**278,647**	250,271	11.3
Department store	**31,535**	23,148	
(including commission)	**(25,528)**	(23,148)	10.3
Total retail revenue	**3,395,359**	3,110,211	9.2
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	**16.8**	16.4	0.4

The retail revenue of the Group increased by approximately 9.2% during the Reporting Period, which was mainly attributable to (i) the sales growth of retail business along with the impact of the international financial crisis gradually disappeared and consumers confidence regained momentum as well as the sales increase resulted from the rise of Consumer Price Index; (ii) the continuous increase of sales contribution from the retail outlets opened in the previous two years which had been gradually matured after a period of operation experience and the improvement of promotion; (iii) the contributions from several renovated stores and the new stores opened in the full year of 2010 and the second half of 2009; and (iv) the significant sales growth of fresh produce due to the self-operated capability improvement of pork, beef and mutton, vegetable and fruits, the price of which increased a lot during the Reporting Period.

The increase in gross profit margin generated from the directly-operated hypermarkets, supermarkets and convenience stores from approximately 16.4% to approximately 16.8% in the Reporting Period, was mainly due to (i) bargaining power with suppliers strengthened based on the increase in purchase volume as a result of expansion of distribution network and the purchase costs reduced accordingly; (ii) the increased gross profit generated by the project of "agriculture super-docking", which provided customers with live and fresh produce; and (iii) the continuous optimisation of product mix.

WHOLESALE BUSINESS

Beijing Chaopi Trading Company Limited ("Chaopi Trading") became a joint stock company. During the Reporting Period, Chaopi Trading, a subsidiary of the Group, turned from a company of limited liability into a joint stock company. The reform helped improve the corporate governance structure and regulate the business development.

Greater efforts to develop channels and brands. Through the harsh negotiations with suppliers, the number of the source suppliers and brands increased during the Reporting Period, stimulating sales growth. Based on the consumption change and demand for better quality goods, the Group imported some wines and food from foreign suppliers for the first time, laying a foundation for the future sales of imported goods.

Expanding the network coverage. While increasing the urban market share, the Group also made efforts to expand into the rural areas of Beijing. It established the subsidiaries and marketing departments for the suburban markets. By probing into the wholesale market model suitable for the suburban and rural areas of Beijing, the Group occupied the new markets and improved the share in these markets.

Greater efforts to build the logistics and distribution system. To provide support for the rapid growth of wholesale business, the Group introduced the second automatic sorting line for the wholesale distribution center during the Reporting Period, which greatly improved the sorting efficiency. The third-party logistics and distribution service moved smoothly. During the Reporting Period, another 7 third-party logistics clients were added. The distribution volume increased considerably and became the new income source.

Operation results of wholesale business

The wholesale revenue and gross profit margin is analysed as follows:

	2010 *RMB'000*	2009 *RMB'000*	Increase/ (Decrease) *(%)*
Revenue recognised by Chaopi Group	**4,151,728**	3,636,068	14.2
Less: Intersegment sales	**(538,132)**	(521,670)	3.2
Sales to franchisees by the Company	**422,418**	459,093	(8.0)
Consolidated wholesale revenue	**4,036,014**	3,573,491	12.9
Gross profit margin* (%)	**11.0**	10.3	0.7

* *Represents gross profit margin recognised by Chaopi Trading and its subsidiaries (collectively the "Chaopi Group") including intersegment sales.*

The increase in wholesale revenue recognised by Chaopi Group of approximately 14.2% during the Reporting Period was primarily due to (i) the in line expansion of wholesale business with the rapid expansion of network and sales growth of Chaopi Group's main customers under the gradually improved economic situation; (ii) the increase of district distributorship of welcome brands expanded the market share; (iii) the stable sales growth of the new subsidiaries established in 2010 as well as the subsidiaries set up in the previous several years; and (iv) the contribution of sales growth by the rise of food products price especially the price of famous brands of liquors.

The increase in gross profit margin recorded by the wholesale business from approximately 10.3% to approximately 11.0% in the Reporting Period was mainly because of (i) better bargaining power with suppliers due to increase in purchase volume; and (ii) the continuous optimisation of product mix. The sales proportion of high-end liquors and edible oils with higher gross margin increased along with the gradually improved economic situation.

