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 the People's Republic of China)

Annual Report 2007

(Stock Code : 0814)

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wei Tingzhan *(Chairman)*
Mr. Li Jianwen
Ms. Li Chunyan
Mr. Liu Yuejin

Non-executive Directors

Mr. Gu Hanlin
Mr. Li Shunxiang

Independent Non-executive Directors

Mr. Fan Faming
Mr. Huang Jiangming
Mr. Chung Chi Kong, *CPA*

SUPERVISORS

Ms. Qu Xinhua
Mr. Yang Baoqun
Ms. Wang Shuying
Ms. Yao Jie
Mr. Chen Zhong
Ms. Cheng Xianghong

SENIOR MANAGEMENT

Ms. Chen Limin
Mr. Gao Jingsheng
Mr. Zhao Weili
Mr. Keung Siu Fai, *CPA*

QUALIFIED ACCOUNTANT

Mr. Keung Siu Fai, *CPA*

JOINT COMPANY SECRETARIES

Mr. Keung Siu Fai, *CPA*
Ms. Li Chunyan

AUDIT COMMITTEE

Mr. Chung Chi Kong, *CPA*
Mr. Fan Faming
Mr. Huang Jiangming

NOMINATION COMMITTEE

Mr. Wei Tingzhan
Mr. Fan Faming
Mr. Huang Jiangming

REMUNERATION COMMITTEE

Mr. Wei Tingzhan
Mr. Fan Faming
Mr. Huang Jiangming

COMPLIANCE OFFICER

Ms. Li Chunyan

AUTHORISED REPRESENTATIVES

Ms. Li Chunyan
Mr. Keung Siu Fai, *CPA*

COMPLIANCE ADVISER

DBS Asia Capital Limited

AUDITORS

Ernst & Young

LEGAL ADVISERS

As to Hong Kong law:

Richards Butler

As to PRC law:

Jun Ze Jun Law Offices

Corporate Information

PRINCIPAL BANKERS

Agricultural Bank of China

2 Tuanjie Lake North Road
Chaoyang District
Beijing PRC

Bank of Beijing

Jiulongshan Branch
117th Building
Jinsong Dongkou Nongguang Lane
Beijing PRC

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADDRESS

Block No. 45
Xinyuan Street
Chaoyang District
Beijing PRC

PLACE OF BUSINESS IN HONG KONG

20th Floor
Alexandra House
16-20 Chater Road
Hong Kong

WEBSITE

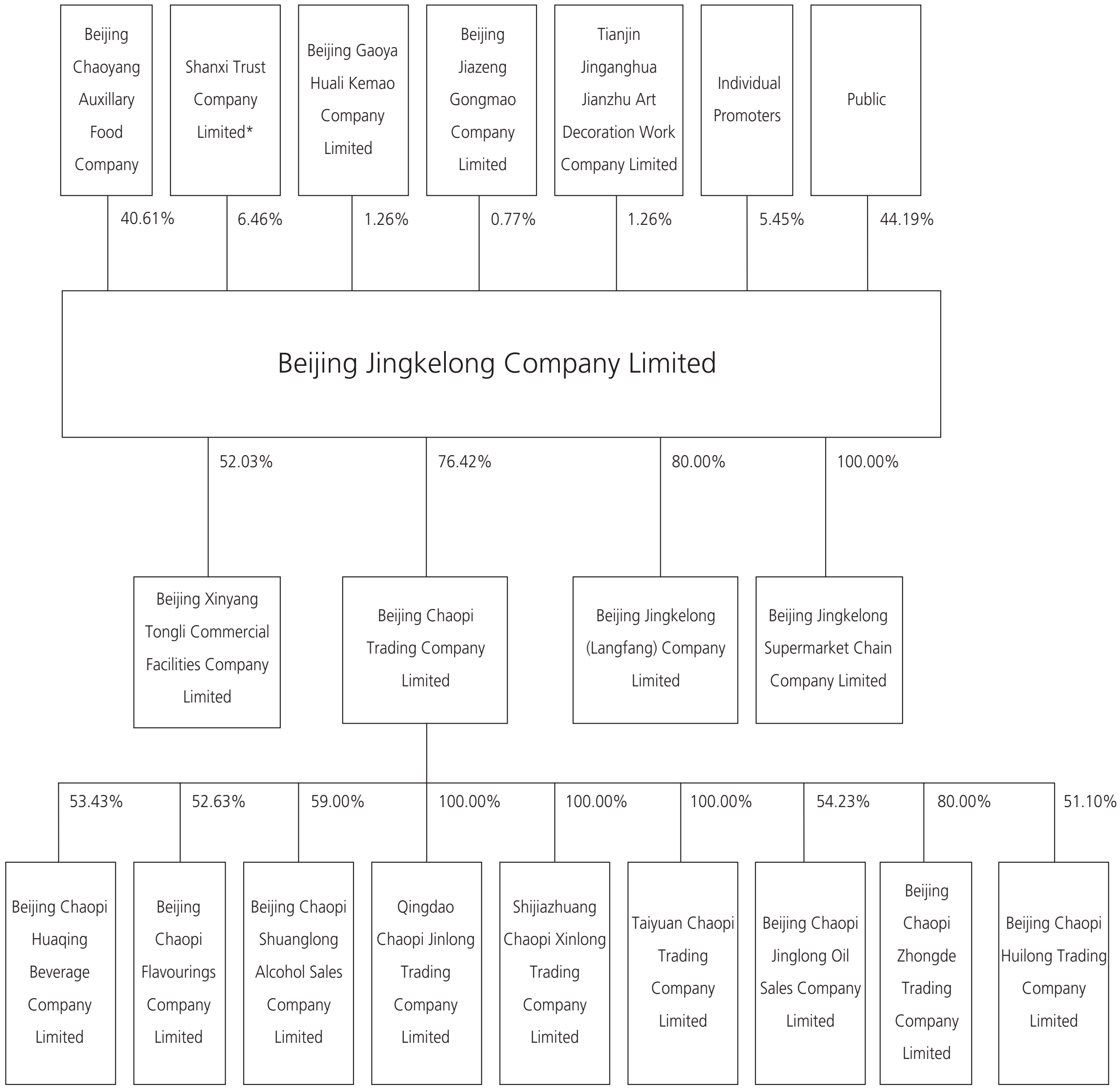
www.jkl.com.cn

STOCK CODE

814

Group Structure

As at 31 December 2007 and up to the date of this report, the shareholders and subsidiaries of Beijing Jingkelong Company Limited were as follows:



* *Formerly known as Shanxi Trust Investment Company Limited.*

Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "Board") of Beijing Jingkelong Company Limited (the "Company") and its subsidiaries (collectively the "Group"), I am delighted to present our annual results for the year ended 31 December 2007 (the "Reporting Period").

During the Reporting Period, we continue to benefit from the growth opportunity brought to the retail and wholesale businesses by the rapid economic growth in China, and roll-out our regional development strategy and integration of our retail and wholesale businesses, and have achieved remarkable results of increase in revenue, net profit, same store sales growth, and have further consolidated our regional advantage and market position in Beijing City and parts of its periphery (the "Greater Beijing Region").

REVIEW OF RESULTS

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

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

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

Chairman's Statement

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

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

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

The Group recorded the following results during the Reporting Period:

- Retail outlets increased from 171 in 2006 to 214 (including 1 department store, 6 hypermarkets, 42 supermarkets, 137 convenience stores and 28 Shou Lian delegated stores);

- Revenue increased to approximately RMB5,640.6 million, representing a 24.5% growth as compared to 2006;

- Gross profit increased to approximately RMB721.8 million, 27.9% higher than that of 2006;

- Gross profit margin was approximately 12.8%, 0.3% higher than the 12.5% of 2006;

- Profit attributable to equity holders was approximately RMB124.6 million, represented a 25.1% growth as compared to 2006;

- Same store sales growth increased by approximately 4.8% from approximately 6.6% in 2006 to approximately 11.4% in 2007; and

- Final dividend per share (tax inclusive) was RMB17.5 cents (2006: 15 cents).

Chairman's Statement

PROSPECTS

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

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to our shareholders for their trust and support and our business partners for their support and assistance, and appreciation to all staff for their valuable contribution to the Group during the Reporting Period.

Wei Tingzhan
Chairman

Beijing, PRC
24 March 2008

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

RETAIL BUSINESS

Development of Retail Network

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

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

In February 2007, the Company invested RMB50 million for increasing the registered capital of Shou Lian and provided delegation of 45.3% Shou Lian equity interest pursuant to the capital increase agreement and cooperation agreement signed with Shou Lian. According to the intrinsic requirements of retail chain-operation, through switching of management information system, the business systems of the 27 retail outlets under the brand names of "小白羊", "億客隆", and "星座興石" in Shou Lian have been systematically integrated with the business system of Jingkelong during the Reporting Period. The parallel and redundant operation of separate purchasing, distribution and operation management systems at Shou Lian has stopped and they have been integrated into the centralised chain operating system of the Group.

Management Discussion and Analysis

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

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

Sourcing and supplier management

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

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

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

Management Discussion and Analysis

Merchandise operation management

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

Establishment of logistics and distribution and information systems

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

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

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

Establishment of consumer loyalty

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

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

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

Operating results for different types of directly-operated retail format

Revenue

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

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

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

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

Hypermarket Operation

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

Supermarket Operation

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

Convenience Store Operation

The business of the Group's convenience stores upholds the strategy in running both directly-operated and franchise-operated convenience stores at the same time. During the Reporting Period, the revenue generated from the convenience store operation was approximately RMB212.9 million, representing approximately 7.9% of the total retail revenue of the Group. The increase in 2007 revenue was approximately 20.1%.

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

WHOLESALE BUSINESS

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

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

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

Operation results

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

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

FINANCIAL REVIEW

FINANCIAL RESULTS

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

Revenue

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

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

Gross profit and gross profit margin

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

Other income and gains

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

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

Selling and distribution costs

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

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

Administrative expenses

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

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

Other expenses

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

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

Finance costs

Finance costs represent interest on bank loans and other borrowings.

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

Tax

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

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

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

Profit for the year

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

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

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

Basic earnings per share

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

ANALYSIS OF KEY FINANCIAL RATIO

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

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

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

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

STRATEGIES AND PLANS

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

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

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

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

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

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

CAPITAL STRUCTURE

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group mainly financed its operations through internally generated cash flows, borrowings from banks, and the net proceeds received from the initial public offer of the H shares in September 2006 and the placement of H shares in October 2007.

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

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

FOREIGN CURRENCY RISK

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

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

EMPLOYEES

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

INDEBTEDNESS

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

- Certain of the Group's buildings, investment properties and lease prepayments for land use rights with an aggregate carrying value of approximately RMB452.3 million as at 31 December 2007; and

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

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

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

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

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

CONTINGENT LIABILITIES

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

POST BALANCE SHEET EVENTS

The post balance sheet events of the Group as at 31 December 2007 are set out in note 42 of the financial statements.

Review of Business Objectives

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

EXPANSION OF RETAIL DISTRIBUTION NETWORK IN THE PRC

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

Review of Business Objectives

	Business objectives	Actual progress
Convenience stores	Open not less than 8 convenience stores in the Greater Beijing Region in 2007	Nine convenience stores were opened with 8 in Chaoyang District of Beijing and 1 in Langfang city respectively with total net operating area of approximately 1,960 square metres.
	Open not less than 15 convenience stores in the Greater Beijing Region through franchise arrangements in 2007	22 convenience stores were opened through franchise arrangements, of which 14 in Chaoyang District, two in Changping District, two in Tongzhou District and, each in Haidian District, Xuanwu District, Xicheng District and Shijingzhan District respectively with a total net operating area of approximately 5,000 square metres.

