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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 2009**

HIGHLIGHTS

- Adding 31 new retail outlets with net operating area of approximately 15,900 square metres and the total number of retail outlets reached 246;
- Revenue was approximately RMB6,691 million, maintained at approximately the same amount of 2008;
- Gross profit was approximately RMB931.7 million, maintained at approximately the same amount of 2008;
- Gross profit margin was approximately 13.9%, represented a slight increase as compared to 13.8% in 2008;
- Profit attributable to equity holders was approximately RMB147.8 million, represented a decrease of approximately 5.7% as compared to 2008;
- Basic earnings per share was approximately RMB35.9 cents; and
- Final dividend per share was RMB18.0 cents (tax inclusive, 2008: RMB21.0 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 2009 (the “Reporting Period”).

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

| | <i>Notes</i> | 2009 RMB'000 | 2008 <i>RMB'000</i> <i>(Restated)</i> |
|--|--------------|-------------------------------|---|
| REVENUE | 4 | 6,691,036 | 6,683,791 |
| Cost of sales | | <u>(5,759,316)</u> | <u>(5,759,521)</u> |
| Gross profit | | 931,720 | 924,270 |
| Other income and gains | 4 | 423,709 | 345,568 |
| Selling and distribution costs | | (744,743) | (669,770) |
| Administrative expenses | | (226,943) | (195,360) |
| Other expenses | | (45,069) | (33,333) |
| Finance costs | 5 | (85,109) | (91,100) |
| Share of losses of associates | | <u>–</u> | <u>(11)</u> |
| PROFIT BEFORE TAX | 6 | 253,565 | 280,264 |
| Income tax expense | 7 | <u>(65,049)</u> | <u>(76,581)</u> |
| PROFIT FOR THE YEAR | | <u>188,516</u> | <u>203,683</u> |
| Attributable to: | | | |
| Owners of the parent | | 147,783 | 156,758 |
| Minority interests | | <u>40,733</u> | <u>46,925</u> |
| | | <u>188,516</u> | <u>203,683</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic (RMB) | 9 | <u>35.9 cents</u> | <u>38.0 cents</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

| | 2009 RMB'000 | 2008 RMB'000 |
|---|-----------------|-----------------|
| PROFIT FOR THE YEAR | <u>188,516</u> | <u>203,683</u> |
| Available-for-sale investment: | | |
| Changes in fair value | 3,208 | (2,595) |
| Income tax effect | <u>(986)</u> | <u>—</u> |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX | <u>2,222</u> | <u>(2,595)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>190,738</u> | <u>201,088</u> |
| Attributable to: | | |
| Owners of the parent | 150,005 | 154,163 |
| Minority interests | <u>40,733</u> | <u>46,925</u> |
| | <u>190,738</u> | <u>201,088</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

| | <i>Notes</i> | 2009 RMB'000 | 2008 RMB'000 (Restated) |
|--|--------------|-------------------------------|-------------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 1,666,608 | 1,528,479 |
| Investment properties | | 7,793 | 7,783 |
| Lease prepayments for land use right | | 88,271 | 74,549 |
| Available-for-sale investments | | 4,293 | 1,085 |
| Intangible assets | | 7,330 | 8,583 |
| Other long term lease prepayments | | 64,532 | 67,434 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 1,838,827 | 1,687,913 |
| CURRENT ASSETS | | | |
| Available-for-sale investment | | – | 50,000 |
| Deferred tax assets | | 161 | – |
| Inventories | | 785,251 | 710,080 |
| Trade receivables | 10 | 1,198,390 | 970,086 |
| Prepayments, deposits and other receivables | | 430,405 | 272,700 |
| Loan receivable | | 50,000 | 50,000 |
| Pledged deposits | | 51,999 | 30,387 |
| Cash and cash equivalents | | 413,811 | 543,028 |
| | | <hr/> | <hr/> |
| Total current assets | | 2,930,017 | 2,626,281 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 11 | 1,031,207 | 798,976 |
| Debentures | | – | 370,000 |
| Tax payable | | 50,005 | 72,510 |
| Other payables and accruals | | 544,630 | 493,764 |
| Interest-bearing bank and other borrowings | 12 | 1,575,980 | 1,008,513 |
| Deferred income – current portion | | 910 | 4,282 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 3,202,732 | 2,748,045 |
| NET CURRENT LIABILITIES | | | |
| | | (272,715) | (121,764) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | 1,566,112 | 1,566,149 |

| | <i>Notes</i> | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> (<i>Restated</i>) |
|--|--------------|--------------------------------------|---|
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | 12 | 6,000 | 56,000 |
| Deferred income | | 2,665 | 2,932 |
| Deferred tax liabilities | | 11,671 | 11,601 |
| Other long term payables | | 8,900 | 7,000 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 29,236 | 77,533 |
| | | <hr/> | <hr/> |
| Net assets | | 1,536,876 | 1,488,616 |
| | | <hr/> | <hr/> |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Issued capital | | 412,220 | 412,220 |
| Reserves | | 902,038 | 826,233 |
| Proposed final dividend | 8 | 74,200 | 86,566 |
| | | <hr/> | <hr/> |
| | | 1,388,458 | 1,325,019 |
| | | <hr/> | <hr/> |
| Minority interests | | 148,418 | 163,597 |
| | | <hr/> | <hr/> |
| Total equity | | 1,536,876 | 1,488,616 |
| | | <hr/> | <hr/> |

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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

The Group is 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 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.

