



# 北京京客隆

商业集团股份有限公司  
BEIJING JINGKELONG COMPANY LIMITED

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



THIRD QUARTERLY REPORT  
2007

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed companies.**

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*This report, for which the directors (the “Directors”) of Beijing Jingkelong Company Limited (the “Company”) collectively and individually accept full responsibilities, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## SUMMARY

The following occurred during the nine months ended 30 September 2007:

- Revenue of the Group amounted to approximately RMB4,074.4 million (Corresponding period of 2006: RMB3,273.4 million), representing an increase of approximately 24.5%.
- Gross profit amounted to approximately RMB517.5 million (Corresponding period of 2006: RMB407.7 million), representing an increase of approximately 26.9%.
- Gross profit margin was approximately 12.7%, slightly higher than 12.5% of the corresponding period last year.
- Profit attributable to equity holders amounted to RMB88.5 million (Corresponding period of 2006: RMB88.6 million). Excluding the effect of the one-off bank interest income after tax of approximately RMB15.5 million earned from the over-subscription of the Company's H shares during the last corresponding period, profit attributable to equity holders increased by approximately 21.1%.
- Same store sales growth increased from approximately 4.9% during the nine months ended 30 September 2006 to approximately 13.1%.
- 5 directly-operated supermarkets, 4 directly-operated convenience stores and 20 convenience stores operated under franchise agreements were set up.
- The total number of retail outlets was 185 (including 5 hypermarkets, 43 supermarkets and 137 convenience stores) as at 30 September 2007.
- As at 30 September 2007, total borrowings amounted to approximately RMB893.8 million, comprising bank loans of approximately RMB583.8 million and the borrowings from Beijing International Trust and Investment Company Limited of RMB310 million.

## QUARTERLY RESULTS

The board of Directors of the Company (the "Board") is pleased to announce the following unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and the nine months ended 30 September 2007 together with the unaudited comparative figures for the corresponding periods ended 30 September 2006:

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2007	2006	2007	2006
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
<b>REVENUE</b>	3	<b>1,502,174</b>	1,112,283	<b>4,074,382</b>	3,273,388
Cost of sales		<b>(1,322,646)</b>	(967,698)	<b>(3,556,859)</b>	(2,865,717)
Gross profit		<b>179,528</b>	144,585	<b>517,523</b>	407,671
Other income and gains	3	<b>55,824</b>	71,489	<b>187,159</b>	165,055
Selling and distribution costs		<b>(116,170)</b>	(101,243)	<b>(354,947)</b>	(283,855)
Administrative expenses		<b>(41,126)</b>	(29,050)	<b>(135,008)</b>	(90,971)
Other expenses		<b>(2,431)</b>	(5,607)	<b>(19,273)</b>	(16,631)
Finance costs		<b>(3,515)</b>	(6,505)	<b>(18,612)</b>	(15,192)
Share of losses of associates		-	(66)	-	(76)
<b>PROFIT BEFORE TAX</b>		<b>72,110</b>	73,603	<b>176,842</b>	166,001
Tax	4	<b>(22,357)</b>	(21,859)	<b>(54,237)</b>	(55,136)
<b>PROFIT FOR THE PERIOD</b>		<b>49,753</b>	51,744	<b>122,605</b>	110,865
Attributable to:					
Equity holders of the parent		<b>31,716</b>	41,279	<b>88,535</b>	88,584
Minority interests		<b>18,037</b>	10,465	<b>34,070</b>	22,281
		<b>49,753</b>	51,744	<b>122,605</b>	110,865
Earnings per share					
- Basic (RMB)	6	<b>8.2 cents</b>	16.1 cents	<b>23.0 cents</b>	35.5 cents

## NOTES:

### 1. CORPORATE INFORMATION

The Company was established in the People's Republic of China (the "PRC") as a limited liability company on 20 May 2002 and was transformed into a joint stock limited company in accordance with the PRC Company Law on 1 November 2004. The H shares of the Company were listed on GEM of the Stock Exchange on 25 September 2006.

The Group is principally engaged in the retail and wholesale distribution of daily consumer products in the region covering the Beijing city and certain parts of its periphery (the "Greater Beijing Region").