INCREASE OPERATING EFFICIENCY

	Business objectives	Actual progress
Logistics centre	Further consolidate and upgrade the logistics capacity for retail and wholesale distribution businesses	Completed the dilatation of the pork processing workshop resulting in the daily allocating and cutting processing capability of pig promoted from 500 heads to over 1,000 heads and also increased the storage capability of the frozen workshop by 400 tones.
Management information systems	Develop and enhance enterprise data resources excavation system	Implemented feasibility study for development of enterprise data resources excavation system. Completed safety upgrade of membership card system, promoted network system efficiency and strengthened safety of management information system.

Review of Business Objectives

	Business objectives	Actual progress
Operating system	Continue to promote and improve uniform operating and services standard	Adjusted layouts of retail outlets and merchandise display.
		Developed pork and vegetables display competition.
		Strengthened surveillance and inspection of service, hygiene, merchandise quality and etc. in retail outlets.
Staff training	Offer training courses to store managers and staff at new retail outlets	Conducted 145 different batches of training classes with 8,435 times of shopkeepers and staff trained.

FURTHER BRAND-BUILDING

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

Use of Proceeds from Listing

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

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

Corporate Governance Report

The Group recognises the importance of effective corporate governance is essential in monitoring and regulating its business activities, and will attract more investors to invest in the Company.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries, all the directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding their securities transactions throughout the Reporting Period.

THE BOARD

The Board takes the responsibility for leadership and control of the Group and be collectively responsible for safeguarding the best interest of the Group and accountable to shareholders. Matters that are required to be determined or considered by the Board include overall group strategies, substantial acquisitions and disposals, capital transactions, annual, interim and quarterly results, distribution of dividends and other substantial operating and financial matters. Major corporate matters that are specifically delegated by the Board to the Group's management include the preparation of financial accounts for Board approval, execution of business strategies and initiatives adopted by the Board, implementation of adequate system of internal controls and risk management procedures, and compliance with relevant statutory requirements, rules and regulations.

The Board currently comprise of nine directors (being four executive directors, two non-executive directors and three independent non-executive directors) which have served the Group for the whole Reporting Period. Their respective initial term of office have been ended on 31 October 2007 and were all been extended for a further term of three years commenced from 1 November 2007, pursuant to the resolution passed at an annual general meeting held on 18 May 2007. The two non-executive directors do not receive any directors' fee. Each of the three independent non-executive directors is entitled to receive a fixed director's fee.

Provision A4.2 of the Code requires that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's Articles of Association stipulates that directors shall be elected by shareholders in general meeting for a term of three years and shall be eligible for re-election upon the expiry of the term. Having taking into account of the continuity of the Group's operation and management policies, the Company's Articles of Association contains no express provision for the directors' retirement by rotation and thus deviating from the aforementioned provision of the Code. As approved by an ordinary resolution at the annual general meeting held on 18 May 2007, the second session of the Board was established and the term of service of each director including the non-executive directors is three years commenced from 1 November 2007.

Corporate Governance Report

During the Reporting Period, the Board fulfilled the requirement of having at least three independent non-executive directors as required by the GEM Listing Rules. The Company also met the requirement of having at least one independent non-executive director must have appropriate professional qualifications or accounting or related financial management expertise. The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence. The Company is of the opinion that all of the independent non-executive directors are independent pursuant to Rules 5.09 of the GEM Listing Rules. After the migration to the Main Board, the Board still considered each independent non-executive director is independent pursuant to Rules 3.13 of the Main Board Listing Rules.

Reasonable notice period and sufficient relevant information have been given to all directors so as to enable them to attend the Board meetings and make appropriate decision in relation to matters to be discussed. All directors are entitled to include matters of their concern in the agenda of all Board meetings. All directors are free to inspect all relevant corporate information.

The biographical details of the directors are set out on pages 44 to 45 of this annual report.

Mr. Wei Tingzhan, acting as the chairman and executive director of the Company is responsible for operation of the Board.

Mr. Li Jianwen, acting as the general manager and executive director of the Company is responsible for the Group's daily business development and management.

Another two executive directors, Mr. Liu Yuejin and Ms. Li Chunyan are responsible for the retail operation and legal affairs of the Group, respectively.

Each executive director has sufficient experience to hold the position so as to accomplish his/her duties effectively and efficiently.

During the Reporting Period, 4 Board meetings were held and the attendance records of directors (including attendance by proxy and via telephone conference) are set out below:

	Attendance/ Number of meetings
Executive Directors	
Mr. Wei Tingzhan	4/4
Mr. Li Jianwen	4/4
Ms. Li Chunyan	4/4
Mr. Liu Yuejin	4/4
Non-executive Directors	
Mr. Gu Hanlin	4/4
Mr. Li Shunxiang	4/4
Independent Non-executive Directors	
Mr. Chung Chi Kong	4/4
Mr. Fan Faming	3/4
Mr. Huang Jiangming	4/4

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 effective operation of the Board and ensuring the Board works effectively 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

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

The audit committee held 4 meetings during the Reporting Period for reviewing the accounting principles and practices adopted by the Group and discussing internal controls and financial reporting matters including a review of the 2006 annual report, 2007 quarterly and interim reports.

On 24 March 2008, all members of the audit committee, together with the senior management of the Company and the external auditors, have reviewed the 2007 audited results adopted by the Company and the Group.

The attendance records of the audit committee (including attendance via telephone conference) during the Reporting Period are set out below:

	Attendance/ Number of meetings
Mr. Chung Chi Kong	4/4
Mr. Huang Jiangming	4/4
Mr. Fan Faming	3/4

REMUNERATION COMMITTEE

The Company has established its remuneration committee on 29 July 2005 pursuant to Appendix 15 of the GEM Listing Rules. A resolution was passed on 13 November 2007 to establish the second session of Remuneration Committee, with three directors, namely Mr. Wei Tingzhan, Mr. Fan Faming and Mr. Huang Jiangming. Mr. Wei Tingzhan is the chairman of the remuneration committee. The remuneration committee is responsible for reviewing and determining the policy of the remuneration packages of all directors by considering factors such as salaries paid by comparable companies, time commitments and complexity of duties and responsibilities of the directors to ensure incentives are effectively implemented for all directors.

Details of Directors' remuneration are set out in note 9 to the financial statements.

NOMINATION COMMITTEE

The Company has established its nomination committee on 29 July 2005 pursuant to Appendix 15 of the GEM Listing Rules. A resolution was passed on 13 November 2007 to establish the second session of Nomination Committee with three directors, namely Mr. Wei Tingzhan, Mr. Fan Faming and Mr. Huang Jiangming. Mr. Wei Tingzhan is the chairman of the nomination committee. The nomination committee is responsible for nominating potential candidates for directorships, reviewing the nomination of directors and making recommendations to the Board on such appointments.

SUPERVISORY COMMITTEE

During the Reporting Period, the supervisory committee of the Company comprised Ms. Chen Jie (resigned on 1 November 2007), Ms. Qu Xinhua, Mr. Yang Baoqun, Mr. Chen Zhong, Ms. Cheng Xianghong, Ms. Wang Shuying and Ms. Yao Jie (appointed on 1 November 2007). Ms. Qu Xinhua has been appointed as the chairman of the supervisory committee after the resignation of Ms. Chen Jie. The supervisors have performed their work in a dedicated and diligent manner and carried out effectively the functions of supervising the legal and regulatory compliance relating to financial matters and overseeing the directors and senior management of the Group during their offices.

AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of Messrs. Ernst & Young as the external auditors of the Company for the year ended 31 December 2007. For the year ended 31 December 2007, the Company agreed auditing fees of RMB1,500,000 payable to Messrs. Ernst & Young. During the Reporting Period, the Company has also paid RMB550,000 to Messrs. Ernst & Young for non-audit services, mainly including the review of the Group's 2007 interim financial statements.

RESPONSIBILITIES FOR PREPARATION OF ACCOUNTS

The directors are responsible for the preparation of financial statements in compliance with the relevant regulations and applicable accounting standards.

The responsibility of the auditors with respect to the financial reporting are set out in the Independent Auditors' Report on pages 47 to 48.

INTERNAL CONTROL

The Board has overall responsibility for maintaining an adequate system of internal control to safeguard shareholders' interest and Group's assets. Regular reviews have been conducted by the Board for ensuring the effectiveness and adequacy of the Group's internal systems in respect of financial, operational and risk management areas.

COMPLIANCE ADVISER

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

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

INVESTOR RELATIONS

The Group is committed to establish a long-term relationship with shareholders and investors, an adherence to the principles of integrity, regularity, and high transparency, and disclose the required information in compliance with the GEM Listing Rules. Information of the Group is disseminated to its shareholders in the following manners:

- delivery of results and reports to shareholders;
- publication of announcements on the Stock Exchange websites, and issue of shareholders' circulars in accordance with the continuing disclosure obligations under the GEM Listing Rules; and
- arrange general and extraordinary meetings with shareholders as an effective communication channel between the Board and shareholders.

The Company maintains effective communications with its shareholders, investors and analysts through, inter alia:

- establishing dedicated divisions and personnel for liaison with investors and analysts by answering their questions;
- arranging on-site visits to the retail outlets and logistics centers of the Group to enhance their timely understanding of the situations and latest development of the Group's business operations;
- gathering, in a timely manner, opinions and comments from analysts and investors on the operation of the Group, and selectively adopting them in the Group's operation;
- making available information on the Company's website; and
- actively communicating with various parties, in particular, convening briefing sessions, press conferences and individual meeting with institutional investors upon the announcement of results and making decisions on material investments. The Group also participates in a range of investor activities and communicates on one-on-one basis with its investors regularly.

Report of the Board of Directors

The board of directors hereby presents their annual report and the audited financial statements of the Company and the Group for the Reporting Period.

GROUP REORGANISATION

The Company was established as a state-owned enterprise in May 1994. In May 2002, the Company was transformed into a limited liability company. With effect from 1 November 2004, the Company was transformed into a joint stock company with limited liability by converting its net assets as at 31 December 2003, as determined in accordance with the applicable PRC accounting principles and financial regulations, net of dividends declared in August 2004, into 246,620,000 shares of RMB1 each.

On 25 September 2006, the Company completed its initial public offering, with its H shares listed on GEM of the Stock Exchange and subsequently migrated to the Main Board on 26 February 2008.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the retail and wholesale distribution of daily consumer products in the Greater Beijing Region. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

RESULTS AND DIVIDENDS

The Group's profit for the Reporting Period and the state of affairs of the Company and the Group at 31 December 2007 are set out in the financial statements on pages 49 to 126.

The directors recommend the payment of a final dividend of RMB17.5 cents (2006: RMB15.0 cents) per share (tax inclusive) in respect of the Reporting Period to shareholders on the register of members on the date of the annual general meeting 2007. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds of approximately HK$584.6 million received from the initial public offering of the Company's H shares on GEM of the Stock Exchange in September 2006, was partially applied until 31 December 2007 in accordance with the proposed applications set out in the Prospectus, as follows:

- approximately HK$307 million was used for the expansion of the Group retail network in the PRC;
- approximately HK$45.8 million was used for the improvement and development of the Group's information and logistic systems; and
- approximately HK$52.6 million was applied as general working capital, including but not limited to brand building.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and equity of the Group for the last five financial years, as extracted from the Prospectus and the Group's audited financial statements for the years ended 31 December 2006 and 2007, is set out on pages 127 to 128.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Company and the Group during the Reporting Period are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 34 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 report.

RESERVES

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in note 35(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Details of reserves available for distribution are set out in note 35 (b) (iii) to the financial statements.