As at 31 December 2009, the Group had net current liabilities of RMB272,715,000. Based on the Group's history of obtaining financing, available banking facilities, operating performance, working capital forecast and financial obligations in the next 12 months, the directors consider that there are sufficient financial resources available to the Group to meet its liabilities as when they fall due and to carry on its business in the foreseeable future. Accordingly, the directors have prepared these financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2009. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries is 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. Contingent consideration is recognised if the adjustment is probable and can be measured reliably. Subsequent measurement to the contingent consideration affects goodwill.

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 interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of net assets acquired is recognised as goodwill.

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 and HKAS 27 Amendments | Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> |
| HKFRS 2 Amendments | Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i> |
| HKFRS 7 Amendments | Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i> |
| HKFRS 8 | <i>Operating Segments</i> |
| HKFRS 8 Amendment* | Amendment to HKFRS 8 <i>Operating Segments – Disclosure of information about segment assets</i> (early adopted) |
| HKAS 1 (Revised) | <i>Presentation of Financial Statements</i> |
| HKAS 18 Amendment* | Amendment to Appendix to HKAS 18 <i>Revenue – Determining whether an entity is acting as a principal or as an agent</i> |
| HKAS 23 (Revised) | <i>Borrowing Costs</i> |
| HKAS 32 and HKAS 1 Amendments | Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i> |
| HK(IFRIC)-Int 9 and HKAS 39 Amendments | Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i> |
| HK(IFRIC)-Int 13 | <i>Customer Loyalty Programmes</i> |
| HK(IFRIC)-Int 15 | <i>Agreements for the Construction of Real Estate</i> |
| HK(IFRIC)-Int 16 | <i>Hedges of a Net Investment in a Foreign Operation</i> |
| HK(IFRIC)-Int 18 | <i>Transfers of Assets from Customers</i> (adopted from 1 July 2009) |
| Improvements to HKFRSs (October 2008) ** | Amendments to a number of HKFRSs |

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the amendments included in *Improvements to HKFRSs* issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary, which are effective for annual periods beginning on or after 1 July 2009*.

Other than as further explained below regarding the impact of the adoption of HKFRS 8 and HKAS 1 (Revised) resulted in new or amended disclosures and the adoption of HK(IFRIC)-Int 13 resulted in changes in accounting policies, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

(a) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces 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 concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 3 to the financial statements.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

(b) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(c) HK(IFRIC)-Int 13 *Customer Loyalty Programmes*

HK(IFRIC)-Int 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. 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. The Group maintains a loyalty points programme, Consumption Points, within its retail segment. The programme allows customers to accumulate points when they purchase goods in the Group's retail outlets. The points can then be redeemed for discounts or free goods, subject to a minimum number of points being obtained. The temporary difference arising from the accrued sales discount available for offsetting against future taxable profit was recognised as deferred tax assets accordingly. The Group has historically recorded selling expense and accruals at the time of sale based on the costs expected to be incurred to redeem the discount or supply goods in the future. HK(IFRIC)-Int 13 has no specific provisions on transition. Therefore, the Group has followed HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to apply the changes retrospectively. The prior year's financial information has therefore been restated.

Under the new policy, consideration received is allocated between the goods sold and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

As a result of the adoption of HK(IFRIC)-Int 13, the following adjustments were made to the financial information of the prior year:

For the year ended 31 December 2008:

| | |
|----------------------------------|---------------|
| Net decrease in revenue: | RMB10,566,000 |
| Net decrease in selling expense: | RMB10,566,000 |

As at 31 December 2008:

| | |
|---|--------------|
| Net increase in deferred income | RMB4,015,000 |
| Net decrease in other payables and accruals | RMB4,015,000 |

The restatement of financial information of the prior year has had no impact on the Group's earnings per share for the year ended 31 December 2008.

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:

- (i) 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");
- (ii) the wholesaling segment engages in the wholesale supply of daily consumer products to consumers, including the Retail Outlets, other retail operators, and trading companies; and
- (iii) the "others" segment comprises, principally, the production of plastic packing materials, and the installation and maintenance of commercial equipment.

Management monitors the results of its 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 minority 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, no assets nor liabilities are managed on a group basis.

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 units for the years ended 31 December 2009 and 2008.

Year ended 31 December 2009

| | Retailing <i>RMB'000</i> | Wholesaling <i>RMB'000</i> | Others <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|------------------------------------|--------------------------------------|---------------------------------|--------------------------------|
| Segment revenue | | | | |
| Sales to external customers | 3,110,211 | 3,573,491 | 7,334 | 6,691,036 |
| Intersegment sales | <u>–</u> | <u>521,670</u> | <u>5,719</u> | <u>527,389</u> |
| | 3,110,211 | 4,095,161 | 13,053 | 7,218,425 |
| <i>Reconciliation:</i> | | | | |
| Elimination of intersegment sales | | | | <u>(527,389)</u> |
| Revenue from operations | | | | <u><u>6,691,036</u></u> |
| Segment results | 125,758 | 127,229 | 578 | <u>253,565</u> |
| Profit before tax | | | | <u><u>253,565</u></u> |
| Segment assets | 2,973,279 | 1,831,721 | 4,719 | 4,809,719 |
| <i>Reconciliation:</i> | | | | |
| Elimination of intersegment receivables | | | | <u>(40,875)</u> |
| Total assets | | | | <u><u>4,768,844</u></u> |
| Segment liabilities | 1,915,570 | 1,354,756 | 2,517 | 3,272,843 |
| <i>Reconciliation:</i> | | | | |
| Elimination of intersegment payables | | | | <u>(40,875)</u> |
| Total liabilities | | | | <u><u>3,231,968</u></u> |
| 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 lease prepayments for land use right | 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 lease prepayments for land use right.