FINANCIAL RESULTS

	2010	2009	Increase
	RMB'000	*RMB'000*	*(%)*
Revenue	**7,438,729**	6,691,036	11.2
Gross profit	**1,041,257**	931,720	11.8
Gross profit margin (%)	**14.0**	13.9	0.1
Other income and gains	**495,442**	423,709	16.9
Selling and distribution costs	**(880,270)**	(744,743)	18.2
Administrative expenses	**(213,020)**	(226,943)	(6.1)
Other expenses	**(44,458)**	(45,069)	(1.4)
Finance costs	**(93,940)**	(85,109)	10.4
Income tax expense	**(76,510)**	(65,049)	17.6
Profit for the year	**228,501**	188,516	21.2
Net profit margin (%)	**3.1**	2.8	0.3
Profit attributable to equity holders of the parent	**180,502**	147,783	22.1
Net profit margin attributable to equity holders of the parent (%)	**2.4**	2.2	0.2
Basic earnings per share-RMB	**43.8 cents**	35.9 cents	22.0

Revenue

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

The increase of the Group's revenue of approximately 11.2%,during the Reporting Period was primarily due to the increase in retail and wholesale revenue of approximately 9.2% and 12.9%, respectively.

Gross profit and gross profit margin

During the Reporting Period, the gross profit of the Group increased by approximately 11.8% as compared to 2009. The increase was in line with the increase in revenue. The slight increase in gross profit margin from approximately 13.9% to approximately 14.0% in the current year was mainly attributable to the increase in gross profit margins of both the retail and wholesale businesses.

Other income and gains

Other income and gains mainly comprise income from suppliers, rental income from leasing and sub-leasing of properties and counters, and interest income.

The Group's other income and gains increased by approximately 16.9% in the Reporting Period, mainly due to the increase from suppliers and rental income of approximately 20.5% and 9.1%, respectively.

Selling and distribution costs

Selling and distribution costs mainly comprise of salary and welfare, depreciation, energy fee, rental expenses, repair and maintenance, transportation expenses, packaging expenses, and advertising and promotion expenses.

The Group's selling and distribution costs were approximately RMB880,270,000 in the Reporting Period, representing an increase of approximately 18.2% compared to 2009. The increase was primarily due to (i) the increase in salary and welfare, depreciation, rental expenses and promotion expenses from the new retail outlets and the renovated retail outlets, (ii) the increase of energy fee resulted from the rise in price of water, electricity and gas, etc. (iii) as the distributor between suppliers and retail operators, the income from suppliers for promotion and the expenses paid to retail operators of the wholesale business are accounted for promotion income and promotion expenses respectively. During the Reporting Period, more frequent promotion activities had been launched, while the increase of promotion expenses was in line with the growing trend of promotion income in wholesale business.

Administrative expenses

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

The Group's administrative expenses were approximately RMB213,020,000 in the Reporting Period, represented a decrease of approximately of 6% compared to 2009. The decrease was mainly because of the enhanced management on administrative expenses.

Other expenses

Other expenses primarily comprise business tax, city construction tax and surcharges mainly charged on rental income and service income.

The Group's other expenses decreased from approximately RMB45,069,000 to approximately RMB44,458,000 in 2010. The decrease was mainly because the Company disposed non-current assets of approximately RMB12,800,000 due to the closure of a hypermarket in 2009 and there was no such disposal during the Reporting Period.

Finance costs

Finance costs represent interest on bank loans, other borrowings and debenture.

The Group's finance costs significantly increased from approximately RMB85,109,000 in 2009 to approximately RMB93,940,000 in 2010, and was primarily due to (i)the increase of interest from the added short-term bank loan and debenture issued for the needs of operation, and (ii) the central bank of China increased the loan rate twice during the second half of 2010 also had impact on the finance costs of the Company.

Income tax expense

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 25% during the Reporting Period on their respective taxable profit pursuant to the relevant PRC tax laws and regulations.