BORROWINGS

Details of the Group's borrowings at the balance sheet date are set out in note 31 to the financial statements.

ISSUE OF SHORT-TERM DEBENTURES

The Company issued short-term debentures in the PRC inter-bank debenture market on 19 December 2007. The short-term debentures aggregating RMB370 million were issued at 100% of their face value and have a term of maturity of 182 days. Interest rate of 7.08% per annum is payable at maturity.

The issue has been approved by the extraordinary general meeting of the Company held on 13 July 2007. The debentures were issued to institutional investors in the PRC inter-bank debenture market. Dealings in the debentures in the PRC inter-bank debenture market commenced on 24 December 2007.

INTEREST CAPITALISED

During the Reporting Period, the interest capitalized amounted to RMB25,283,000 (2006: RMB17,772,000).

CHARITABLE CONTRIBUTIONS

During the Reporting Period, the Group made no charitable contributions (2006: RMB104,717).

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the Group's five largest customers accounted for approximately 19% (2006: 16%) of the total sales for the year and sales to the largest customer accounted for approximately 4.8% (2006: 3.7%). Purchase from the Group's five largest suppliers accounted for approximately 18% (2006: 18%) of the total purchases for the year and purchases from the largest supplier accounted for approximately 3.8% (2006: 3.9%) during the Reporting Period.

None of the directors or supervisors of the Company or any of its associates or any shareholders which, to the best knowledge of the directors and supervisors, own more than 5% of the Company's issued share capital had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company during the Reporting Period and up to the date of this report are as follows:

Executive Directors:

Mr. Wei Tingzhan
Mr. Li Jianwen
Ms. Li Chunyan
Mr. Liu Yuejin

Non-executive Directors:

Mr. Gu Hanlin
Mr. Li Shunxiang

Independent Non-executive Directors:

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

Supervisors:

Ms. Chen Jie	(resigned on 1 November 2007)
Ms. Qu Xinhua	
Mr. Yang Baoqun	
Mr. Chen Zhong	
Ms. Cheng Xianghong	
Ms. Wang Shuying	
Ms. Yao Jie	(appointed on 1 November 2007)

In accordance with Company's Articles of Association, all directors and supervisors are elected for a term of three years and not exceeding three years, respectively and, may serve consecutive terms upon re-election and re-appointment. At the Company's annual general meeting held on 18 May 2007, the engagement of all the nine directors, and the three supervisors, namely Mr. Yang Baoqun, Mr. Chen Zhong and Ms. Cheng Xianghong has each been approved to extend for a further term of three years commenced from 1 November 2007. The meeting of the staff representatives of the Company held on 18 May 2007 re-appointed Ms. Wang Shuying and appointed Ms. Yao Jie as supervisors for a term of three years commenced from 1 November 2007. At an extraordinary general meeting of the Company held on 13 July 2007, Ms. Qu Xinhua was re-appointed as a supervisor for a term of three years commenced from 1 November 2007.

The Company has received the annual confirmations of independence from each the three independent non-executive directors and is of the view that they are independent.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors, supervisors and senior management of the Company are set out on pages 44 to 46 of the annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

The Company has entered into employment agreements with each of the executive directors pursuant to which they have agreed to act as executive directors for a term of three years with effect from 1 November 2007 after their re-election as the executive directors at the annual general meeting held on 18 May 2007. Each of the executive directors is entitled to a fixed basic salary, a performance based salary and other allowance and benefits in kind under applicable PRC law and regulations.

Each of the non-executive directors has entered into an appointment letter with the Company pursuant to which they have agreed to act as non-executive directors for a term of three years with effect from 1 November 2007 after their re-election as the non-executive directors at the annual general meeting held on 18 May 2007. They do not receive any directors' fee.

Each of the independent non-executive directors has entered into an appointment agreement with the Company pursuant to which they have agreed to act as independent non-executive directors for a term of three years with effect from 1 November 2007 after their re-election as the independent non-executive directors at the annual general meeting held on 18 May 2007. The terms of the appointment agreements of the independent non-executive directors are identical in all material respects and they are entitled to receive fixed directors' fee.

At the expiry of their appointments as supervisors on 31 October 2007, each of Ms. Qu Xinhua, Mr. Yang Baoqun, Mr. Chen Zhong, Ms. Chen Xianghong and Ms. Wang Shuying has entered into an appointment agreement with the Company pursuant to which each has agreed to act as supervisor for a further term of three years commenced from 1 November 2007. Ms. Chen Jie has resigned as supervisor with effect from 1 November 2007 and Ms. Yao Jie was appointed as a supervisor for a term of three years commenced from 1 November 2007. The terms of the appointment agreements of the supervisors are identical in all material respects save that:

i. Mr. Yang Baoqun does not receive any supervisor's fee;

ii. each of Mr. Chen Zhong and Ms. Chen Xianghong receives a fixed supervisor's fee; and

iii. each of Ms. Chen Jie (before her resignation), Ms. Qu Xinhua, Ms. Wang Shuying and Ms. Yao Jie receives a fixed basic salary, a performance based salary and other allowance and benefits in kind under applicable PRC law and regulations.

None of the directors or supervisors had entered into or is proposed to enter into, any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

The directors' and supervisors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' and supervisors' duties, responsibilities and performance and the results of the Group. In compliance with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules, the Company has established a remuneration committee to formulate compensation policies and to determine and manage the compensation of the Company's senior management. Details of the directors' and supervisors' remuneration are disclosed in note 9 to the financial statements.

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS

None of the directors and supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

DIRECTORS' AND SUPERVISORS' RIGHTS IN ACQUIRING SHARES AND DEBENTURES

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

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

As at 31 December 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

Name	**Capacity**	**Total number of domestic shares held**	**Approximate percentage of total issued domestic shares** (%)	**Approximate percentage of total issued shares** (%)
Wei Tingzhan	Personal	1,417,237	0.62	0.34
Li Jianwen	Personal	1,354,712	0.59	0.33
Li Chunyan	Personal	208,417	0.09	0.05
	Beneficiary *(Note 1)*	187,575	0.08	0.04
Liu Yuejin	Beneficiary *(Note 2)*	375,151	0.16	0.09
Gu Hanlin	Personal	1,417,237	0.62	0.34
Li Shunxiang	Personal	5,210,428	2.26	1.26
Yang Baoqun	Personal	1,042,086	0.45	0.25
Qu Xinhua	Personal	833,669	0.36	0.20
Wang Shuying	Beneficiary *(Note 3)*	375,151	0.16	0.09
Yao Jie	Beneficiary *(Note 4)*	125,050	0.05	0.03

Notes:

1. These 187,575 domestic shares were held by Shanxi Trust Company Limited ("Shanxi Trust") as trust property, the beneficiary of which is Ms. Li Chunyan.

2. These 375,151 domestic shares were held by Shanxi Trust as trust property, the beneficiary of which is Mr. Liu Yuejin.

3. These 375,151 domestic shares were held by Shanxi Trust as trust property, the beneficiary of which is Ms. Wang Shuying.

4. These 125,050 domestic shares were held by Shanxi Trust as trust property, the beneficiary of which is Ms. Yao Jie.

Save as disclosed above, as at 31 December 2007, none of the directors, supervisors or chief executive of the Company nor any of 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 sections 324 and 347 of Part XV of the SFO, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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

Name	**Capacity**	**Total number of domestic shares held**	**Approximate percentage of total issued domestic shares** (%)	**Approximate percentage of total issued shares** (%)
Chaoyang Auxillary	Beneficial owner	167,409,808	72.77	40.61
Shanxi Trust	Trustee *(Note)*	26,635,710	11.58	6.46

Note: These 26,635,710 domestic shares were 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 (%)
Genesis Asset Managers, LLP *(Note 1)*	24,227,000 (L)	13.30	5.88
JP Morgan Chase & Co. *(Note 2)*	22,022,000 (L)	12.09	5.34
	22,022,000 (P)	12.09	5.34
UOB Asset Management Limited ("UOB Asset") *(Note 3)*	18,010,000 (L)	9.89	4.37
United Overseas Bank Limited ("UOB") *(Note 4)*	18,010,000 (L)	9.89	4.37
Montpelier Asset Management Limited *(Note 5)*	12,979,000 (L)	7.13	3.15
Schroder Investment Management (Hong Kong) Limited *(Note 6)*	11,015,000 (L)	6.05	2.67

(l) – Long Position
(p) – Lending Pool

Notes:

1. These 24,227,000 H shares were held by Genesis Asset Managers, LLP in its capacity as an investment manager.

2. These 22,022,000 H shares were held by JP Morgan Chase & Co. in its capacity as a custodian corporation/an approved lending agent.

3. These 18,010,000 H shares were held by UOB Asset in its capacity as an investment manager.

4. UOB Asset is a subsidiary of UOB and UOB was therefore deemed to have an interest in the 18,010,000 H shares in which UOB Asset was interested in.

5. These 12,979,000 H shares were held by Montpelier Asset Management Limited in its capacity as an investment manager.

6. These 11,015,000 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 31 December 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.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Group entered into the following continuing connected transactions:

		2007 RMB'000	2006 RMB'000
1.	Lease of properties by Chaoyang Auxillary to the Company (not including 15 below)*	**6,713**	7,062
2.	Supply of cooked food by Beijing Jiazeng Foodstuff Company Limited	**20,862**	16,090
3.	Supply of tea leaves by Beijing Wuyifeng Tea Leaves Sales Company Limited	**4,160**	4,644
4.	Supply of raw meat By Beijing Yingguangda Foodstuff Company Limited	**923**	7,438
5.	Provision of interior decoration services by Tianjin Jinganghua Jianzhu Art Decoration Work Company Limited	**2,721**	5,246
6.	Provision of construction, repair and renovation services by Beijing Zhonglianjian Construction Company Limited	**996**	2,575
7.	Supply of Chaopi Flavourings Products by Beijing Chaopi Flavourings Company Limited	**41,413**	45,144
8.	Supply of Jiali Products by Beijing Chaopi Jinglong Oil Sales Company Limited	**35,677**	14,551
9.	Provision of delivery and logistics services by Chaopi Trading to Beijing Chaopi Flavourings Company Limited	**9,827**	7,443
10.	Provision of delivery and logistics services by Chaopi Trading to Beijing Chaopi Jinglong Oil Sales Company Limited	**4,105**	2,679
11.	Lease of properties by Chaoyang Auxillary to Chaopi Trading*	**1,099**	1,099
12.	Lease of properties by Chaoyang Auxillary to Beijing Xinyang Tongli Commercial Facilities Company Limited*	**16**	17
13.	Provision of loan financing by the Company to Beijing Chaopi Flavourings Company Limited	**20,000**	20,000
14.	Provision of loan financing by the Company to Beijing Chaopi Jinglong Oil Sales Company Limited	**20,000**	20,000
15.	Lease of a property by Chaoyang Auxillary to the Company in 2007*	**623**	–
16.	Lease of a property by Tengyuan Xingye to the Company in 2007*	**1,575**	–

* *Also reported as related party transactions as disclosed in note 40 to the financial statements*

A waiver has been grant by the Stock Exchange with respect to (i) 1, 3, 5, 6 and 10 to 12 from the announcement requirement under Rule 20.47 of the GEM Listing Rules, (ii) 2, 4, 7 to 9 and 13 to 14 from both the announcement requirement under Rule 20.47 of the GEM Listing Rules and the independent shareholders' approval requirements under Rule 20.48 of the GEM Listing Rules.