Year ended 31 December 2008 (Restated)

| | Retailing RMB'000 | Wholesaling RMB'000 | Others RMB'000 | Total RMB'000 |
|---|----------------------|------------------------|-------------------|-------------------------|
| Segment revenue | | | | |
| Sales to external customers | 3,083,526 | 3,594,310 | 5,955 | 6,683,791 |
| Intersegment sales | <u>–</u> | <u>557,517</u> | <u>9,324</u> | <u>566,841</u> |
| | 3,083,526 | 4,151,827 | 15,279 | 7,250,632 |
| <i>Reconciliation:</i> | | | | |
| Elimination of intersegment sales | | | | <u>(566,841)</u> |
| Revenue from operations | | | | <u><u>6,683,791</u></u> |
| Segment results | 136,735 | 138,373 | 500 | 275,608 |
| <i>Reconciliation:</i> | | | | |
| Excess over the cost of acquisition of minority interests | | | | 4,667 |
| Share of losses of associates | | | | <u>(11)</u> |
| Profit before tax | | | | <u><u>280,264</u></u> |
| Segment assets | 2,710,577 | 1,654,737 | 5,008 | 4,370,322 |
| <i>Reconciliation:</i> | | | | |
| Elimination of intersegment receivables | | | | <u>(56,128)</u> |
| Total assets | | | | <u><u>4,314,194</u></u> |
| Segment liabilities | 1,725,693 | 1,153,139 | 2,874 | 2,881,706 |
| <i>Reconciliation:</i> | | | | |
| Elimination of intersegment payables | | | | <u>(56,128)</u> |
| Total liabilities | | | | <u><u>2,825,578</u></u> |
| Other segment information: | | | | |
| Capital expenditure | 289,485 | 67,602 | 8 | 357,095 |
| Depreciation: | | | | |
| Property, plant and equipment | 98,405 | 22,728 | 89 | 121,222 |
| Investment properties | 457 | – | – | 457 |
| Amortisation of intangible assets | 817 | 1,120 | – | 1,937 |
| Recognition of lease prepayments for land use right | 1,913 | – | – | 1,913 |
| Impairment losses reversed in the income statement | – | (1,430) | – | (1,430) |
| Foreign exchange differences | (263) | – | – | (263) |

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 the Group's revenue, other income and gains is as follows:

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> (Restated) |
|---|-------------------------|--------------------------------------|
| Revenue | | |
| Direct sale of merchandise and produce: | | |
| Retailing | 3,087,063 | 3,065,975 |
| Wholesaling* | 3,573,491 | 3,594,310 |
| | <u>6,660,554</u> | <u>6,660,285</u> |
| Commissions from concessionaire sales | 23,148 | 17,551 |
| Others | 7,334 | 5,955 |
| | <u>7,334</u> | <u>5,955</u> |
| Total revenue | <u><u>6,691,036</u></u> | <u><u>6,683,791</u></u> |

* Included in the balances are sales to franchisees amounting to RMB459,093,000 (2008: RMB474,475,000).

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Other income and gains | | |
| Income from suppliers: | | |
| Promotion income | 269,305 | 182,438 |
| Display space leasing income and others | 15,096 | 27,773 |
| | <u>284,401</u> | <u>210,211</u> |
| Gross rental income | 81,333 | 72,063 |
| Interest income | 26,329 | 22,921 |
| Government grants [#] | 7,337 | 12,283 |
| Excess over the cost of acquisition of minority interests | – | 4,667 |
| Gain on liquidation of associates | – | 158 |
| Franchise fee | 7,639 | 8,785 |
| Net compensation on demolished properties | 1,579 | 1,231 |
| Others | 15,091 | 13,249 |
| | <u>15,091</u> | <u>13,249</u> |
| Total other income and gains | <u><u>423,709</u></u> | <u><u>345,568</u></u> |

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

5. FINANCE COSTS

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Interest on bank loans wholly repayable within five years | 50,297 | 51,968 |
| Interest on other borrowings wholly repayable within five years | <u>35,804</u> | <u>40,854</u> |
| | 86,101 | 92,822 |
| Less: Interest capitalised | <u>(992)</u> | <u>(1,722)</u> |
| | <u>85,109</u> | <u>91,100</u> |