### 2. BASIS OF PRESENTATION

The Group's unaudited financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include 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 set out in Chapter 18 of the GEM Listing Rules. They have been prepared on a historical cost convention, except for the available-for-sale investments, which have been measured at fair value. These unaudited financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

The accounting policies and methods of computation used in the preparation of the Group's unaudited financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006, except for the adoption of the new and revised HKFRSs and interpretations as noted below.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above new and revised standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the Group's unaudited financial statements.

### 3. 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 the Group's revenue, other income and gains for the three months and the nine months ended 30 September 2007 and the last corresponding periods is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
<b>Revenue</b>				
Sales of merchandise and produce				
Retailing	<b>683,140</b>	526,155	<b>2,032,034</b>	1,647,791
Wholesaling	<b>816,337</b>	585,786	<b>2,037,034</b>	1,622,934
	<b>1,499,477</b>	1,111,941	<b>4,069,068</b>	3,270,725
Others	<b>2,697</b>	342	<b>5,314</b>	2,663
Total revenue	<b>1,502,174</b>	1,112,283	<b>4,074,382</b>	3,273,388
<b>Other income and gains</b>				
Income from suppliers	<b>39,491</b>	29,747	<b>137,745</b>	86,719
Gross rental income	<b>13,973</b>	10,333	<b>34,523</b>	29,974
Net compensation on demolished properties	-	4,400	<b>3,000</b>	10,067
Interest income	<b>272</b>	24,698*	<b>5,629</b>	31,898*
Gain on sale of wastes	<b>950</b>	714	<b>2,853</b>	2,300
Franchise fee	<b>493</b>	363	<b>1,354</b>	1,431
Others	<b>645</b>	1,234	<b>2,055</b>	2,666
Total other income and gains	<b>55,824</b>	71,489	<b>187,159</b>	165,055

\* Include an interest income of approximately RMB23 million earned from the over-subscription of the Company's H shares during the initial public offering on GEM of the Stock Exchange on 25 September 2006 (the "Over-subscription").

#### 4. TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group is not liable for income tax in Hong Kong as it did not have assessable income currently arising in Hong Kong. Under the prevailing PRC income tax law, the Group and its associates are subject to corporate income tax ("CIT") at a rate of 33% on their respective taxable income. An analysis of the Group's CIT for the three months and the nine months ended 30 September 2007 and the last corresponding periods is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Current CIT – the PRC	21,674	20,996	56,715	52,288
Deferred CIT	683	863	(2,478)	2,848
CIT charged for the period	<b>22,357</b>	21,859	<b>54,237</b>	55,136

A reconciliation of the Group's CIT applicable to profit before tax at the statutory CIT rate to the CIT charged at the Group's effective rate for the nine months ended 30 September 2007 and 2006 is as follows:

	For the nine months ended 30 September	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Profit before tax	<b>176,842</b>	166,001
CIT at statutory CIT rate (33%)	<b>58,358</b>	54,780
Effect of changes in tax rates	<b>(4,965)</b>	–
Expenses not deductible for tax	<b>773</b>	1,626
Tax losses not recognised	<b>71</b>	–
Non-taxable income	–	(883)
Others	–	(387)
CIT charged at the Group's effective rate	<b>54,237</b>	55,136

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), which is effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic companies from 1 January 2008 will decrease from 33% to 25%. This reduction in the income tax rate will directly reduce the Group's effective tax rate prospectively from 2008. According to HKAS 12, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. As a result, the change in the corporate income tax rate has resulted a decrease in deferred tax liabilities of RMB4,965,000, which has been credited to the income tax expense during the nine months ended 30 September 2007 (the "Nine-month Period").

At the date of approval of these unaudited financial statements, detailed implementation and administrative requirements relating to the New CIT Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact on its operating results and financial positions of future periods as more detailed requirements are issued.

## **5. DIVIDENDS**

The Board did not recommend the payment of any dividend for the Nine-month Period (Corresponding period of 2006: Nil).

## **6. EARNINGS PER SHARE**

The basic earnings per share for the three months and the nine months ended 30 September 2006 are calculated by dividing the unaudited consolidated profit attributable to equity holders of the parent of RMB41,279,000 and RMB88,584,000 by the weighed average of approximately 255,620,000 ordinary shares and approximately 249,652,967 ordinary shares, respectively.