The directors (including the independent non-executive directors) reviewed all the above continuing connected transactions and of the opinion that:

a. The connected transactions were entered into by the Group in the ordinary and usual course of the Group's business;

b. The connected transactions were entered into on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those available from any independent third parties;

c. The connected transactions were entered in the interest of the Company and the shareholders of the Company as a whole; and

d. The Company has been in strict compliance with the disclosure requirement in accordance with Chapter 20 of the GEM Listing Rules.

The Board has received a letter from the external auditors in relation to the agreed upon procedures performed on the above continuing connected transactions stating that:

a. The continuing connected transactions were approved by the Board;

b. The connected transactions were entered into in accordance with the terms of the respective agreements governing the transactions; and

c. The connected transactions do not exceed their respective annual caps as disclosed in the Prospectus.

SUFFICIENCY OF PUBLIC FLOAT

Based on public information and within the knowledge of the directors, the Company's public float complied with the applicable requirements of the GEM Listing Rules during the Reporting Period.

COMPETITION AND CONFLICT OF INTEREST

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

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 42 to the financial statements.

AUDITORS

The financial statements have been audited by Ernst & Young, who retired and being eligible for their re-appointment as auditors of the Company. A resolution will be proposed at the forthcoming annual general meeting for their re-appointment.

ON BEHALF OF THE BOARD
Wei Tingzhan
Chairman

Beijing, PRC
24 March 2008

Report of the Supervisory Committee

To the shareholders,

Since the incorporation of the Company, the supervisory committee of the Company (the "Supervisory Committee") adheres to principles of honesty and integrity in discharging its supervisory duties and obligations cautiously and diligently in accordance with the Company's Articles of Association, the relevant laws and requirements of the PRC and Hong Kong for their accountability to the shareholders and the Company.

During the Reporting Period, the major work performed by the Supervisory Committee included the attendance of Board meetings; inspection of resolutions made by the Board, reviewed internal control system, reviewed the use of proceeds from the public offer, strictly and effectively monitored whether the policies and decisions made by the management of the Company had confirmed with the relevant laws and regulations and the Company's Articles of Association and safeguarded the interest of the Company and shareholders. The Supervisory Committee has also reviewed the performance of the directors and senior management in the daily operation by various means, examined the Group's financial affairs and connected transactions. As a result of our work, the Supervisory Committee concluded that:

1. Decision-making process of the Company is in compliance with the Company's Article of Association. Proper and adequate internal control system has been established. The directors and senior management observed their fiduciary duties and worked diligently and legally. The Supervisory Committee is not aware the directors and senior management of the Company acted in breach of the relevant laws and regulations and the Company's Articles of Association or against the interests of shareholders.

2. The Company's 2007 financial statements reflected a true and fair view of the financial position and operating results of the Group in material aspects. The unqualified opinion expressed in the auditors' report issued by Ernst & Young is objective and fair.

3. All connected transactions conducted in the Reporting Period between the Group and its connected persons were in the ordinary course of business and have not discovered any act that prejudiced the interests of the Company and shareholders.

4. The Group did not encounter any major litigation during the Reporting Period.

5. We did not find the application of the proceeds from the Company's initial public offering during the Reporting Period was not in accordance with the plan disclosed in the Prospectus.

We would like to express our appreciation to the strenuous supports given by the shareholders, directors and all staff to the work of the Supervisory Committee during the Reporting Period.

BY ORDER OF THE SUPERVISORY COMMITTEE
Qu Xinhua
Chairman

Beijing, PRC
24 March 2008

Directors', Supervisors' and Senior Management's Biographies

DIRECTORS

Executive Directors

Mr. Wei Tingzhan, aged 54, is the Chairman of the Company and an executive director. Mr. Wei obtained a master's degree in Business Administration from Asia International Open University (Macau) in 2001 and a Doctor of Business Administration from Pacific States University in 2004. He was elected as a representative of the 12th Beijing People's Congress. From 1991 to 1994 and 1999 to 2004, he was the general manager of Beijing Chaoyang Auxillary Company Limited ("Chaoyang Auxillary"). From 1994 to 2002, he was the general manager of Beijing Jingkelong Shang Sha ("Jingkelong Shang Sha"), the predecessor of Beijing Jingkelong Supermarket Chain Group Company Limited ("Jingkelong Supermarket"). He was the managing director of Jingkelong Supermarket from 2002 to 2004. Since November 2004, he has been the Chairman of the Board. In September 2006, he was recognized as one of the prominent figures of the chain-store industry in 2005-2006 by the China General Chamber of Commerce and China Business Herald News Weekly.

Mr. Li Jianwen, aged 47, is the General Manager of the Company and an executive director. Mr. Li obtained his graduation in legal studies from College of the Central Party in 2001. He also worked in Jingkelong Shang Sha as the deputy general manager from 1998 to 2002. From 2002 to 2004, he was a director and the deputy general manager of Jingkelong Supermarket. He has been the managing director of the Company since 2004.

Ms. Li Chunyan, aged 35, is an executive director. Ms. Li obtained a bachelor's degree from China University of Politics & Law in 1994. Subsequently, she obtained a master's degree in Private International Law from China University of Politics & Law in 1997. She was the Officer of the Bureau of Law of Jingkelong Shang Sha from 2001 to 2002. In addition, she was the Officer of the Bureau of Law and the Secretary to the board of directors of Jingkelong Supermarket from 2002 to 2004. Since November 2004, she has been one of the executive directors and the Secretary to the Board.

Mr. Liu Yuejin, aged 48, is an executive director. Mr. Liu obtained a master's degree in Business Administration from Asia International Open University (Macau) in 2004. From 2000 to 2004, he was the general manager of Beijing Jingkelong (Langfang) Company Limited. Between 2002 and 2004, he was one of the directors of Jingkelong Supermarket. Since November 2004, he has been an executive director. During part of 2005 and 2006, he was the manager of the First Division, Operation of the Company. Since September 2006, he has been the head of the Jiuxianqiao Community Shopping Centre coordination team. Since commencement of business of the Jiuxianqiao Community Shopping Centre in November 2007, he has been the manager of this Shopping Centre.

Non-executive Directors

Mr. Gu Hanlin, aged 55, is a non-executive director. Mr. Gu obtained a master's degree in Business Administration from Asia International Open University (Macau) in 2001 and a Doctor of Business Administration from Pacific States University in 2004. From 2002 to 2004, he was a chairman of the Board of Jingkelong Supermarket. Since May 2004, he has been the manager of Chaoyang Auxillary. Since November 2004, he has been a non-executive director.

Mr. Li Shunxiang, aged 55, is a non-executive executive director. Mr. Li obtained his graduation certificate in Administration from College of the Party, Beijing Branch in 2001. From 2000 to present, he is the general manager of Beijing Zhonglianjian Construction Company Limited. From 2002 to 2004, he was a non-executive director of Jingkelong Supermarket. Since November 2004, he has been a non-executive director.

Directors', Supervisors' and Senior Management's Biographies

Independent non-executive Directors

Mr. Fan Faming, aged 54, is an independent non-executive executive director. Mr. Fan obtained a master's degree in Business Administration from Monash University, Australia in 1995 and a doctorate degree from Central South University of Technology in 1988. He is currently a professor at the Institute of Finance and Commerce Management Beijing and a visiting professor at Asia International Open University (Macau). He is also a senior member of Hong Kong Quality Management Association. Since January 2005, he has been an independent non-executive director.

Mr. Huang Jiangming, aged 44, is an independent non-executive executive director. Mr. Huang obtained a master's degree in Economics from Renmin University of China and a PhD in Commercial Science from Kobe University in 1989 and 2002, respectively. He is currently an assistant professor at the School of Business, Renmin University of China. Since January 2005, he has been an independent non-executive director.

Mr. Chung Chi Kong, aged 37, is an independent non-executive executive director. Mr. Chung is also the chairman of the Company's audit committee. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has over nine years audit experience in international accounting firms and two years accounting experience in Datasys Technology Holdings Limited. He is currently a director of Ascension Financial Services Group Limited and Ascension (Beijing) Financial Advisory Company Limited. Since July 2005, he has been an independent non-executive director.

SUPERVISORS

Ms. Qu Xinhua, aged 54, is a supervisor of the Company. Ms. Qu obtained a master's degree in Business Administration from Asia International Open University (Macau) in 2001. From 2002 to 2004, she was the deputy general manager of Jingkelong Supermarket. Since November 2004, she has been a supervisor of the Company. Since November 2007, she has been the chairman of the Company's committee of supervisors.

Mr. Yang Baoqun, aged 55, is a supervisor of the Company. Mr. Yang obtained a diploma in Business Management from Beijing Nong Gong Shang Lian He Zong Gong Si Zhi Gong University in 1994. He was a supervisor of Jingkelong Supermarket from 2002 to 2004. Since November 2004, he has been a supervisor of the Company.

Mr. Chen Zhong, aged 44, is a supervisor of the Company. Mr. Chen obtained his master's degree and doctorate from Peking University in 1986 and 1989, respectively. He is a professor in the School of Software and Microelectronics at the Peking University. He has been the Dean of the School of Software of the University since June 2002. Since January 2005, he has been a supervisor of the Company.

Ms. Cheng Xianghong, aged 36, is a supervisor of the Company. Ms. Cheng obtained her bachelor degree from Renmin University of China in 1994. She is a qualified accountant, certified public valuer and registered tax agent. She has previously worked in Beijing Ding Xin Li accounting firm. She has been the deputy general manager and financial controller of Beijing Zhongguancun City Construction Company since December 2003. Since January 2005, she has been a supervisor of the Company.

Ms. Wang Shuying, aged 52, is a supervisor of the Company. Ms. Wang obtained a master's degree in Business Administration from Asia International Open University (Macau) in 2002. From 2003 to 2004, she was a manager of the Third Division, Operations of Jingkelong Supermarket. She was a supervisor of Jingkelong Supermarket from 2003 to October 2004. During part of 2005 and 2006, she was the manager of the Third Division, Operations of the Company. From September 2006 to February 2007, she was the manager of the First Division of the Company. Since February 2007, she has been the general manager of Shou Lian. Since February 2006, she has been a supervisor of the Company.

Ms. Yao Jie, aged 45, is a supervisor of the Company. Ms. Yao obtained a master's degree in Business Administration from Asia International Open University (Macau) in 2004. From 2002 to 2004, she was the deputy manager of the Human Resources Department of Jingkelong Supermarket. Since November 2004, she has been the deputy manager of the Human Resources Department of the Company. Since November 2007, she has been a supervisor of the Company.

SENIOR MANAGEMENT

Ms. Chen Limin, aged 59, is the Chief Financial Officer of the Company since November 2004. Ms. Chen obtained a master's degree in Business Administration from Asia International Open University (Macau) in 2001. She was the deputy general manager of Jingkelong Shang Sha from 1994 to 2002. She worked as a director of Jingkelong Supermarket from May 2002 to November 2004.

Mr. Gao Jingsheng, aged 53, obtained a master's degree in Business Administration from Asia International Open University (Macau) in 2001. From 2002 to 2004, Mr. Gao was the assistant general manager of Jingkelong Supermarket. From 1999 to 2002, he was the assistant general manager of Chaoyang Auxillary. From 1998 to 1999, he was the assistant general manager of Jingkelong Shang Sha. He has been the assistant general manager of the Company since November 2004.

Mr. Zhao Weili, aged 55, obtained a master's degree in Business Administration from Asia International Open University (Macau) in 2001. From 2002 to 2004, Mr. Zhao was the assistant general manager of Jingkelong Supermarket. From 1990 to 2002, he was the assistant general manager of Chaoyang Auxillary. From 1998 to 1999, he was the assistant general manager of Jingkelong Shang Sha. He has been the assistant general manager of the Company since November 2004.