6. PROFIT BEFORE TAX

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

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> (Restated) |
|---|------------------------|--------------------------------------|
| Cost of inventories sold | 5,759,316 | 5,759,521 |
| Depreciation: | | |
| Property, plant and equipment | 138,074 | 121,222 |
| Investment properties | <u>504</u> | <u>457</u> |
| | <u>138,578</u> | <u>121,679</u> |
| Amortisation of intangible assets | 1,968 | 1,937 |
| Recognition of lease prepayments for land use right | 2,454 | 1,913 |
| Minimum lease payments under operating lease on properties | 117,484 | 104,023 |
| Losses on disposal of items of property, plant and equipment, net | 13,010 | 366 |
| Reversal of impairment of trade and other receivables | (153) | (1,430) |
| Net rental income | (72,534) | (63,572) |
| Auditors' remuneration | 2,200 | 2,200 |
| Staff costs: | | |
| Directors' emoluments | 6,703 | 7,075 |
| Other staff costs | | |
| Wages, salaries and social security costs | 323,875 | 287,792 |
| Retirement benefit contributions | <u>28,725</u> | <u>24,581</u> |
| | <u>352,600</u> | <u>312,373</u> |
| | <u>359,303</u> | <u>319,448</u> |
| Foreign exchange differences | <u>119</u> | <u>(263)</u> |

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 comprised the following:

| | 2009 RMB'000 | 2008 RMB'000 |
|-------------------------------|-------------------------------|------------------------|
| Current income tax – PRC | 65,140 | 77,313 |
| Deferred income tax | (91) | (732) |
| | <u>65,049</u> | <u>76,581</u> |
| Total tax charge for the year | <u>65,049</u> | <u>76,581</u> |

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:

| | 2009 RMB'000 | % | 2008 RMB'000 | % |
|---|-------------------------------|--------------------|------------------------|-------------|
| Profit before tax | <u>253,565</u> | | <u>280,264</u> | |
| Income tax at PRC statutory income tax rate | 63,391 | 25.0 | 70,066 | 25.0 |
| Expenses not deductible for tax | 1,190 | 0.5 | 5,625 | 2.0 |
| Tax losses not recognised | 2,250 | 0.9 | 2,026 | 0.7 |
| Tax effect of non-taxable income | (1,817) | (0.7) | (1,167) | (0.4) |
| Others | <u>35</u> | <u>–</u> | <u>31</u> | <u>–</u> |
| Tax charge at the Group's effective rate | <u>65,049</u> | <u>25.7</u> | <u>76,581</u> | <u>27.3</u> |

8. DIVIDENDS

| | 2009 RMB'000 | 2008 RMB'000 |
|---|-------------------------------|------------------------|
| Proposed final – RMB18.0 cents (2008: RMB21.0 cents) per ordinary share | <u>74,200</u> | <u>86,566</u> |

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 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.

| | 2009 RMB'000 | 2008 RMB'000 |
|--|-------------------------|--------------------|
| <i>Earnings:</i> | | |
| Profit attributable to ordinary equity holders of the parent | <u>147,783</u> | <u>156,758</u> |
| | Number of shares | |
| | 2009 | 2008 |
| <i>Shares:</i> | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | <u>412,220,000</u> | <u>412,220,000</u> |

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2009 and 2008 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 2009 comprised about 2,500 (2008: 2,500) customers with amounts ranging from RMB0.001 million to RMB462.1 million (2008: RMB0.001 million to RMB344.3 million). Trade receivables are non-interest-bearing except for amounts due from Beijing Shoulian Trading Company Limited which bore interest at a rate of 5.3% (2008: 5.6% to 7.5%) per annum.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|--------------------|-------------------------------|------------------------|
| Within 2 months | 728,925 | 620,419 |
| 2 to 6 months | 242,527 | 223,477 |
| 6 months to 1 year | 202,570 | 126,184 |
| 1 to 2 years | 24,368 | 6 |
| | <u>1,198,390</u> | <u>970,086</u> |

11. TRADE AND BILLS PAYABLES

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

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|--------------------|-------------------------------|------------------------|
| Within 2 months | 818,916 | 702,836 |
| 2 to 6 months | 203,291 | 90,293 |
| 6 months to 1 year | 4,999 | 2,815 |
| 1 to 2 years | 2,262 | 1,035 |
| Over 2 years | 1,739 | 1,997 |
| | <u>1,031,207</u> | <u>798,976</u> |

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

As at 31 December 2009, the bills payables of the Group amounting to RMB152.1 million (2008: RMB42 million) were secured by certain of the Group's pledged time deposits amounting to RMB48.3 million (2008: RMB12.6 million).

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 2009 | | 2008 | |
|--|-----------------|-------------------------|-----------------|-------------------------|
| | <i>Maturity</i> | <i>RMB'000</i> | <i>Maturity</i> | <i>RMB'000</i> |
| Current | | | | |
| Bank loans – secured | 2010 | 568,470 | 2009 | 459,138 |
| Bank loans – unsecured | 2010 | 560,000 | 2009 | 205,000 |
| Other borrowings – unsecured | 2010 | 397,510 | 2009 | 300,000 |
| Current portion of long term bank loans – secured | 2010 | <u>50,000</u> | 2009 | <u>44,375</u> |
| | | 1,575,980 | | 1,008,513 |
| Non-current | | | | |
| Bank loans – secured | 2011 | <u>6,000</u> | 2010-2011 | <u>56,000</u> |
| | | <u>1,581,980</u> | | <u>1,064,513</u> |

All of the Group's bank loans, which are denominated in RMB, bear fixed interest rates ranging from 4.9% to 7.5% (2008: 4.9% to 7.5%) per annum. As at 31 December 2009, the secured bank loans of the Group amounting to RMB612 million (2008: RMB500.4 million) were secured by certain of the Group's buildings, investment properties and lease prepayments for land use right with aggregate net book values of approximately RMB649.8 million (2008: RMB502.8 million), RMB6.3 million (2008: RMB6.7 million), and RMB83.1 million (2008: RMB69.3 million), respectively. In addition, the secured bank loans of the Group amounting to RMB12.5 million (2008: RMB59.1 million) were secured by certain of the Group's pledged time deposits amounting to RMB3.7 million (2008: RMB17.7 million).