The basic earnings per share for the three months and the nine months ended 30 September 2007 are calculated by dividing the unaudited consolidated profit attributable to equity holders of the parent of RMB31,716,000 and RMB88,535,000 respectively by the number of 384,620,000 ordinary shares in issue during the Nine-month Period.

Diluted earnings per share amounts for the Nine-month Period and the last corresponding period have not been presented because no diluting events existed during those periods.



## 7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The changes in consolidated equity during the three months and the nine months ended 30 September 2007 are as follows:

	For the three months ended 30 September										
	2007      2006										
	Issued capital	Share premium account	Capital reserve	Available- for-sale investment revaluation reserve	Statutory surplus reserve	Retained profits	Subtotal	Minority interests	Total	Total	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
At 1 July	384,620	442,230	5,121	2,749	42,150	106,330	983,200	135,043	1,118,243	419,368	
Net profit for the period	-	-	-	-	-	31,716	31,716	18,037	49,753	51,744	
Issue of H shares	-	-	-	-	-	-	-	-	-	631,098	
Listing costs	-	-	-	-	-	-	-	-	-	(50,868)	
At 30 September	<u>384,620</u>	<u>442,230</u>	<u>5,121</u>	<u>2,749</u>	<u>42,150</u>	<u>138,046</u>	<u>1,014,916</u>	<u>153,080</u>	<u>1,167,996</u>	<u>1,051,342</u>	

	For the nine months ended 30 September										
	2007      2006										
	Issued capital	Share premium account	Capital reserve	Available- for-sale investment revaluation reserve	Statutory surplus reserve	Proposed final dividend	Retained profits	Subtotal	Minority interests	Total	Total
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
At 1 January	384,620	442,230	5,121	2,749	43,049	57,693	49,511	984,973	89,672	1,074,645	432,704
Net profit for the period	-	-	-	-	-	-	88,535	88,535	34,070	122,605	110,865
Issue of H shares	-	-	-	-	-	-	-	-	-	-	631,098
Listing costs	-	-	-	-	-	-	-	-	-	-	(50,868)
Dividend declared	-	-	-	-	-	(57,693)	-	(57,693)	-	(57,693)	(56,367)
Dividends paid to minority equity holders	-	-	-	-	-	-	-	-	(19,566)	(19,566)	(16,090)
Cash contribution from minority equity holders	-	-	-	-	-	-	-	-	51,106	51,106	-
Acquisition of minority interests	-	-	-	-	-	-	-	-	(2,202)	(2,202)	-
Utilisation of statutory surplus reserve to increase the registered capital of a subsidiary	-	-	-	-	(899)	-	-	(899)	-	(899)	-
At 30 September	<u>384,620</u>	<u>442,230</u>	<u>5,121</u>	<u>2,749</u>	<u>42,150</u>	<u>-</u>	<u>138,046</u>	<u>1,014,916</u>	<u>153,080</u>	<u>1,167,996</u>	<u>1,051,342</u>

## **8. BORROWINGS**

As at 30 September 2007, the Group had outstanding borrowings of approximately RMB893.8 million, comprising bank loans of approximately RMB583.8 million and borrowings from Beijing International Trust and Investment Company Limited (“BITIC”) of RMB310 million (the “BITIC Loans”).

### **BITIC Loans and Employee Investments**

To rationalize the Group’s financing arrangement, the Company has been obtaining BITIC Loans since June 2004.

BITIC has offered and may continue to offer an investment proposal to those interested employees of the Group to invest in its trust loan programme for the Group. The investments made by the said employees (the “Employee Investments”) have been used to fund the BITIC Loans provided by BITIC from time to time.

As at 30 September 2007 and the date of this report, both the total accrued Employee Investments and total sum of BITIC Loans amounted to RMB310 million. At the same dates, both the total number of participating employees was 1,995.

## **9. SHORT TERM COMMERCIAL PAPERS**

In July 2007, the Company proposed to issue 3,700,000 short term commercial papers with a nominal value of RMB100 each, in aggregate amounting to RMB370,000,000. The short term commercial papers will be issued at par and having a maturity of one year from the date of issuance. The proceeds from the issue will be used to finance the working capital of the Company.

Up to the date of this report, the proposal is pending approval of the People’s Bank of China.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the Nine-month Period, the Group continued in using the “京客隆” and “朝批” brandnames to extend its retail and wholesale businesses, respectively in the Greater Beijing Region to cater various demand of a diverse range of customers, ranging from retail operators to end consumers.