Mr. Keung Siu Fai, aged 49, is the financial controller, the qualified accountant and one of the joint company secretaries of the Company. Prior to joining the Company in February 2005, Mr. Keung was the company secretary of Kong Sun Holdings Limited, a Hong Kong listed company. He has over 13 years of working experience with international accountant firms in accounting, auditing and financial services. He obtained his master's degree in Commerce from the University of New South Wales and a bachelor's degree in Science from the University of London. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of Certified Practising Accountants Australia.

Independent Auditors' Report

ERNST & YOUNG

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
Phone: (852) 2846 9888
Fax: (852) 2868 4432
www.ey.com/China

To the shareholders of Beijing Jingkelong Company Limited
(A joint stock limited company incorporated in the People's Republic of China)

We have audited the financial statements of Beijing Jingkelong Company Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 49 to 126, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
24 March 2008

Consolidated Income Statement

Year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
REVENUE	5	**5,640,599**	4,530,975
Cost of sales		**(4,918,762)**	(3,966,385)
Gross profit		**721,837**	564,590
Other income and gains	5	**242,961**	224,308
Selling and distribution costs		**(521,598)**	(419,117)
Administrative expenses		**(137,008)**	(107,958)
Other expenses		**(23,493)**	(29,897)
Finance costs	7	**(27,397)**	(26,296)
Share of profits/(losses) of associates		**4**	(139)
PROFIT BEFORE TAX	6	**255,306**	205,491
Tax	10	**(86,434)**	(74,072)
PROFIT FOR THE YEAR		**168,872**	131,419
Attributable to:			
Equity holders of the parent		**124,593**	99,577
Minority interests		**44,279**	31,842
		168,872	131,419
DIVIDENDS – Proposed final	12	**72,139**	57,693
Dividend per share (RMB)	12	**17.5 cents**	15.0 cents
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	13	**31.9 cents**	35.1 cents

Consolidated Balance Sheet

31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,296,834**	1,011,199
Investment properties	15	**8,240**	16,922
Lease prepayments for land use rights	16	**76,462**	72,194
Interests in associates	18	**202**	198
Available-for-sale investments	19	**53,680**	3,099
Intangible assets	20	**7,964**	2,344
Other long term lease prepayments	21	**20,299**	17,524
Total non-current assets		**1,463,681**	1,123,480
CURRENT ASSETS			
Inventories	22	**599,550**	499,644
Trade receivables	23	**743,006**	473,078
Prepayments, deposits and other receivables	24	**197,610**	163,102
Loan receivable	25	**50,000**	–
Investment deposit	26	**100,000**	–
Pledged deposits	27	**19,414**	16,919
Cash and cash equivalents	27	**501,940**	841,691
Total current assets		**2,211,520**	1,994,434
CURRENT LIABILITIES			
Trade and bills payables	28	**997,417**	746,690
Debentures	29	**370,000**	–
Tax payable		**60,006**	44,100
Other payables and accruals	30	**147,850**	223,671
Interest-bearing bank and other borrowings	31	**577,462**	726,396
Deferred income – current portion	32	**267**	267
Total current liabilities		**2,153,002**	1,741,124
NET CURRENT ASSETS		**58,518**	253,310
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,522,199**	1,376,790

Consolidated Balance Sheet (Continued)

31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,522,199**	1,376,790
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*31*	**100,375**	280,000
Deferred income	*32*	**3,199**	3,466
Deferred tax liabilities	*33*	**12,333**	18,679
Total non-current liabilities		**115,907**	302,145
Net assets		**1,406,292**	1,074,645
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*34*	**412,220**	384,620
Reserves	*35*	**758,636**	542,660
Proposed final dividend	*12*	**72,139**	57,693
		1,242,995	984,973
Minority interests		**163,297**	89,672
Total equity		**1,406,292**	1,074,645

Wei Tingzhan	**Li Chunyan**
Director	*Director*

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

		Attributable to equity holders of the parent										
	Notes	Issued capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000 *(note 35 b(i))*	Statutory public welfare fund RMB'000 *(note 35 b(ii))*	Proposed final dividend RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
As at 1 January 2006		246,620	–	5,121	–	18,522	9,260	56,367	22,894	358,784	73,920	432,704
Change in fair value of available-for-sale investments		–	–	–	2,749	–	–	–	–	2,749	–	2,749
Total income and expense recognised directly in equity		–	–	–	2,749	–	–	–	–	2,749	–	2,749
Profit for the year		–	–	–	–	–	–	–	99,577	99,577	31,842	131,419
Total income and expense for the year		–	–	–	2,749	–	–	–	99,577	102,326	31,842	134,168
2005 dividend declared		–	–	–	–	–	–	(56,367)	–	(56,367)	–	(56,367)
Dividends paid to minority equity holders		–	–	–	–	–	–	–	–	–	(16,090)	(16,090)
Issue of H shares upon listing	*34(a)*	120,000	428,597	–	–	–	–	–	–	548,597	–	548,597
Issue of H shares upon exercising of the over-allotment option	*34(b)*	18,000	64,501	–	–	–	–	–	–	82,501	–	82,501
Share issue expenses		–	(50,868)	–	–	–	–	–	–	(50,868)	–	(50,868)
Appropriation to statutory surplus reserve		–	–	–	–	15,267	–	–	(15,267)	–	–	–
Transfer of unutilised statutory public welfare fund to statutory surplus reserve		–	–	–	–	9,260	(9,260)	–	–	–	–	–
Proposed final 2006 dividend	*12*	–	–	–	–	–	–	57,693	(57,693)	–	–	–
As at 31 December 2006		384,620	442,230*	5,121*	2,749*	43,049*	–	57,693	49,511*	984,973	89,672	1,074,645

Consolidated Statement of Changes in Equity (Continued)

Year ended 31 December 2007

		Attributable to equity holders of the parent									
	Notes	Issued capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000 *(note 35 b(i))*	Proposed final dividend RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
As at 1 January 2007		384,620	442,230*	5,121*	2,749*	43,049*	57,693	49,511*	984,973	89,672	1,074,645
Change in fair value of available-for-sale investments		–	–	–	581	–	–	–	581	–	581
Total income and expense recognised directly in equity		–	–	–	581	–	–	–	581	–	581
Profit for the year		–	–	–	–	–	–	124,593	124,593	44,279	168,872
Total income and expense for the year		–	–	–	581	–	–	124,593	125,174	44,279	169,453
2006 dividend declared		–	–	–	–	–	(57,693)	–	(57,693)	–	(57,693)
Dividends paid to minority equity holders		–	–	–	–	–	–	–	–	(21,553)	(21,553)
Issue of H shares upon placement	*34(c)*	27,600	167,701	–	–	–	–	–	195,301	–	195,301
Share issue expenses		–	(4,760)	–	–	–	–	–	(4,760)	–	(4,760)
Cash contributions from minority equity holders		–	–	–	–	–	–	–	–	52,604	52,604
Acquisition of minority interests		–	–	–	–	–	–	–	–	(1,705)	(1,705)
Appropriation to statutory surplus reserve		–	–	–	–	15,155	–	(15,155)	–	–	–
Proposed final 2007 dividend	*12*	–	–	–	–	–	72,139	(72,139)	–	–	–
As at 31 December 2007		412,220	605,171*	5,121*	3,330*	58,204*	72,139	86,810*	1,242,995	163,297	1,406,292

* *These reserve accounts comprise the consolidated reserves of RMB758,636,000 (2006: RMB 542,660,000) in the consolidated balance sheet.*

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**255,306**	205,491
Adjustments for:			
Finance costs	7	**27,397**	26,296
Interest income	5	**(9,691)**	(37,417)
Amortisation of intangible assets	6	**1,169**	383
Recognition of lease prepayments for land use rights	6	**842**	752
Share of (profits)/losses of associates		**(4)**	139
(Gains)/losses on disposal of items of property, plant and equipment, net	6	**(242)**	555
Depreciation	6	**73,057**	58,927
Impairment loss on items of property, plant and equipment	6	**3,634**	2,100
Impairment/(reversal of impairment) of trade and other receivables	6	**(8,344)**	6,640
Write-off of inventories	6	**1,899**	–
Write-down of inventories to net realisable value	6	**2,725**	5
Recognition of deferred income	32	**(267)**	(267)
		347,481	263,604
Increase in inventories		**(104,530)**	(117,485)
Increase in trade receivables		**(261,584)**	(15,276)
(Increase)/decrease in prepayments, deposits and other receivables		**(27,718)**	1,982
Decrease in the amount due from Chaoyang Auxillary		**–**	36
Increase in other long term lease prepayments		**(9,565)**	(17,524)
Decrease in amounts due from associates		**–**	581
Increase in trade and bills payables		**250,727**	104,660
Increase/(decrease) in other payables and accruals		**(71,495)**	12,484
Decrease in the amount due to Chaoyang Auxillary		**–**	(11,880)
Decrease in other long term payables		**–**	(8,750)
Cash generated from operations		**123,316**	212,432
Interest paid		**(31,722)**	(24,488)
PRC corporate income tax paid		**(76,875)**	(53,593)
Net cash inflow from operating activities		**14,719**	134,351

Consolidated Cash Flow Statement (Continued)

Year ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
Net cash inflow from operating activities		**14,719**	134,351
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**9,691**	37,417
Purchase of items of property, plant and equipment		**(355,155)**	(277,979)
Purchase of lease prepayments for land use rights		**(5,110)**	–
Purchase of intangible assets		**(6,789)**	(647)
Proceeds from disposal of items of property, plant and equipment		**1,753**	1,731
Acquisition of minority interests		**(1,705)**	–
Increase in pledged time deposits		**(2,495)**	(3,628)
(Increase)/decrease in non-pledged time deposits with original maturity of more than three months when acquired		**301,401**	(301,401)
Increase in loan receivable		**(50,000)**	–
Purchase of investment deposit		**(100,000)**	–
Purchase of available-for-sale investment		**(50,000)**	–
Net cash outflow from investing activities		**(258,409)**	(544,507)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of H shares		**190,541**	586,906
Cash contributions from minority shareholders		**52,604**	–
Proceeds from issue of debentures		**370,000**	–
New bank loans and other borrowings		**559,712**	846,395
Repayment of bank loans and other borrowings		**(888,271)**	(630,603)
Dividends paid		**(57,693)**	(56,903)
Dividends paid to minority equity holders		**(21,553)**	(16,090)
Net cash inflow from financing activities		**205,340**	729,705
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(38,350)**	319,549
Cash and cash equivalents at beginning of year		**540,290**	220,741
CASH AND CASH EQUIVALENTS AT END OF YEAR		**501,940**	540,290
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*27*	**501,940**	413,140
Non-pledged time deposits with original maturity of less than three months when acquired	*27*	**–**	127,150
		501,940	540,290

Balance Sheet

31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,151,732**	890,229
Investment properties	15	**8,240**	16,922
Lease prepayments for land use rights	16	**76,462**	72,194
Interests in subsidiaries	17	**514,258**	345,030
Available-for-sale investments	19	**50,000**	–
Intangible assets	20	**3,017**	2,344
Total non-current assets		**1,803,709**	1,326,719
CURRENT ASSETS			
Inventories	22	**210,721**	157,054
Trade receivables	23	**190,234**	8,380
Prepayments, deposits and other receivables	24	**60,300**	61,928
Loan receivable	25	**50,000**	–
Investment deposit	26	**100,000**	–
Cash and cash equivalents	27	**295,698**	674,661
Total current assets		**906,953**	902,023
CURRENT LIABILITIES			
Trade and bills payables	28	**558,281**	419,443
Debentures	29	**370,000**	–
Tax payable		**15,930**	15,531
Other payables and accruals	30	**114,096**	186,276
Interest-bearing bank and other borrowings	31	**362,750**	462,000
Deferred income-current portion	32	**267**	267
Total current liabilities		**1,421,324**	1,083,517
NET CURRENT LIABILITIES		**(514,371)**	(181,494)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,289,338**	1,145,225

Balance Sheet (Continued)

31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,289,338**	1,145,225
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*31*	**100,375**	180,000
Deferred income	*32*	**3,199**	3,466
Deferred tax liabilities	*33*	**12,333**	18,679
Total non-current liabilities		**115,907**	202,145
Net assets		**1,173,431**	943,080
EQUITY			
Issued capital	*34*	**412,220**	384,620
Reserves	*35*	**689,072**	500,767
Proposed final dividend	*12*	**72,139**	57,693
Total equity		**1,173,431**	943,080

Wei Tingzhan
Director

Li Chunyan
Director

Notes to Financial Statements

31 December 2007

1. CORPORATE INFORMATION

Beijing Jingkelong Company Limited (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. The details of the principal activities of the subsidiaries are set out in note 17 to the financial statements.