Except for the bank loans of the Group amounting to RMB 210 million (2008: RMB185 million) were guaranteed by the Company, the Group's other bank loans amounting to RMB350 million were unsecured as at 31 December 2009. The entrusted loans from a third party as at 31 December 2008 amounting to RMB20 million, had been fully settled during the year.

As at 31 December 2009, the unsecured other borrowings of the Group were borrowings from Jiangxi International Trust & Investment Company Limited, an independent third party, amounting to an aggregate of RMB397.5 million, bearing a fixed rate of 5.3% per annum which were guaranteed by the Company. As at 31 December 2008, the unsecured other borrowing of the Group was a borrowing from New Time Trust & Investment Company Limited, an independent third party, amounting to RMB300 million which was guaranteed by the Company and was fully settled during the year. All of the Group's other borrowings as at 31 December 2009 are denominated in RMB and bear a fixed interest rate of 5.3% (2008: 7.3%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2009, under the continual influence of the financial crisis, overall sliding in global economy, downfall of domestic resident consumption demand and depression of consumer price index have brought unprecedented challenge to the retail and wholesale businesses of fast moving consumable goods.

Facing the severe macroeconomic situation, the Group adopted the counter measures positively in minimising adverse effects. On the one hand, the Group insisted on steady development strategy in expanding its distribution network, cautious opening of new retail outlets, and repairing and upgrading of certain existing retail outlets striving to maintain and enlarge its market share. On the other hand, the Group enlarged its effort in enhancing its operation and management level, perfected its headquarter establishment, adjusted its procurement operation mechanism, increased promotion incentives and controlled cost and expenses. As a result, the Group achieved bouncing back of sales in the second half of the Reporting Period.

Steady development of distribution network, improved operation conditions

During the Reporting Period, the Group continued to insist on regional development strategy. Nine new directly-operated retail outlets (including one hypermarket, three supermarkets and five convenience stores) were established in Beijing and its peripheral, and 22 new franchise-operated convenience stores were also set up. Four convenience stores were set up in Langfang, Hebei Province which enlarging the network coverage and enhancing the competitiveness of the Group in this area.

In order to tackle the adverse effects of the financial crisis and intense market competition, the Group has enlarged its effort to repair and upgrade its mature retail outlets during the Reporting Period. One hypermarket and two supermarkets were closed and underwent repair and upgrade according to the updated design ideas, resulting in obvious improvement in the shopping environment and accordingly, increasing its attractiveness to the customers.

During the Reporting Period, the Group continued to integrate the Shoulian delegated stores according to its plan, and adopted measures positively to improve the operation conditions and profitability of these stores. Redesign, decoration and upgrading according to the standards of Jingkelong's retail outlets were conducted in six Shoulian delegated stores during the Reporting Period, the shopping environment and shop appearances of which have remarkably changed, resulting in obvious promotion of operating results.

The following table sets out the number and net operating area of the Group's retail outlets as at 31 December 2009:

| | Department stores | Hypermarkets | Supermarkets | Convenience stores | Total |
|------------------------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| Number of retail outlets | | | | | |
| Directly-operated | 1 | 7 | 50 | 58 | 116 |
| Franchise-operated | – | – | 1 | 105 | 106 |
| Shoulian delegated stores | <u>1</u> | <u>2</u> | <u>21</u> | <u>–</u> | <u>24</u> |
| | <u><u>2</u></u> | <u><u>9</u></u> | <u><u>72</u></u> | <u><u>163</u></u> | <u><u>246</u></u> |
| Net operating area (square metres) | | | | | |
| Directly-operated | 27,800 | 60,952 | 107,699 | 13,214 | 209,665 |
| Franchise-operated | – | – | 880 | 19,906 | 20,786 |
| Shoulian delegated stores | <u>19,300</u> | <u>14,071</u> | <u>42,809</u> | <u>–</u> | <u>76,180</u> |
| | <u><u>47,100</u></u> | <u><u>75,023</u></u> | <u><u>151,388</u></u> | <u><u>33,120</u></u> | <u><u>306,631</u></u> |

Strengthened procurement, distribution and operation management, promoted core competitiveness

The Group expanded the scope of market investigation and study unceasingly as well as the efforts for introducing procurement channel, developing new commodities and elimination of obsolete commodities. Meanwhile, the management skill of commodity procurement was promoted through conducting site inspection by suppliers, enlarging the effort on restraining goods delivery by suppliers, refining of commodity stocking management and other means. The distribution efficiency of commodities was enhanced through strengthening the system established in the logistics centers and integration of business flow as well as strengthening storage management, reducing distribution delay, optimising loading link, promoting the level of standardised work and strictly following the requirements during distribution.

The Group continued to strengthen base establishment and procurement source of its live and fresh produce. Vegetables planting order agreements were entered into with the vegetable bases located in Guan of Hebei, Yanqing, Shunyi and other area, the Group also attempted site package procurement for certain fruit and vegetable products to effectively reduce procurement cost. The adoption of direct allocation from base to retail outlets has simplified commodity distribution process, reduced commodity wastage, shortened display cycle and enhanced commodity freshness. The development of competitions for the management of live and fresh produce, resulted in enhancement of display skill, selling methods, sanitary management, flow standard and other aspects of live and fresh produce and also further promoted its overall management level.