Income tax expense increased from approximately RMB65,049,000 to approximately RMB76,510,000 in 2010, primarily due to the increase in 2010 taxable profits.

Profit for the year

Profit for the year increased by approximately 21.2% from approximately RMB188,516,000 to approximately 228,501,000 in the current year. The increase was mainly attributable to an increase in gross profit of approximately 11.8% and an increase in other income and gains of approximately of 16.9%.

Basic earnings per share

The Group recorded basic earnings per share of approximately RMB43.8 cents for 2010, which was calculated on the basis of the number of 412,220,000 shares, representing approximately 22.0% higher than RMB35.9 cents of last year.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2010, the Group had non-current assets of approximately RMB2,103,398,000, which mainly comprised property, plant and equipment of approximately RMB1,798,814,000, and non-current liabilities of approximately RMB454,759,000 mainly comprised of interest-bearing bank borrowings RMB430,000,000 and deferred tax liabilities of approximately RMB 12,286,000.

As at 31 December 2010, the Group had the net current assets of approximately RMB 56,119,000. Current assets mainly comprised cash and cash equivalents (mainly denominated in RMB) of approximately RMB574,532,000, inventories of approximately RMB997,356,000, trade receivables of approximately RMB1,185,689,000 and prepayments, deposits and other receivables of approximately RMB542,034,000. Current liabilities mainly comprised of trade and bills payables of approximately RMB1,065,512,000, interest-bearing bank borrowings of approximately RMB1,185,000,000, short-term debentures of RMB500,000,000 and other payables and accruals of approximately RMB547,799,000.

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 31 December 2010, the Group had an aggregate borrowings (all denominated in RMB) of approximately RMB2,115,000,000, consisted of secured short-term bank loans of approximately RMB430,000,000, unsecured short-term bank loans of RMB1,185,000,000 and unsecured short-term debentures of RMB 500 million (including RMB300 million and RMB200 million respectively with fixed interest rate of 3.4% and 3.6% per annum). All the Group's bank loans bear fixed interest rates ranging from 4.0% to 5.6% per annum. 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 RMB 863,766, 000 as at 31 December 2010; and

The Group's net gearing ratio* was approximately 89.1% as at 31 December 2010 which was higher than 72.6% as at 31 December 2009. The increase was primarily due to an increase of bank loans and other borrowing during the Reporting Period.

* *Represented by: (Total borrowings (including debentures)-pledged deposits, and cash and cash equivalent)/ Total equity.*

According to an independent legal opinion, all the borrowings incurred in 2010 are in compliance with the relevant PRC applicable laws.

FOREIGN CURRENCY RISK

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

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

EMPLOYEES

As at 31 December 2010, the Group employed 6,917 (2009: 6,869) employees in the PRC. The total staff costs (including directors' and supervisors' remunerations) of the Group for the Reporting Period amounted to approximately RMB377,271,000 (2009: RMB359,303,000). The staff emolument (including directors and supervisors) of the Group are based on position, duty, experience, performance, and market rates in order to maintain their remunerations at a competitive level.

As required by the PRC laws and regulations, the Group participates in the defined contribution retirement benefits scheme for its employees operated by the relevant local government authorities in the PRC. The Group is required to make contributions for those employees who are registered as permanent residents in the PRC at a rate of 20% (2009: 20%) of the employees' salaries, bonuses and certain allowances. The Group has no further obligation associated with the said defined contribution retirement benefits scheme beyond the annual contributions. The Group's contributions to the defined contribution retirement benefits schemes amounted to approximately RMB31,811,000 for the Reporting Period (2009: RMB28,833,000).

The management believe that the Group's employees are one of the most valuable assets which contributed significantly to the success of the Group. The Group provides regular internal and external training to its employees to improve their skills and professional knowledge. During the Reporting Period, around 70 training seminars had been conducted.

CONVERSION OF CHAOPI TRADING INTO A JOINT STOCK LIMITED COMPANY

Pursuant to the approval of Beijing Administration for Industry and Commerce on 31 May 2010, Chaopi Trading, an approximately 79.85% directly owned subsidiary of the Company was converted into a limited liability company into a joint stock limited company with registered capital of RMB368,000,000. There is no change in the registered and paid-up capital of Chaopi Trading and the equity interest owned by the Company in Chaopi Trading in relation to the conversion of Chaopi Trading into a joint stock limited company.