In the opinion of the directors, the controlling shareholder of the Company is Beijing Chaoyang Auxillary Food Company ("Chaoyang Auxillary"), 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.

Basis of consolidation

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

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 7	–	Financial Instruments: Disclosures
HKAS 1 Amendment	–	Capital Disclosures
HK(IFRIC)-Int 7	–	Applying the Restatement Approach under HKAS29 Financial Reporting in Hyperinflation Economies
HK(IFRIC)-Int 8	–	Scope of HKFRS 2
HK(IFRIC)-Int 9	–	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	–	Interim Financial Reporting and Impairment

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

HKFRS 7 – *Financial Instruments: Disclosures*

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

Amendment to HKAS 1 – *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 41 to the financial statements.

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

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

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

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

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

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

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

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

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

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists. As the Group currently has no defined benefit scheme, HK(IFRIC)-Int 14 is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures and the adoption of HK(IFRIC)-Int 13 may result in change in accounting policy, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity, whose financial and operating polices the Company controls, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Notes to Financial Statements

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and other parties have an interest.

The joint venture agreement between the ventures stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture arrangement.

A joint venture is treated as:

(a) a subsidiary if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or if annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Buildings	20 to 40 years
Leasehold improvements	Over the lease terms
Machinery	5 to 10 years
Office equipment	5 years
Motor vehicles	5 to 8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and various infrastructure projects under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are stated at cost including transaction costs and are depreciated on the straight-line basis to write off the cost of each property over their estimated useful lives between 20 to 25 years, after taking into account their estimated residual values.

The carrying values of investment properties are reviewed for impairment either annually, or whenever events or changes in circumstances indicate that the carrying values may not be recoverable, whichever is earlier. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the investment properties are written down to its recoverable amount. Impairment losses are recognised in the income statement. Investment properties shall be derecognised on disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets represent the acquisition costs of distribution network software less accumulated amortisation and impairment losses. Intangible assets with finite lives are amortised over the useful economic life on the straight-line basis of 5 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as either loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of other categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gains or losses previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are recognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

Notes to Financial Statements

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade, bills and other payables, debentures and interest-bearing loans and borrowings are initially stated at the fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary difference, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with interests in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with interests in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of merchandise and produce, when the significant risks and rewards of ownership of the merchandise and produce have passed to the buyer and the amount of revenue can be measured reliably;

(ii) income from suppliers, comprising promotion income, display space leasing fees and warehouse storage space income, according to the underlying contract terms and as these services are provided in accordance therewith;

(iii) rental income, on a time proportion basis over the lease terms;

(iv) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(v) dividend income, when the equity/shareholders' right to receive payment has been established.

Retirement benefits schemes

The Company and its subsidiaries participate in defined contribution retirement benefits schemes organised by the local government authorities in the PRC. The Company and its subsidiaries are required to make contributions to the retirement benefits schemes which are based on a certain percentage of the total salary of those employees and have no further obligation for post-retirement benefits. The contributions are charged to the income statement of the Group as they become payable in accordance with the rules of the schemes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as a part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs capitalised. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate, which is based on the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining qualifying assets, has been applied to the expenditure on the individual assets.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the ageing and estimated net realisable value of inventories. The assessment of the write-down amount requires management's estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of inventories and write-down charge/reversal in the period in which such estimate has been changed.

Impairment of trade and other receivables

Impairment of trade and other receivables is made based on assessment of the recoverability of trade and other receivables. The identification of doubtful debts requires management's judgements. Where the actual outcome is different from the original estimate, such differences will impact the carrying value of the receivables and the expenses/write-back of doubtful debt in the period in which such estimate has been changed.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of assets. No further geographical segment information is presented as the Group's customers and operations are located in the PRC.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(i) the retailing segment engages in the distribution of live and fresh produce, dry products, beverages, processed food and daily necessities through any 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 installation and maintenance of commercial equipment.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION *(Continued)*

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

Year ended 31 December 2007

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

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4. SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2006

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

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

* *During the years ended 31 December 2007 and 2006, the Group entered into agreements with Chaoyang Auxillary and independent third party real estate developers that certain retail outlet properties were demolished and re-possessed by the developers. The Group has been compensated for the loss of business and the related items of property, plant and equipment, primarily leasehold improvements and machinery and equipment of the affected properties, arising from the demolition and re-possession. The net compensation on demolished properties represented the gross compensation received from Chaoyang Auxillary and the developers in excess of the carrying amounts of the related items of property, plant and equipment upon demolition.*

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6. PROFIT BEFORE TAX

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

	Notes	2007 RMB'000	2006 RMB'000
Cost of inventories sold		**4,918,762**	3,966,385
Depreciation:			
Property, plant and equipment	*14*	**72,600**	58,036
Investment properties	*15*	**457**	891
		73,057	58,927
Amortisation of intangible assets	*20*	**1,169**	383
Recognition of lease prepayments for land use rights	*16*	**842**	752
Minimum lease payments under operating lease on properties		**77,693**	50,015
Losses/(gains) on disposal of items of property, plant and equipment, net		**(242)**	555
Impairment/(reversal of impairment) of trade and other receivables		**(8,344)**	6,640
Write-off of inventories		**1,899**	–
Write-down of inventories to net realisable value		**2,725**	5
Net rental income		**(42,692)**	(34,272)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**6,794**	6,041
Impairment loss on items of property, plant and equipment	*14*	**3,634**	2,100
Auditors' remuneration		**2,050**	1,385
Staff costs:			
Directors' and supervisors' emoluments	*9*	**3,956**	3,072
Other staff costs			
Wages, salaries and social security costs		**203,567**	185,432
Retirement benefit contributions		**20,662**	18,431
		224,229	203,863
		228,185	206,935
Foreign exchange difference		**7,714**	6,366

7. FINANCE COSTS

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

8. RETIREMENT BENEFITS

The aggregate contributions of the Group to retirement benefit schemes were approximately RMB21,115,000 and RMB18,820,000 for the years ended 31 December 2007 and 2006.

9. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Details of the remuneration of directors and supervisors for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group			
	Directors		Supervisors	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fees	**160**	148	**68**	58
Other emoluments:				
Salaries, allowances and benefits in kind	**1,312**	967	**889**	640
Performance related bonuses*	**636**	530	**438**	340
Retirement benefit contributions	**244**	235	**209**	154
	2,192	1,732	**1,536**	1,134
Total	**2,352**	1,880	**1,604**	1,192

* *Certain executive directors and supervisors of the Company are entitled to bonus payments which are determined based on the Company's gross profit for the year.*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2007	2006
	RMB'000	RMB'000
Mr. Fan Faming	**40**	34
Mr. Huang Jiangming	**40**	34
Mr. Chung Chi Kong	**80**	80
Total	**160**	148

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

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9. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement benefit contributions RMB'000	Total remunerations RMB'000
2007					
Executive directors:					
Mr. Wei Tingzhan	–	389	156	61	606
Mr. Li Jianwen	–	401	240	63	704
Ms. Li Chunyan	–	261	120	60	441
Mr. Liu Yuejin	–	261	120	60	441
	–	1,312	636	244	2,192
Non-executive directors:					
Mr. Gu Hanlin	–	–	–	–	–
Mr. Li Shunxiang	–	–	–	–	–
	–	–	–	–	–
Total	–	1,312	636	244	2,192

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9. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

(b) Executive directors and non-executive directors *(Continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement benefit contributions RMB'000	Total remunerations RMB'000
2006					
Executive directors:					
Mr. Wei Tingzhan	–	233	130	57	420
Mr. Li Jianwen	–	344	200	86	630
Ms. Li Chunyan	–	195	100	46	341
Mr. Liu Yuejin	–	195	100	46	341
	–	967	530	235	1,732
Non-executive directors:					
Mr. Gu Hanlin	–	–	–	–	–
Mr. Li Shunxiang	–	–	–	–	–
	–	–	–	–	–
Total	–	967	530	235	1,732

9. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

(c) Supervisors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement benefit contributions RMB'000	Total remunerations RMB'000
2007					
Ms. Qu Xinhua	**–**	**353**	**180**	**84**	**617**
Ms. Wang Shuying	**–**	**267**	**126**	**62**	**455**
Ms. Chen Jie	**–**	**250**	**125**	**59**	**434**
Ms. Yao Jie	**–**	**19**	**7**	**4**	**30**
Mr. Chen Zhong	**34**	**–**	**–**	**–**	**34**
Ms. Cheng Xianghong	**34**	**–**	**–**	**–**	**34**
Total	**68**	**889**	**438**	**209**	**1,604**

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement benefit contributions RMB'000	Total remunerations RMB'000
2006					
Ms. Chen Jie	–	233	130	57	420
Ms. Qu Xinhua	–	233	130	57	420
Ms. Wang Shuying	–	174	80	40	294
Mr. Chen Zhong	29	–	–	–	29
Ms. Cheng Xianghong	29	–	–	–	29
Total	58	640	340	154	1,192

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year.

The emoluments of each of the directors and supervisors for both years fell within the range of nil to HK$1,000,000 (equivalent to RMB936,400).

9. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

The five individuals whose remuneration was the highest in the Group during the year are all non-director and non-supervisor employees.

The remuneration paid to the non-director and non-supervisor highest paid employees is as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**3,555**	3,220
Performance related bonuses	**7,017**	4,767
Retirement benefit contributions	**43**	125
	10,615	8,112

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2007	2006
HK$1,000,001 to HK$1,500,000 (equivalent to RMB936,401 to RMB1,404,600)	**1**	3
HK$1,500,001 to HK$2,000,000 (equivalent to RMB1,404,601 to RMB1,872,800)	**2**	2
HK$2,000,001 to HK$2,500,000 (equivalent to RMB1,872,801 to RMB2,341,000)	**1**	–
HK$3,500,001 to HK$4,000,000 (equivalent to RMB3,277,401 to RMB3,745,600)	**1**	–
	5	5

10. TAX

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

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

	Group	
	2007	2006
	RMB'000	RMB'000
Current income tax – PRC	**92,780**	71,140
Deferred income tax – *note 33*	**(6,346)**	2,932
Total tax charge for the year	**86,434**	74,072

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

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

Notes to Financial Statements

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10. TAX *(Continued)*

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

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2007 includes a profit of RMB97,503,000 (2006: RMB81,372,000) which has been dealt with in the financial statements of the Company (note 35(b)).