The Group increased its efforts in the marketing of retail outlets. The skill of marketing strategy was promoted through market investigation and study, marketing effect analysis, prediction of price tendency, scientific implementation of marketing plan and prompt learning from experience. The operation ways were enriched by putting more effort in promotions during the weekends, festivals and holidays, and implementing more than ten promotion means such as instant discount on purchase and buy two similar items with a 25% discount.

Strengthened headquarter establishment, promoted operation management level

In order to refine the functions of the headquarter, integration of the headquarter departments and merger of departments with similar functions were conducted in the Reporting Period. Refining 19 new departments from the preceding 28 departments as well as the implementation of refined management have established a simplified and effective operational mechanism for the headquarter. The reconfirming of the post of each headquarter department, formulation of post conditions and implementation of strict examination and inspection and post competition have simplified and optimised its staff structure. As such, the foundation of a centralised procurement management system was established. As a basis to strengthen the inspection and supervision on the management and operation of retail outlets, the post responsibility of the operation department was reformulated in enhancing the efficiency of centralised operation and management.

For the purpose of achieving the standardisation of shop management and formulating the design standard of different business conditions, the task for the standardisation of decoration and layout for hypermarkets and supermarkets has basically been completed. The standardisation of exterior image, guidelines for indoor and outdoor, design decoration, materials and other aspects enabled the retail outlets to basically achieve the standard of hardware and appearance. Accordingly, the first step of standardising the operation of retail outlets was realised and the foundation for the establishment of a standardise system was laid out.

Enhanced service level, consolidated customer loyalty

The Group continued to develop its membership reward card functions and strengthen member services in order to attract and retain its key customers and promote customer loyalty. Members' rewards were adjusted from a yearly basis to a combination of quarterly and yearly basis and quarterly reward activities were launched. Through strengthening the analysis of member consumption data, promotions of target-oriented commodities to members were launched. The functions of "cents storage" were developed for membership reward cards which stimulated members' purchase and also attracted more new members.

In respect of measures for the convenience of customers, apart from adherence to traditional services, certain new services according to customer demands were timely introduced, such as installation of payment terminals, addition of wheelchairs and mechanical type three-dimensional garages and other facilities in certain retail outlets which not just offer convenience to customers but also, to a certain extent, enhanced the corporate image of Jingkelong.

Operation results

The following table sets out an analysis of the revenue and gross profit margin contributed by the Group's directly-operated hypermarkets, supermarkets and convenience stores, and commissions earned from concessionaire sales.

| | 2009 RMB'000 | 2008 RMB'000 (Restated) | Increase/ (Decrease) (%) |
|---|-------------------------------|-------------------------------|--|
| Revenue | | | |
| <i>Directly-operated retail outlets:</i> | | | |
| Hypermarkets | 1,000,240 | 1,003,956 | (0.4) |
| Supermarkets | 1,836,552 | 1,813,003 | 1.3 |
| Convenience stores | 250,271 | 249,016 | 0.5 |
| Sub-total | 3,087,063 | 3,065,975 | 0.7 |
| Gross profit margin (%) | 16.4 | 16.4 | |
| <i>Commission from concessionaire sales</i> | 23,148 | 17,551 | 31.9 |
| Including Jiulong department store | 23,148 | 15,370 | 50.6 |
| Total retail revenue | <u>3,110,211</u> | <u>3,083,526</u> | 0.9 |

During the Reporting Period, the Group achieved about the same level of revenue and gross profit margin in 2008 of its directly-operated retail outlets.

The revenue and gross profit margin of the Group's wholesale business are analysed as follows:

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> | Decrease <i>(%)</i> |
|---|-------------------------------|-------------------------|-------------------------------|
| Revenue recognised by Chaopi Trading and its subsidiaries | 3,636,068 | 3,677,352 | 1.1 |
| Less: Intersegment sales | (521,670) | (557,517) | |
| Sales to franchisees by the Company | 459,093 | 474,475 | |
| Consolidated wholesale revenue | <u>3,573,491</u> | <u>3,594,310</u> | 0.6 |
| Gross profit margin*(%) | <u>10.3</u> | <u>10.3</u> | |

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

The slight decrease in wholesale revenue recognised by Chaopi Trading and its subsidiaries of approximately 1.1% during the Reporting Period was primarily due to the significant fall in price of edible oil.

The gross profit margin recorded by the wholesale business in 2009 maintained at approximately the same level of 2008.