INCREASE OF EQUITY INTERESTS IN SUBSIDIARIES

(i) On 12 January 2010, the Company acquired a 20% equity interest in Beijing Jingkelong (Langfang) Company Limited ("Jingkelong Langfang") from China Fortune Land Development Co., Ltd., the minority shareholder of Jingkelong Langfang, at a cash consideration of RMB5,980,000. After such acquisition, Jingkelong Langfang became wholly owned by the Company. Further details of the acquisition are set out in the announcement of the Company dated 12 January 2010. The registered capital of Jingkelong Langfang was subsequently increased from RMB10 million to RMB50 million and was fully paid up by the Company.

(ii) During the Reporting Period, Chaopi Trading acquired an equity interest of approximately 16.3% in Beijing Huilong Trading Company Limited ("Chaopi Huilong") from a minority shareholder of Chaopi Huilong, at a cash consideration of approximately RMB1,956,000. After such acquisition, the Company's indirect equity interest in Chaopi Huilong increased from approximately 45.83% to 58.85%.

ESTABLISHMENT OF A SUBSIDIARY

During the Reporting Period, the Company through its non-wholly owned subsidiary, Beijing Chaopi Jinglong Oil Sales Company Limited ("Chaopi Jinglong"), to establish a subsidiary, Beijing Chaopi Yuli Trading Company Limited ("Chaopi Yuli") to engage in wholesale of edible oil. The Company holds an indirect equity interest of approximately 30.3% in Chaopi Yuli. The registered capital of Chaopi Yuli is RMB12 million and has been fully paid up by Chaopi Jinglong.

ACQUISITION OF ENTIRE INTEREST IN SHOULIAN SUPERMARKET

On 14 December 2010, the Company entered into an acquisition agreement with Shoulian for the acquisition of the entire equity interest of Beijing Shoulian Supermarket Company Limited ("Shoulian Supermarket") held by Shoulian at a total consideration of RMB121,160,000. Details of this acquisition have been disclosed in the Company's announcements dated 3 December 2010 and 14 December 2010, respectively.

FORMATION OF A COMPANY WITH SHOULIAN

On 27 July 2010, the Company and Shoulian entered into an equity investment agreement to establish a new company, Beijing Jingchao Company Limited ("Jingchao") with a registered capital of RMB300 million, in which the Company holds an equity interest of 14%. The Company has fully contributed RMB42 million into Jingchao on 27 July 2010.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group had no material contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

On 25 January 2011, the Company acquired a 86% equity interest in Beijing Jingchao Trading Company Limited ("Jingchao") from Shoulian at a consideration of RMB259,324,500, including cash of RMB80,000,000 and trade receivable of RMB179,324,500. Jingchao was wholly owned by the Company from then on. Further details of the transaction are set out in the announcement of the Company dated 18 January 2011.

Because the acquisition of Jingchao was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

Save as disclosed above, the Group did not have any significant events subsequent to 31 December 2011.

STRATEGIES AND PLANS

In 2011, the Group will continue efforts to consolidate its basis of development, speed up the progress of development, improve management quality, and promote corporate development while maintaining stability. It will make the following efforts:

– **Rapidly expanding retail network**. Based on the regular development model of leasing and building, we will seek the possibility of mergers and acquisitions to speed up the expansion of our retail network. Our aim is to open 30 stores in the year, including 2 hypermarkets, 8 supermarkets and 20 convenience stores (including. 10 directly-operated stores and 10 franchised stores);

– **Expanding the wholesale distribution network.** The Group will continue to enlarge the market share in the urban, suburban and rural areas of Beijing to ensure complete coverage of our wholesale business in Beijing. We will also enhance the management of existing wholesale subsidiaries beyond Beijing to expand our market and increase the influence of the subsidiaries in the Bohai Economic Rim.