### RETAIL BUSINESS

#### 1. DEVELOPMENT OF RETAIL NETWORK

The Group set up 5 directly-operated supermarkets, 4 directly-operated convenience stores and 20 franchise-operated convenience stores during the Nine-month Period in accordance with its designated development plan for steady expansion of retail network.

As at 30 September 2007, the Group's had 185 retail outlets, including 90 directly-operated outlets and 95 franchise-operated outlets. The following table sets out the number and net operating areas of the Group's retail outlets as at 30 September 2007:

	Hypermarkets	Supermarkets	Convenience stores	Total
Number of retail outlets:				
Directly-operated	5	42	43	90
Franchise-operated	–	1	94	95
	<u>5</u>	<u>43</u>	<u>137</u>	<u>185</u>
Net operating area (square metres):				
Directly-operated	44,938	97,250	9,816	152,004
Franchise-operated	–	880	18,740	19,620
	<u>44,938</u>	<u>98,130</u>	<u>28,556</u>	<u>171,624</u>

### ***Shou Lian project***

Pursuant to the capital increase agreement and the franchise agreement signed between the Company and Beijing Shou Lian Group Company Limited (“Shou Lian”) on 10 February 2007, the Company has completed the contribution of additional registered capital of Shou Lian amounted to RMB50 million during the Nine-month Period. Moreover, through the information system switching, 27 retail outlets of Shou Lian have been integrated into the Group’s systems of centralised sourcing, distribution and management information.

### ***Jiuxiaoqiao community shopping centre***

The Group’s self-constructed Jiuxiaoqiao community shopping centre with a total gross floor area of approximately 76,000 square metres will comprise a hypermarket, a theme department store and other entertainment and ancillary facilities. As at 30 September 2007, the various preparation works such as the interior and exterior decoration, recruitment of commodity brands and leasing for other entertainment and ancillary facilities progressed smoothly, and planned to commence operation in the fourth quarter of 2007.

## ***2. ESTABLISHMENT OF LOGISTICS AND DISTRIBUTION SYSTEMS AND MANAGEMENT INFORMATION SYSTEM***

The Group’s strong and modernized logistics and distribution systems and management information system are the foundation for supporting its healthy and rapid development which brings efficiency and benefits in enhancing the Group’s core competitiveness.

During the Nine-month Period, the Group’s live and fresh produce centre completed the capacity expansion of the pork processing workshop, resulting in the daily allocating and cutting processing capability of pig promoted from 500 heads to over 1,000 heads and increased the storage capability of the frozen workshop by 400 tones.

The Group’s dry product logistics centre introduced the semi-automatic logistics classifying and picking equipment, basically completed the transformation of pass-through commodities and the distribution systems of convenience stores, for adequate preparing the promotion of distribution function.

### 3. OPERATION RESULTS FOR DIFFERENT TYPES OF DIRECTLY-OPERATED RETAIL FORMAT

#### Revenue (Unaudited)

	For the three months ended 30 September				For the nine months ended 30 September			
	2007		2006		2007		2006	
	Percentage of retail revenue		Percentage of retail revenue		Percentage of retail revenue		Percentage of retail revenue	
	Revenue RMB'000	(%)	Revenue RMB'000	(%)	Revenue RMB'000	(%)	Revenue RMB'000	(%)
Hypermarket	91,236	13.4	152,150	28.9	493,937	24.3	512,835	31.1
Supermarket	554,498	81.2	331,565	63.0	1,378,201	67.8	1,007,105	61.1
Convenience store	37,406	5.4	42,440	8.1	159,896	7.9	127,851	7.8
<b>Total</b>	<b>683,140</b>	<b>100.0</b>	<b>526,155</b>	<b>100.0</b>	<b>2,032,034</b>	<b>100.0</b>	<b>1,647,791</b>	<b>100.0</b>