FINANCIAL RESULTS

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> (Restated) | Increase/ (Decrease) <i>(%)</i> |
|--|-------------------------------|--------------------------------------|---|
| Revenue | 6,691,036 | 6,683,791 | 0.1 |
| Gross profit | 931,720 | 924,270 | 0.8 |
| Gross profit margin (%) | 13.9 | 13.8 | 0.1 |
| Other income and gains | 423,709 | 345,568 | 22.6 |
| Selling and distribution costs | (744,743) | (669,770) | 11.2 |
| Administrative expenses | (226,943) | (195,360) | 16.2 |
| Other expenses | (45,069) | (33,333) | 35.2 |
| Finance costs | (85,109) | (91,100) | (6.6) |
| Income tax expense | (65,049) | (76,581) | (15.1) |
| Profit for the year | 188,516 | 203,683 | (7.4) |
| Net profit margin (%) | 2.8 | 3.0 | (0.2) |
| Profit attributable to owners of the parent | 147,783 | 156,758 | (5.7) |
| Net profit margin attributable to owners of the parent (%) | <u>2.2</u> | <u>2.3</u> | (0.1) |
| Basic earnings per share-RMB | <u>35.9 cents</u> | <u>38.0 cents</u> | (5.5) |

Revenue

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

The 2009 Group's revenue maintained at approximately the same amount of 2008.

Gross profit and gross profit margin

During the Reporting Period, the gross profit and gross profit margin of the Group maintained at approximately the same level of 2008.

Other income and gains

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

The Group's other income and gains increased by approximately 22.6% from approximately RMB345.6 million to approximately RMB423.7 million in the Reporting Period, mainly due to the increase in income from suppliers of approximately 35.3%.

Selling and distribution costs

Selling and distribution costs mainly comprise 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 RMB744.7 million in the Reporting Period. The ratio of selling and distribution costs against revenue increased from approximately 10% to 11.1% in the current year. The increase was primarily due to (i) the increase in advertising and promotion expenses to maintain market share, and (ii) the inclusion of selling and distribution costs of the new retail outlets set up and commenced operation in the second half of 2008 and during the Reporting Period.

Administrative expenses

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

The Group's administrative expenses were approximately RMB226.9 million in 2009. The ratio of administrative expenses against revenue increased from approximately 2.9% to 3.4% in the current year. The increase was mainly attributable to the increase in salary as well as welfare and social security costs as a result of a general increase in salary.

Other expenses

Other expenses primarily comprise business tax, city construction tax and surcharges mainly charged on rental income and service income, and written-off of fixed assets.

The Group's other expenses increased from approximately RMB33.3 million to approximately RMB45.1 million in 2009. The increase was mainly due to the written-off of fixed assets of a hypermarket closed during the Reporting Period, which amounted to approximately RMB12.8 million.

Finance costs

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

The Group's finance costs decreased from approximately RMB91.1 million to approximately RMB85.1 million in 2009, was primarily due to the decrease in bank lending rate in 2009.

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 decreased from approximately RMB76.6 million to approximately RMB65 million in 2009, primarily due to the decrease in 2009 taxable profits.

Profit for the year

Profit for the year decreased by approximately 7.4% from approximately RMB203.7 million to approximately RMB188.5 million in the current year. The decrease was mainly attributable to an increase in advertising and promotion expenses, salary, welfare and social security costs.

Basic earnings per share

The Group recorded basic earnings per share of approximately RMB35.9 cents for 2009, which was calculated on the basis of the number of 412,220,000 shares, representing approximately 5.5% lower than RMB38 cents of last year.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2009, the Group had non-current assets of approximately RMB1,838.8 million, which mainly comprised property, plant and equipment of approximately RMB1,666.6 million, and non-current liabilities of approximately RMB29.2 million, which mainly comprised interest-bearing bank and other borrowings of RMB6 million and deferred tax liabilities of approximately RMB11.7 million.

As at 31 December 2009, the Group had net current liabilities of approximately RMB272.7 million. Current assets mainly comprised cash and cash equivalents (mainly denominated in RMB) of approximately RMB413.8 million, inventories of approximately RMB785.3 million, trade receivables of approximately RMB1,198.4 million and prepayments, deposits and other receivables of approximately RMB430.4 million. Current liabilities mainly comprised trade and bills payables of approximately RMB1,031.2 million, interest-bearing bank and other borrowings of approximately RMB1,576 million, and other payables and accruals of approximately RMB544.6 million.

ACQUISITION OF EQUITY INTEREST IN SUBSIDIARIES

On 15 October 2009, Beijing Chaopi Trading Company Limited (“Chaopi Trading”), an approximately 79.85% directly owned subsidiary of the Company, entered into an agreement to acquire the 20% equity interest of Beijing Chaopi Zhongde Trading Company Limited (“Chaopi Zhongde”) from Mr. Wu Shaohua at a consideration of RMB5,980,000. After the acquisition, Chaopi Zhongde became 100% directly owned by Chaopi Trading.

On 12 January 2010, the Company entered into an agreement to acquire the 20% equity interest of Beijing Jingkelong (Langfang) Company Limited (“Jingkelong Langfang”) from China Fortune Land Development Co., Ltd. at a consideration of RMB5,980,000. After the acquisition, Jingkelong Langfang became 100% directly owned by the Company.

Both Mr. Wu Shaohua and China Fortune Land Development Co., Ltd. were connected persons of the Company in accordance with Chapter 14A of the Listing Rules and the Company had complied with the disclosure requirements therein.

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 2009, the Group employed 5051 (2008: 5,057) full-time employees and 1,818 (2008: 1,658) temporary employees in the PRC. The total staff costs (including directors' and supervisors' remunerations) of the Group for the Reporting Period amounted to approximately RMB359.3 million (2008: RMB319.4 million). The staff emolument (including directors and supervisors remunerations) of the Group were based on their 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% (2008: 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 RMB28,833,000 for the Reporting Period (2008: RMB24,981,000).

