



MR. WONG KWONG YU
CHAIRMAN



Chairman's Statement

Our Company stepped into a new page of development in 2005 as we started to execute the Growth Initiative with total commitment and full energy. The Growth Initiative is a four-year business plan formulated to expand our business scale, extend our national footprint, solidify our market leadership, foster our competitive strengths, and enhance our brand value. I am proud to say that our Company has achieved yet another milestone in 2005 in significantly enlarging its store network and accomplishing impressive revenue growth.

In 2005, our Company more than doubled its network, by adding 143 traditional stores and entering 44 new cities, and achieving revenue of RMB17,959 million. During the year, gross profit, profit before tax and profit for the year reached RMB1,652 million, RMB869 million, and RMB777 million respectively. Earnings per share reached RMB30 fen and the Board has proposed a final dividend payment of 4.3 HK cents (equivalent to approximately RMB 4.5 fen) per share.

By all measures, 2005 was a very challenging year as our Company embarked on a very aggressive growth path and confronted fierce competition in the market. Precise strategies, seamless execution, and full-hearted perseverance were essential and I am pleased to say that our team has clearly demonstrated such energy in 2005. The permeation in our organization of an unflinching spirit of innovative energy, relentless pursuit of efficiency and productivity, and total commitment to details, has contributed to our success.

The future holds considerable potential for our Company. Our prospect is brighter than ever. I am confident that our Company possesses the competitive attributes and will power to further consolidate our market leadership position and build a highly respected brand.

I would like to take this opportunity to thank our Shareholders for their continued support and confidence. I also extend my utmost gratitude and appreciation to our Board, management, staff and business partners for their efforts and dedication in working together and brining further success to our company.

WONG KWONG YU

Chairman