#### Gross profit and gross profit margin (Unaudited)

	For the three months ended 30 September				For the nine months ended 30 September			
	2007		2006		2007		2006	
	Gross profit margin		Gross profit margin		Gross profit margin		Gross profit margin	
	Gross profit RMB'000	(%)	Gross profit RMB'000	(%)	Gross profit RMB'000	(%)	Gross profit RMB'000	(%)
Hypermarket	11,912	13.1	26,444	17.4	73,044	14.8	74,823	14.6
Supermarket	76,914	13.9	47,035	14.2	200,254	14.5	147,288	14.6
Convenience store	5,461	14.6	6,184	14.6	23,774	14.9	18,776	14.7
<b>Total</b>	<b>94,287</b>	<b>13.8</b>	<b>79,663</b>	<b>15.1</b>	<b>297,072</b>	<b>14.6</b>	<b>240,887</b>	<b>14.6</b>

#### Hypermarkets Operations

During the Nine-month Period, the revenue generated from the hypermarkets operations was approximately RMB493.9 million, representing approximately 24.3% of the total retail revenue of the Group. The decrease in revenue of approximately 3.7% during the Nine-month Period was mainly due to the temporary closure of the Tianshuiyuan hypermarket for about five months during the Nine-month Period for renovation and upgrading.

### ***Supermarkets Operations***

During the Nine-month Period, 5 new directly-operated supermarkets were set up. The revenue generated from the supermarkets operations during the Nine-month Period was approximately RMB1,378.2 million, representing approximately 67.8% of the total retail revenue of the Group. The increase in revenue of approximately 36.8% during the Nine-month Period was mainly attributable to the total revenue contributed by the 11 supermarkets and 5 supermarkets set up during the second half of 2006 and the Nine-month Period, respectively and the same store sales growth of approximately 14.9%.

### ***Convenience Stores Operations***

During the Nine-month Period, the revenue generated from the convenience stores operations was approximately RMB159.9 million, representing approximately 7.9% of the total retail revenue of the Group. The increase in revenue of approximately 25.1% during the Nine-month Period was mainly attributable to the total revenue contributed by the 4 convenience stores set up during each period of the second half of 2006 and the Nine-month Period, respectively and the same store sales growth of approximately 16.7%.

The gross profit margins generated from the hypermarkets operations, supermarkets operations and convenience stores operations in the Nine-month Period maintained at approximately the same level of the last corresponding period.

## WHOLESALE BUSINESS

The synergic development of wholesale and retail businesses is the Group's unique operating mode and one of its incomparable competitive advantages. For promoting the operating result of wholesale business, the Group through its subsidiary, Beijing Chaopi Trading Company Limited established Beijing Chaopi Huilong Trading Company Limited ("Chaopi Huilong") and Beijing Chaopi Zhongde Trading Company Limited ("Chaopi Zhongde") with other investors. Moreover, their operations officially commenced from July of current period, both the operation scope and sales channels of the wholesale business achieve effective development which drive the overall growth of wholesale business.

### *Operation results (Unaudited)*

	For the three months ended 30 September		For the nine months ended 30 September	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	<b>816,337</b>	585,786	<b>2,037,034</b>	1,622,934
Gross profit	<b>84,498</b>	64,760	<b>218,793</b>	165,948
Gross profit margin (%)	<b>10.4</b>	11.1	<b>10.7</b>	10.2

During the Nine-month Period, the revenue of wholesale business was approximately RMB2,037.0 million, representing approximately 50.0% of the total revenue, which was approximately 25.5% higher than that of last corresponding period. The increase was primarily due to (i) contribution of sales by Chaopi Zhongde and Chaopi Huilong (ii) increase in number of regional sole distributorships, and (iii) more inventories with selling prices anticipated to be increased in 2007 were stored in advance to accommodate the upcoming market demand. Gross profit margin increased from approximately 10.2% to approximately 10.7% during the Nine-month Period was mainly because of (i) better bargaining power with suppliers as an increase in purchase volume, (ii) increase in regional sole distributorships with relatively higher gross profit margin, (iii) strengthens the market condition analysis for storing certain commodities in advance with prices anticipated to rise, and (iv) continuously optimization of product mix.

## FINANCIAL REVIEW

### Financial results (Unaudited)

	For the three months ended 30 September		For the nine months ended 30 September	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	<b>1,502,174</b>	1,112,283	<b>4,074,382</b>	3,273,388
Gross profit	<b>179,528</b>	144,585	<b>517,523</b>	407,671
Gross profit margin (%)	<b>12.0</b>	13.0	<b>12.7</b>	12.5
Profit for the period	<b>49,753</b>	51,744*	<b>122,605</b>	110,865*
Profit attributable to equity holders of the parent	<b>31,716</b>	41,279*	<b>88,535</b>	88,584*
Net profit margin (%)	<b>2.1</b>	3.7	<b>2.2</b>	2.7

\* Include the one-off bank interest income after tax of approximately RMB15.5 million earned from the Over-subscription.