During the Reporting Period, 135 training seminars for pre-job trainings and various special trainings had been conducted.

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 31 December 2009, the Group had an aggregate borrowings (all denominated in RMB) of approximately RMB1,582 million, which consisted of secured short-term bank loans of approximately RMB618.5 million, unsecured short-term bank loans of RMB560 million, secured non-current bank loans of RMB6 million and unsecured short-term other borrowings of approximately RMB397.5 million. All the Group's bank loans bear fixed interest rates ranging from 4.9% to 7.5% per annum. All the Group's other borrowings bear a fixed interest rate of 5.3% per annum. The secured bank loans were secured by:

- certain of the Group's buildings, investment properties and lease prepayments for land use right with an aggregate carrying value of approximately RMB739.2 million as at 31 December 2009; and
- certain of the Group's time deposits of approximately RMB3.7 million as at 31 December 2009.

Certain of the Group's time deposits of approximately RMB48.3 million were pledged for bills payable as at 31 December 2009.

The Group's net gearing ratio* was approximately 72.6% as at 31 December 2009 which was higher than that as at 31 December 2008, being approximately 57.8%. The increase was primarily due to an increase of bank loans and other borrowings and acquisition of property, plant and equipment 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 2009 are in compliance with the relevant PRC applicable laws.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group had no material contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

On 12 January 2010, the Company acquired a 20% equity interest in Jingkelong Langfang from China Forture Land Development Co., Ltd., the minority shareholder of Jingkelong Langfang, at a consideration of RMB 5,980,000. Jingkelong Langfang was wholly owned by the Company then.

On 27 February 2010, the Company announced a proposal to shareholders to approve the public offer and listing of A shares on the Shanghai Stock Exchange at the forthcoming extraordinary general meeting.

Save as disclosed above, the Group did not have any significant events subsequent to 31 December 2009.

STRATEGIES AND PLANS

In 2010, the global economy will step into the post financial crisis period. In respect of China which has been maintaining its growth successfully, it will be undoubtful that its structure will be adjusted as its main task in the future and, in particular, the promotion of consumption should be of the highest important. In 2010, the policies for stimulating consumption are expected to be enhanced. Retail business being the representative of consumption industry, shall benefit the most under such domestic policy. Therefore, we believe that the retail and wholesale businesses of the Group still has plenty of room for future growth and development potential.

Looking forward, the Group will continue to seek suitable locations in Beijing and its periphery, in particular, Langfang, Hebei Province for the steady development of its retail outlets. Meanwhile, new wholesale distribution network will be established in the second-tier cities of Northern China, Eastern China and the Economic Circle of Bohai Sea. One community shopping center, two hypermarkets, eight supermarkets and ten directly-operated convenience stores are planned to be set up in 2010. Continual effort in enlarging decoration and upgrade of mature outlets will be enhanced and effective measures will be adopted in promoting the operating results of existing retail and wholesale distribution network.

The Group will further strengthen its commodity procurement and distribution as well as operation management. The Group will further reform the management system of its procurement center. With the foundation of the procurer system preliminary established in early 2009, the mechanism for the inspection and supervision of results and effectiveness of procurers is improved and gradually forms the entire process responsibility system for procurement and sale of procurement department, so as to achieve innovation in terms of procurement and profit. Through the practical innovation of its distribution system, commence the construction project of the central staple kitchen in logistics center, achieve dividing of procurement and distribution of live and fresh produce, promote direct distribution efficiency of large and medium scale outlets, resolve the commodity allocation problem of convenience stores and perfect the functions of distribution, the centralised distribution rate is aimed to exceed 90%. The Group will enhance the operation ability of its retail outlets by promoting commodity management and outlet supervision, strengthening the effort on outlet management, and developing and using various effective ways and measures.

Moreover, the Company plans to apply for the issue of and public offer of A shares and the listing on the domestic securities market. At present, the initial plan has been passed by the Board, subject to the approvals by the shareholders at the forthcoming extraordinary general meetings. We believe that the listing of A shares may not only permit the Group to raise funds for its continual development, and also enhance the Group's brand to fulfill the requirement for its long-term development and the common interest of all shareholders.

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, save 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 contain no express provision for the directors’ retirement by rotation and thus deviate from the aforesaid provision of the Code.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group’s 2009 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.

EXPIRY OF AGREEMENT WITH COMPLIANCE ADVISER

The agreement entered into between the Company and DBS Asia Capital Limited (“DBS Asia”) on 26 February 2008 of which DBS Asia agreed to act as the Company’s compliance adviser will expire on the date on which the Company distributes its annual report for the Reporting Period.

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.

DISTRIBUTION OF DIVIDENDS/CLOSURE OF REGISTER OF MEMBERS

The Board has proposed a final dividend of RMB18 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 for the year of 2009 (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 5 May 2010 to 25 May 2010, both days inclusive, during which no transfer of shares of the Company will be effective. Dividends will be payable on or before 28 June 2010. 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 commencing 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 2009 final dividend of RMB18 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 4 May 2010. 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 4 May 2010, 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 2009 final dividends after deducting income tax of 10%. The 10% income tax will not be deducted from the 2009 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 4 May 2010.

By order of the Board

Wei Tingzhan

Chairman

Beijing, PRC

19 March 2010

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. Fan Faming, Mr. Huang Jiangming and Mr. Chung Chi Kong.