12. DIVIDENDS

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

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The profit after tax of the Company for the purpose of profit distribution will be the lesser of (i) the profit determined in accordance with PRC GAAP and (ii) the profit determined in accordance with HKFRSs.

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13. 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.

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

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

The Company's weighted average number of shares in issue used in the basic earnings per share calculation for the year ended 31 December 2007 is determined by adjusting 27,600,000 new H shares issued on the placement on 12 October 2007 (note 34).

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

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

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14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2007							
As at 31 December 2006 and at 1 January 2007:							
Cost	236,871	212,274	284,323	95,014	28,939	416,097	1,273,518
Accumulated depreciation and impairment	(42,728)	(28,095)	(115,924)	(60,658)	(12,814)	(2,100)	(262,319)
Net carrying amount	194,143	184,179	168,399	34,356	16,125	413,997	1,011,199
As at 1 January 2007, net of accumulated depreciation and impairment	194,143	184,179	168,399	34,356	16,125	413,997	1,011,199
Additions	35,039	20,710	21,006	11,507	5,040	261,853	355,155
Disposals	–	(299)	(281)	(890)	(41)	–	(1,511)
Impairment	–	–	–	–	–	(3,634)	(3,634)
Depreciation	(11,976)	(13,274)	(31,449)	(11,021)	(4,880)	–	(72,600)
Transfer from investment properties, net *(note 15)*	8,225	–	–	–	–	–	8,225
Transfers	379,271	61,325	71,197	275	13,945	(526,013)	–
As at 31 December 2007, net of accumulated depreciation and impairment	604,702	252,641	228,872	34,227	30,189	146,203	1,296,834
As at 31 December 2007:							
Cost	662,411	294,010	374,646	105,628	47,555	146,203	1,630,453
Accumulated depreciation and impairment	(57,709)	(41,369)	(145,774)	(71,401)	(17,366)	–	(333,619)
Net carrying amount	604,702	252,641	228,872	34,227	30,189	146,203	1,296,834

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14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2006							
At 1 January 2006:							
Cost	227,383	127,215	257,096	81,404	27,605	289,964	1,010,667
Accumulated depreciation	(34,265)	(18,846)	(95,214)	(53,661)	(13,039)	–	(215,025)
Net carrying amount	193,118	108,369	161,882	27,743	14,566	289,964	795,642
As at 1 January 2006, net of accumulated depreciation	193,118	108,369	161,882	27,743	14,566	289,964	795,642
Additions	8,438	67,379	30,470	14,865	5,439	151,388	277,979
Disposals	–	–	(1,438)	(50)	(798)	–	(2,286)
Impairment	–	–	–	–	–	(2,100)	(2,100)
Depreciation	(8,463)	(9,249)	(27,157)	(10,085)	(3,082)	–	(58,036)
Transfers	1,050	17,680	4,642	1,883	–	(25,255)	–
As at 31 December 2006, net of accumulated depreciation and impairment	194,143	184,179	168,399	34,356	16,125	413,997	1,011,199
As at 31 December 2006:							
Cost	236,871	212,274	284,323	95,014	28,939	416,097	1,273,518
Accumulated depreciation and impairment	(42,728)	(28,095)	(115,924)	(60,658)	(12,814)	(2,100)	(262,319)
Net carrying amount	194,143	184,179	168,399	34,356	16,125	413,997	1,011,199

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2007							
As at 31 December 2006 and at 1 January 2007:							
Cost	236,684	153,404	220,335	72,984	9,260	416,097	1,108,764
Accumulated depreciation and impairment	(42,642)	(19,534)	(101,169)	(48,201)	(4,889)	(2,100)	(218,535)
Net carrying amount	194,042	133,870	119,166	24,783	4,371	413,997	890,229
As at 1 January 2007, net of accumulated depreciation	194,042	133,870	119,166	24,783	4,371	413,997	890,229
Additions	14,457	6,121	10,392	9,261	3,477	260,918	304,626
Transfer to subsidiaries	–	(80)	(1,267)	–	–	–	(1,347)
Transfer from investment properties, net *(note 15)*	8,225	–	–	–	–	–	8,225
Disposals	–	–	(277)	(869)	(41)	–	(1,187)
Impairment	–	–	–	–	–	(3,634)	(3,634)
Depreciation	(11,976)	(4,427)	(19,007)	(7,388)	(2,382)	–	(45,180)
Transfers	379,271	61,325	71,197	275	13,945	(526,013)	–
As at 31 December 2007, net of accumulated depreciation and impairment	584,019	196,809	180,204	26,062	19,370	145,268	1,151,732
As at 31 December 2007:							
Cost	641,643	220,771	298,757	81,452	26,313	145,268	1,414,204
Accumulated depreciation and impairment	(57,624)	(23,962)	(118,553)	(55,390)	(6,943)	–	(262,472)
Net carrying amount	584,019	196,809	180,204	26,062	19,370	145,268	1,151,732

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2006							
At 1 January 2006:							
Cost	227,197	116,094	206,274	65,793	11,713	289,964	917,035
Accumulated depreciation	(34,180)	(13,083)	(88,018)	(42,504)	(6,513)	–	(184,298)
Net carrying amount	193,017	103,011	118,256	23,289	5,200	289,964	732,737
As at 1 January 2006, net of accumulated depreciation	193,017	103,011	118,256	23,289	5,200	289,964	732,737
Additions	8,437	43,115	26,083	8,017	852	151,388	237,892
Acquisition from a subsidiary	–	–	206	–	–	–	206
Transfer to subsidiaries	–	(23,485)	(8,985)	(304)	–	–	(32,774)
Disposals	–	–	(1,438)	(38)	(556)	–	(2,032)
Impairment	–	–	–	–	–	(2,100)	(2,100)
Depreciation	(8,462)	(6,451)	(19,598)	(8,064)	(1,125)	–	(43,700)
Transfers	1,050	17,680	4,642	1,883	–	(25,255)	–
As at 31 December 2006, net of accumulated depreciation and impairment	194,042	133,870	119,166	24,783	4,371	413,997	890,229
As at 31 December 2006:							
Cost	236,684	153,404	220,335	72,984	9,260	416,097	1,108,764
Accumulated depreciation and impairment	(42,642)	(19,534)	(101,169)	(48,201)	(4,889)	(2,100)	(218,535)
Net carrying amount	194,042	133,870	119,166	24,783	4,371	413,997	890,229

All the Group's and the Company's buildings are located in the PRC.

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

As at 31 December 2007, the Group's and the Company's buildings with a net book value of approximately RMB381 million were pledged to secure certain bank loans granted to the Group and the Company (note 31).

As at 31 December 2006, the Group's and the Company's buildings and construction in progress with net book values of approximately RMB169 million and RMB294 million, respectively, were pledged to secure certain bank loans granted to the Group and the Company (note 31).

As at 31 December 2007, except for the 11 properties with net book value of approximately RMB379 million (2006: RMB7.5 million) and the properties under construction, the Group has obtained the relevant building ownership certificates.

15. INVESTMENT PROPERTIES

	Group and Company	
	2007	2006
	RMB'000	RMB'000
Carrying amount at 1 January	**16,922**	17,813
Transfer to owner-occupied property *(note 14)*	**(8,225)**	–
Depreciation provided during the year	**(457)**	(891)
Carrying amount at 31 December	**8,240**	16,922
Fair value	**20,097**	30,470

The Group's and the Company's investment properties are situated in the PRC.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 38(a).

At 31 December 2007, the Group's and the Company's investment properties with carrying amounts of RMB5.3 million (2006: RMB16.9 million) were pledged to secure certain bank loans granted to the Group and the Company (note 31).

The fair values of the investment properties as at the balance sheet date were determined based on the valuations performed by Vigers Appraisal & Consulting Limited, an independent firm of professional valuers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

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16. LEASE PREPAYMENTS FOR LAND USE RIGHTS

	Group and Company	
	2007	2006
	RMB'000	RMB'000
Carrying amount at 1 January	**72,194**	72,946
Additions	**5,110**	–
Recognised during the year	**(842)**	(752)
Carrying amount at 31 December	**76,462**	72,194

The leasehold land is held under long term leases and is situated in the PRC.

At 31 December 2007, the Group's and the Company's lease prepayments for land use rights with a carrying amount of RMB66 million (2006: RMB68 million) were pledged to secure certain bank loans granted to the Group and the Company (note 31).

17. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	RMB'000	RMB'000
Unlisted investments, at cost	**186,712**	113,352
Amounts due from subsidiaries	**335,899**	236,370
Amounts due to subsidiaries	**(8,353)**	(4,692)
	514,258	345,030

Included in the amounts due from subsidiaries as at 31 December 2007 were entrusted loans lent by the Company (the "Lender") to Chaopi Trading, Chaopi Flavourings, Chaopi Huaqing, Chaopi Jinglong, Chaopi Zhongde, Chaopi Huilong (collectively the "Borrowers") amounting to RMB130 million (2006: RMB100 million), RMB20 million (2006: RMB20 million), RMB29.5 million (2006: RMB29.5 million), RMB20 million (2006: RMB20 million), RMB50 million (2006: Nil) and RMB10 million (2006: Nil), respectively, to finance the Borrowers' working capital. The entrusted loans were arranged via Bank of Beijing (the "Bank"). However, the Bank has no liability to either the Lender or the Borrowers in case of default. These entrusted loans were unsecured, bearing annual interest rates ranging from 6.84 to 7.29% (2006: 6.12%). All loans will mature in 2008.

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17. INTERESTS IN SUBSIDIARIES *(Continued)*

Except for the aforementioned entrusted loans, all the amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Particulars of the subsidiaries held by the Company are set as follows:

Name	Place of registration and operations	Nominal value of paid-up and registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Beijing Jingkelong (Langfang) Company Limited	Langfang, PRC	RMB10,000,000	80.00	–	Retail of general merchandise
Beijing Chaopi Trading Company Limited ("Chaopi Trading") *(3)*	Beijing, PRC	RMB192,000,000	76.42	–	Wholesale of general merchandise
Beijing Xinyang Tongli Commercial Facilities Company Limited ("Xinyang Tongli")	Beijing, PRC	RMB1,600,000	52.03	–	Production of plastic packing materials and installation and maintenance of commercial equipment
Beijing Jingkelong Supermarket Chain Company Limited	Beijing, PRC	RMB29,000,000	100.00	–	Retail of general merchandise
Beijing Chaopi Huaqing Beverage Company Limited ("Chaopi Huaqing") *(2)*	Beijing, PRC	RMB18,000,000	–	40.83	Wholesale of drinks and food
Beijing Chaopi Flavourings Company Limited ("Chaopi Flavourings") *(2)*	Beijing, PRC	RMB23,750,000	–	40.22	Wholesale of flavourings, edible oil and food

Notes to Financial Statements

31 December 2007

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of registration and operations	Nominal value of paid-up and registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Beijing Chaopi Shuanglong Alcohol Sales Company Limited *(2)*	Beijing, PRC	RMB24,000,000	–	45.09	Wholesale of alcoholic beverages
Beijing Chaopi Jinglong Oil Sales Company Limited ("Chaopi Jinglong") *(2)*	Beijing, PRC	RMB18,000,000	–	41.44	Wholesale of edible oil
Shijiazhuang Chaopi Xinlong Trading Company Limited	Shijiazhuang, PRC	RMB5,000,000	–	76.42	Wholesale of alcoholic beverages
Qingdao Chaopi Jinlong Trading Company Limited	Qingdao, PRC	RMB5,000,000	–	76.42	Wholesale of alcoholic beverages
Beijing Chaopi Zhongde Trading Company Limited ("Chaopi Zhongde")	Beijing, PRC	RMB28,000,000	–	61.14	Wholesale of consumer sanitary products
Beijing Chaopi Huilong Trading Company Limited ("Chaopi Huilong") *(2)*	Beijing, PRC	RMB12,000,000	–	39.05	Wholesale of alcoholic beverages
Taiyuan Chaopi Trading Company Limited	Taiyuan, PRC	RMB5,000,000	–	76.42	Wholesale of consumer sanitary products

None of the subsidiaries of the Company are audited by Ernst & Young Hong Kong or other member firm of Ernst & Young global network.