### Revenue

The Group's revenue increased by approximately 24.5% from approximately RMB3,273.4 million to approximately RMB4,074.4 million during the Nine-month Period was due to the increase in retail and wholesale revenue by approximately 23.3% and 25.5%, respectively.

### Gross profit and gross profit margin

During the Nine-month Period, the gross profit of the Group was approximately RMB517.5 million, representing an increase of approximately 26.9% compared with approximately RMB407.7 million of the last corresponding period. The increase was in line with the increase in revenue. The slightly increase in gross profit margin from approximately 12.5% to approximately 12.7% during the Nine-month Period was mainly attributable to the increase in gross profit margin contributed by the wholesale business from 10.2% to 10.7%.



## Profit for the period

Profit for the period increased by approximately 10.6% from approximately RMB110.9 million to approximately RMB122.6 million during the Nine-month Period. Excluding the effect of the one-off bank interest income after tax of approximately RMB15.5 million earned from the Over-subscription, profit for the period increased by approximately 28.5% during the Nine-month Period. The increase was mainly attributable to the increase in revenue of approximately 24.5% resulting in an increase in gross profit of approximately 26.9% and an increase in other income and gains of approximately 13.4%.

## Profit attributable to equity holders of the parent

Profit attributable to equity holders of the parent maintained at approximately the same level during the Nine-month Period and the last corresponding period. Excluding the effect of the one-off bank interest income after tax of approximately RMB15.5 million earned from the Over-subscription, profit attributable to equity holders of the parent increased by approximately 21.1% during the Nine-month Period.

## Net profit margin

The net profit margin decreased from approximately 2.7% for the last corresponding period to approximately 2.2% for the Nine-month Period. Excluding the effect of the one-off bank interest income after tax of approximately RMB15.5 million earned from the Over-subscription, net profit margins maintained at approximately the same level of approximately 2.2% for the two periods.

## STRATEGIES AND PLANS

The Group is a leading retail and wholesale operator in the Greater Beijing Region. The Group's mission is to further strengthen its foothold in the Greater Beijing Region and to expand steadily to its periphery. With a superior and well-established back-up foundation, the Group has formulated a realistic future development plan:

- To migrate the H share listing from GEM to the Main Board (the "Main Board Migration"). On 27 June 2007, the Company received the approval in-principle from the listing committee of the Stock Exchange for the proposed listing of the Company's H shares on the Main Board by way of introduction and is currently fulfilling domestic examination and approval procedures. The Company

anticipates its H shares will be traded on the Main Board during the fourth quarter of 2007. The Directors believe that the shareholder base can be further expanded and the trading quantity of the shares will be enhanced after the Main Board Migration as well as a profound positive effect in the Group's future development, financial aspect, etc.

- To maximize synergic effect through the integration of Shou Lian's retail outlets. The Directors believe that upon completion of integration of the retail network of Shou Lian under franchise arrangement, the public recognition of the Group's "京客隆" brand name will be further enhanced. The Group can further expand its retail distribution network to cover other parts of Beijing city and increase its revenue through distribution of products to Shou Lian. The cost benefit of the Group's logistics and distribution systems can be more effectively realized following the incorporation of Shou Lian's retail network into that of the Group. Moreover, the economies of scale of the Group can be further enhanced in terms of sourcing ability and bargaining power.
- Continue to expand the retail and wholesale distribution network in the Greater Beijing Region, northern China and eastern China. To speed up development rate, apart from the initial development plan through organic growth, the Group will strive for suitable merger and acquisition opportunities. With the support of its existing advanced logistics and distribution systems and management information system, the Group will pro-actively seek opportunities of mergers and acquisitions of the retail chain industry in the Greater Beijing Region and will utilize its existing wholesale distribution network within and outside the Greater Beijing Region to advance regional expansion of its wholesale business.
- Continue to improve logistics and distribution systems and management information system in order to further enhancing efficiency, reducing costs, strengthening the Group core competitiveness.