– **Improving the competitiveness of goods.** While focusing on optimization of goods structure, properly improving proportion of high-end goods and upholding the principle of "highlighting the middle-end goods while having both high-end and low-end goods", the Group will attract more high-end consumers while catering for the customer demands of the masses. We will control the overall categories of our goods, speed up the elimination of goods with poor performance, improve the proportion of goods with good sales, develop our own brands and improve customer loyalty.

– **Greater efforts to promote the standard of our shops.** In accordance with the national retail standard and the experience of our domestic and Chinese counterparts, the Group will formulate standards for the 4 forms of retail outlets, build standard sample shops, strengthen operation features of our shops, push forward the standard management of our retail outlets and build a sound image of our Group.

– **Improving the logistics and distribution system.** We will finalize the renovation and upgrading of the normal-temperature logistics center to fulfill all the designed functions. We will finalize the construction of a vegetable processing workshop to improve our competence of initially processing common vegetables and intensive processing of brand vegetables. We will also make efforts to improve the professional distribution and delivery of fresh produce.

– **Optimizing the marketing mode**. By conducting customer demand surveys, making detailed marketing plans, reforming the operational model of discounted goods, trying new marketing methods, and establishing the assessment mechanism of marketing methods, we hope to promote more effective marketing for the Group.

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 Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited during the Reporting Period, saving for the directors' retirement by rotation as explained below.

Provision A4.2 of the Code requires that every director, including those appointed for a specific term, of a listed issuer should be subject to retirement by rotation at least once every three years. The Company's Articles of Association stipulates that each director shall be elected in 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 deviating from the aforesaid provision of the Code.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's 2010 audited annual results and discussed with the management and the external auditors on the accounting principles and practices adopted by the Group, internal control and financial reporting matters.

PURCHASE, SALE OR REDEMPTION 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.

DISTRIBUTION OF DIVIDENDS/CLOSURE OF REGISTER OF MEMBERS

The Board has proposed a final dividend of RMB20 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 2010 (the "AGM"), subject to the approval of the shareholders at the AGM by way of ordinary resolution. The register of members of the Company will be closed from 28 April 2011 to 18 May 2011, both days inclusive, during which no transfer of shares of the Company will be effective. Dividends will be payable on or before 30 June 2011. Payment to domestic shareholders of the Company will be made in RMB, while payment to the H shareholders will be made in HK$.

Pursuant to the "Enterprise Income Tax Law of the PRC" and the "Detailed Rules for the Implementation of the Enterprise Income Tax Law of the PRC", commencing from 1 January 2008, any Chinese domestic enterprise which pays dividends to a non-resident enterprise shareholder (i.e. legal person shareholder) in respect of accounting periods beginning from 1 January 2008 shall withhold and pay enterprise income tax for such shareholder. Since the Company is a H share listed company in Hong Kong, the proposed 2010 final dividend of RMB 20 cents per share (tax inclusive) will be subject to the aforesaid Enterprise Tax Laws.

In order to properly carry out the withholding and payment of income tax on dividends to non-resident enterprise shareholders, the Company will strictly abide by the law and identify those shareholders who are subject to the withholding and payment of income tax based on the register of its H shareholders as at the end of 27 April 2011. In respect of all shareholders whose names appear in the register of H shareholders kept at Computershare Hong Kong Investor Services Limited, the Company's H-Shares Registrar and Transfer Office in Hong Kong as at the end of 27 April 2011 who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees, and other entities or organisations that are all considered as non-resident enterprise shareholders), the Company will distribute the 2010 final dividends after deducting income tax of 10%. The 10% income tax will not be deducted from the 2010 final dividends payable to any natural person shareholders whose names appear in the register of the Company's H shareholders kept at Computershare Hong Kong Investor Services Limited as at the end of 27 April 2011.

By order of the Board
Wei Tingzhan
Chairman

Beijing, PRC
18 March 2011

As at the date of this announcement, the executive directors of the Company are Mr. Wei Tingzhan, Mr. Li Jianwen, Ms. Li Chunyan and Mr. Liu Yuejin: the non-executive directors are Mr. Gu Hanlin and Mr. Li Shunxiang; and the independent non-executive directors are Mr. Wang Liping, Mr. Chen Liping and Mr. Choi Onward.