## SUBSEQUENT EVENT

A placing agreement was entered into between the Company and DBS Asia Capital Limited dated 27 September 2007 in relation to the placing of 30,360,000 H shares of the Company at HK\$7.3 per share to not less than six professional, institutional or other investors (the "Placing"). The said 30,360,000 H shares represent approximately 7.89% of the existing issued share capital of the Company and approximately 7.36% of the issued share capital of the Company as enlarged after the Placing which comprise a total of 27,600,000 new H shares to be issued by the Company (the "Placing H Shares") and a total of 2,760,000 H shares to be converted from an equal number of domestic shares held by Beijing Chaoyang Auxillary Food Company (the "Sale H Shares"), the substantial shareholder of the Company in accordance with the approvals from the relevant PRC authorities and applicable PRC laws and regulations and issued as H shares. The entire net proceeds from the sale of the Sale H Shares will be remitted to The National Social Security Fund Council of the PRC. The Placing H Shares and the Sale H Shares rank pari passu in all respects the existing Company's H shares in issue.

The Placing has been completed on 12 October 2007 with net proceeds of approximately HK\$196 million (after deducting the commission and expenses of the Placing H Shares payable by the Company) was received by the Company. Accordingly, the issued share capital of the Company increased from RMB384,620,000 to RMB412,220,000 after the Placing with H shares and domestic shares increased from 151,800,000 shares to 182,160,000 shares and decreased from 232,820,000 shares to 230,060,000 shares, respectively.

The Placing was conducted pursuant to the general mandate granted to the Directors at the extraordinary general meeting of the Company held on 14 August 2007. Such general mandate has been fully utilized as to the issuance of 30,360,000 H shares.

The Company intends to use the net proceeds of approximately HK\$196 million for the expansion and operation of its retail and wholesale distribution businesses.

## OTHER INFORMATION

### 1. CORPORATE GOVERNANCE

The Group devotes to achieving high standard of corporate governance as it believes that an effective corporate governance practices not only monitor and regulate its business activities, but also can attract more investors to invest in the Company.

The Company has complied with all the code provisions set out in Appendix 15 of the GEM Listing Rules in protecting and maximizing the interests of shareholders during the Nine-month Period.

#### *BOARD OF DIRECTORS*

The Board is currently comprised of nine Directors (being four executive Directors, two non-executive Directors and three independent non-executive Directors) who have served as Directors for the whole Nine-month Period and their term of office will end on 31 October 2007. At the annual general meeting of the Company held on 18 May 2007, the engagement of the nine Directors has each been approved to extend for a further term of three years commencing 1 November 2007.

During the Nine-month Period, the Board fulfilled the requirement of having three independent non-executive Directors as required by the GEM Listing Rules and the number of independent non-executive Directors being at least one-third of the members of the Board, and it also met the requirement of having one independent non-executive Director qualified as a professional accountant or having the professional accounting and financial management expertise.

#### *CHAIRMAN AND GENERAL MANAGER*

Mr. Wei Tingzhan and Mr. Li Jianwen are the chairman of the Board and the general manager of the Company, respectively, which are two clearly defined positions. The chairman is responsible for the operation of the Board while the general manager is in charge of the Group's daily business development and management. The Articles of Association of the Company sets out the respective duties and power of the chairman and the general manager in detail.

## *AUDIT COMMITTEE*

Pursuant to the Rules 5.28 of the GEM Listing Rules, the Company has set up an audit committee on 29 July 2005. In compliance with the Rule 5.29 of the GEM Listing Rules, the authority and responsibilities of the audit committee has been properly written out. The audit committee is responsible to review the effectiveness of external audits, internal controls and risk evaluation and also provides comments and advice to the Board. The audit committee comprises three independent non-executive Directors, namely Mr. Chung Chi Kong, Mr. Huang Jiangming and Mr. Fan Faming. Mr. Chung Chi Kong is the chairman of the audit committee.

The Group's unaudited results for the Nine-month Period and the last corresponding period prepared in accordance with the HKFRSs have been reviewed by the audit committee.

## 2. DISCLOSURE OF INTERESTS

### *DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES*

As at 30 September 2007, the interests and positions of the Directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to Rules 5.46 to 5.67 of the

GEM Listing Rules, or sections 324 and 347 of Part XV of the SFO, to be notified to the Company and the Stock Exchange were as follows:

*Long positions in the domestic shares of the Company*

<b>Name</b>	<b>Capacity</b>	<b>Number of domestic shares held</b>	<b>Approximate percentage of total issued domestic shares (%)</b>	<b>Approximate percentage of total issued shares (%)</b>
Wei Tingzhan	Personal	1,417,237	0.61	0.37
Li Jianwen	Personal	1,354,712	0.58	0.35
Li Chunyan	Personal	208,417	0.09	0.05
	Beneficiary (Note 1)	187,575	0.08	0.05
Liu Yuejin	Beneficiary (Note 2)	375,151	0.16	0.10
Gu Hanlin	Personal	1,417,237	0.61	0.37
Li Shunxiang	Personal	5,210,428	2.24	1.35
Yang Baoqun	Personal	1,042,086	0.45	0.27
Qu Xinhua	Personal	833,669	0.36	0.22
Wang Shuying	Beneficiary (Note 3)	375,151	0.16	0.10

*Notes:*

1. These 187,575 domestic shares are held by Shanxi Trust Investment Company Limited ("Shanxi Trust") as trust property, the beneficiary of which is Ms. Li Chunyan.
2. These 375,151 domestic shares are held by Shanxi Trust as trust property, the beneficiary of which is Mr. Liu Yuejin.
3. These 375,151 domestic shares are held by Shanxi Trust as trust property, the beneficiary of which is Ms. Wang Shuying.

Save as disclosed above, as at 30 September 2007, none of the Directors, supervisors or chief executive of the Company nor their associates had any interest and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, or section 324 and 347 of Part XV of the SFO, to be notified to the Company and the Stock Exchange.

### *SUBSTANTIAL SHAREHOLDERS*

As at 30 September 2007, so far as is known to the Directors, supervisors or chief executive of the Company, the persons (other than a Director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

#### *Long positions in the domestic shares of the Company*

<b>Name</b>	<b>Capacity</b>	<b>Number of domestic shares held</b>	<b>Approximate percentage of total issued domestic shares (%)</b>	<b>Approximate percentage of total issued shares (%)</b>
Beijing Chaoyang Auxillary Food Company	Beneficial owner	170,169,808	73.09	44.24
Shanxi Trust	Trustee (Note)	26,635,710	11.44	6.93

*Note:* These 26,635,710 domestic shares are trust property, the beneficiaries of which are 122 employees and officers of the Company.

*Positions in the H shares of the Company*

Name	Total number of H shares held	Approximate percentage of total issued H shares (%)	Approximate percentage of total issued shares (%)
UOB Asset Management Limited ("UOB Asset") (Note 1)	17,965,000 (L)	11.83	4.67
United Overseas Bank Limited ("UOB") (Note 2)	17,965,000 (L)	11.83	4.67
JP Morgan Chase & Co. (Note 3)	16,167,000 (L) 16,167,000 (P)	10.65 10.65	4.20 4.20
Schroder Investment Management (Hong Kong) Limited (Note 4)	9,211,000 (L)	6.07	2.39
(L) – Long Position			
(P) – Lending Pool			

*Notes:*

1. These 17,965,000 H shares were held by UOB Asset in its capacity as an investment manager.
2. UOB Asset is a subsidiary of UOB and UOB was therefore deemed to have an interest in the 17,965,000 H shares in which UOB Asset was interested.
3. These 16,167,000 H shares were held by JP Morgan Chase & Co. in its capacity as a custodian corporation/an approved lending agent.
4. These 9,211,000 H shares were held by Schroder Investment Management (Hong Kong) Limited in its capacity as an investment manager.

Save as disclosed above, as far as is known to the Directors, supervisors or chief executive of the Company, as at 30 September 2007, no other persons (not being a Director, supervisor or chief executive of the Company) had, or were deemed or taken to have any interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



### 3. 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 Nine-month Period.

### 4. COMPETITION AND CONFLICT OF INTEREST

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

### 5. COMPLIANCE ADVISER'S INTEREST

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

By order of the Board  
**Wei Tingzhan**  
Chairman

Beijing, PRC  
13 November 2007

*As at the date of this report, the executive Directors of the Company are Wei Tingzhan, Li Jianwen, Li Chunyan and Liu Yuejin; the non-executive Directors are Gu Hanlin and Li Shunxiang; and the independent non-executive Directors are Fan Faming, Huang Jiangming and Chung Chi Kong.*