Notes to Financial Statements

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17. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:

(1) All subsidiaries are registered as limited liability companies under PRC law.

(2) The companies are directly held by Chaopi Trading as to more than 50% equity interests and are recognised as the subsidiaries of Chaopi Trading. Since the Company holds a 76.42% equity interest in Chaopi Trading, such companies are accounted for as subsidiaries of the Company, though the equity interests indirectly attributable to the Company are less than 50%.

(3) As at December 2006, the Company's equity interest in Chaopi Trading of 71.7% was pledged to secure the Company's other borrowings from Beijing International Trust and Investment Company Limited ("BITIC") of RMB210 million. The pledges were released upon the repayment of the relevant other borrowings during the year.

18. INTERESTS IN ASSOCIATES

	Group	
	2007	2006
	RMB'000	RMB'000
Share of net assets	**202**	198

Particulars of the associates held by the Group are as follows:

Name	Place of registration and operations	Paid-up registered capital	Percentage of equity attributable to the Group Indirect	Principal activities
Beijing Chaopi Tianxing Vegetables Company Limited	Beijing, PRC	RMB310,000	27.11	Retail of fruits and vegetables
Beijing Chaopi Ziguang Trading Company Limited	Beijing, PRC	RMB1,100,000	34.73	Wholesale of alcoholic beverages

None of the Group's associates are audited by Ernst & Young Hong Kong or other member firm of Ernst & Young global network.

18. INTERESTS IN ASSOCIATES *(Continued)*

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2007 RMB'000	2006 RMB'000
Assets	**907**	899
Liabilities	**(407)**	(409)
Revenues	**–**	(3,632)
(Profits)/losses	**(10)**	329

19. AVAILABLE-FOR-SALE INVESTMENTS

	Group		**Company**	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Listed equity investment in PRC, at fair value	**3,680**	3,099	**–**	–
Unlisted equity investments, at cost	**51,188**	1,188	**50,000**	–
Less: impairment loss of unlisted equity investment	**(1,188)**	(1,188)	**–**	–
	50,000	–	**50,000**	–
	53,680	3,099	**50,000**	–

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturing date or coupon rate. The fair value of listed equity investment is based on quoted market prices.

During the year, the gross gain of the Group's available-for-sale investment recognised directly in equity amounted to RMB581,000 (2006: RMB2,749,000).

As at 31 December 2006 and 2007, the unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

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20. INTANGIBLE ASSETS

The intangible assets represented the carrying amount of a distribution network and software acquired.

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cost at 1 January, net of accumulated amortisation	**2,344**	2,080	**2,344**	2,080
Additions	**6,789**	647	**1,189**	647
Amortisation provided during the year	**(1,169)**	(383)	**(516)**	(383)
At 31 December, net of accumulated amortisation	**7,964**	2,344	**3,017**	2,344
At 31 December:				
Cost	**12,907**	6,118	**7,307**	6,118
Accumulated amortisation	**(4,943)**	(3,774)	**(4,290)**	(3,774)
Net carrying amount	**7,964**	2,344	**3,017**	2,344

21. OTHER LONG TERM LEASE PREPAYMENTS

Other long term lease prepayments of the Group as at 31 December 2007 represented rental deposits for leasing eight premises for five to eighteen years commencing from July 2006, and rental deposits for leasing warehouses for two and a half years commencing from January 2008.

	Group	
	2007	2006
	RMB'000	RMB'000
Cost at 1 January, net of accumulated amortisation	**17,524**	–
Additions	**11,461**	17,910
Amortisation provided during the year	**(1,896)**	(386)
At 31 December, net of accumulated amortisation	**27,089**	17,524
Less: current portion included in prepayments, deposits and other receivables	**(6,790)**	–
Non-current portion	**20,299**	17,524

22. INVENTORIES

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Merchandise and produce for resale	**586,793**	490,309	**201,178**	150,486
Raw materials	**8,213**	6,479	**8,213**	6,479
	595,006	496,788	**209,391**	156,965
Low value consumables	**4,544**	2,856	**1,330**	89
	599,550	499,644	**210,721**	157,054

23. TRADE RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**749,457**	489,484	**193,763**	11,909
Impairment	**(6,451)**	(16,406)	**(3,529)**	(3,529)
	743,006	473,078	**190,234**	8,380

The Group normally allows a credit period of not more than 60 days to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group's trade receivables comprised about 3,500 customers which amount ranging from RMB0.1 million to RMB192.1 million. Trade receivables are non-interest-bearing.

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

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 2 months	**602,686**	434,941	**96,278**	7,796
2 to 6 months	**136,353**	37,108	**93,785**	301
6 months to 1 year	**3,855**	638	**171**	13
1 to 2 years	**112**	391	**–**	270
	743,006	473,078	**190,234**	8,380

23. TRADE RECEIVABLES *(Continued)*

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

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**16,406**	24,625	**3,529**	89
Impairment losses recognised	**568**	6,295	**–**	3,471
Amount written-off as uncollectible	**(1,611)**	(5,489)	**–**	(31)
Impairment losses reversed	**(8,912)**	(9,025)	**–**	–
At 31 December	**6,451**	16,406	**3,529**	3,529

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

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

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Not past due	**695,731**	428,970	**187,543**	7,253
Less than 1 month past due	**30,213**	21,629	**1,955**	189
1 to 3 months past due	**12,612**	20,511	**736**	25
over 3 months past due	**4,450**	1,968	**–**	913
	743,006	473,078	**190,234**	8,380

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments to suppliers	**90,727**	75,329	**7,623**	14,451
Other receivables	**26,573**	9,336	**22,138**	6,023
Prepaid expenses	**17,242**	19,719	**6,340**	13,086
Input value-added tax receivables	**63,068**	58,718	**24,199**	28,368
	197,610	163,102	**60,300**	61,928

Other receivables

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other receivables	**35,700**	18,463	**31,138**	15,023
Impairment	**(9,127)**	(9,127)	**(9,000)**	(9,000)
	26,573	9,336	**22,138**	6,023

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

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**9,127**	1,351	**9,000**	1,224
Impairment losses recognised	**–**	9,370	**–**	9,370
Amount written-off as uncollectible	**–**	(1,594)	**–**	(1,594)
At 31 December	**9,127**	9,127	**9,000**	9,000

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

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

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Not past due	**24,953**	9,336	**20,518**	6,023
Less than 1 month past due	**1,620**	–	**1,620**	–
	26,573	9,336	**22,138**	6,023

Other receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

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

25. LOAN RECEIVABLE

As at 31 December 2007, loan receivable represented the entrusted loan lent by the Company to a third party through Bank of Beijing. The entrusted loan was unsecured, bearing an annual interest rate of 6.12%. Subsequent to the balance sheet date, the entrusted loan was fully settled.

26. INVESTMENT DEPOSIT

As at 31 December 2007, the Company's investment deposit was purchased from Bank of Beijing and was stated at amortised cost. The investment deposit was unsecured and had an expected annual interest rate of return of 4.2%. Pursuant to the underlying contract, the investment deposit was capital guaranteed upon maturity date. Subsequent to the balance sheet date, the investment deposit was fully settled.

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
	Notes	**2007 RMB'000**	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Cash and bank balances		**501,940**	413,140	**295,698**	246,110
Pledged time deposits for bills payable with original maturity of less than three months when acquired	*28*	**9,000**	–	**–**	–
Pledged time deposits for secured bank loans with original maturity of:					
More than three months when acquired	*31*	**–**	16,919	**–**	–
Less than three months when acquired	*31*	**10,414**	–	**–**	–
Non-pledged time deposits with original maturity of:					
More than three months when acquired		**–**	301,401	**–**	301,401
Less than three months when acquired		**–**	127,150	**–**	127,150
		521,354	858,610	**295,698**	674,661
Less: pledged time deposits with original maturity of:					
More than three months when acquired		**–**	(16,919)	**–**	–
Less than three months when acquired		**(19,414)**	–	**–**	–
		(19,414)	(16,919)	**–**	–
Cash and cash equivalents		**501,940**	841,691	**295,698**	674,661

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(Continued)*

At the balance sheet date, the Group's cash and bank balances, including pledged bank deposits, were denominated in RMB amounted to RMB521,276,000 (2006: RMB399,920,000), which are not freely convertible in the international market. The remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

28. TRADE AND BILLS PAYABLES

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

	Group		**Company**	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 2 months	**919,937**	681,810	**487,313**	358,125
2 to 6 months	**69,554**	53,577	**66,607**	52,170
6 months to 1 year	**3,270**	5,234	**527**	4,606
1 to 2 years	**431**	1,798	**21**	1,268
Over 2 years	**4,225**	4,271	**3,813**	3,274
	997,417	746,690	**558,281**	419,443

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

As at 31 December 2007, the bills payable of the Group amounting to RMB30 million was secured by certain of the Group's pledged time deposits amounting to approximately RMB9 million (note 27).

29. DEBENTURES

On 19 December 2007, the Company issued debentures in aggregate amounting to RMB370 million, with a term of maturity of 182 days. The RMB debentures are unsecured, interest-bearing at 7.08% per annum and are issued through Bank of Beijing. The carrying amounts of the debentures approximate to their fair values.

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30. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accrued salaries, wages and benefits	**38,917**	75,473	**35,789**	62,227
Deposits from suppliers and lessees	**41,130**	78,590	**38,595**	72,988
Interest expense payable	**3,520**	7,845	**2,720**	6,602
Rental expense payable	**3,325**	2,614	**2,445**	1,769
Accrued operating expenses	**4,393**	6,469	**3,506**	5,408
Construction fee payables	**28,821**	32,737	**16,475**	28,861
Others	**27,744**	19,943	**14,566**	8,421
Total other payables and accruals	**147,850**	223,671	**114,096**	186,276

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group	
	Maturity	**2007 RMB'000**	2006 RMB'000
Bank loans:			
Secured	2008 – 2011	**477,837**	488,396
Unsecured	2008	**180,000**	208,000
		657,837	696,396
Other borrowings:			
Secured	2007	**–**	210,000
Unsecured	2008	**20,000**	100,000
		20,000	310,000
Total bank loans and other borrowings		**677,837**	1,006,396
Analysed into:			
Bank loans repayable:			
Within one year or on demand		**557,462**	576,396
In the second year		**44,375**	21,750
In the third to fifth years, inclusive		**56,000**	98,250
		657,837	696,396
Other borrowings repayable:			
Within one year or on demand		**20,000**	150,000
In the second year		**–**	160,000
		20,000	310,000
Total bank loans and other borrowings		**677,837**	1,006,396
Less: Portion classified as current liabilities		**(577,462)**	(726,396)
Long term portion		**100,375**	280,000

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31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

		Company	
		2007	2006
	Maturity	**RMB'000**	RMB'000
Bank loans:			
Secured	2008 – 2011	**443,125**	432,000
Other borrowings:			
Secured	2007	**–**	210,000
Unsecured	2008	**20,000**	–
		20,000	210,000
Total bank loans and other borrowings		**463,125**	642,000
Analysed into:			
Bank loans repayable:			
Within one year or on demand		**342,750**	312,000
In the second year		**44,375**	21,750
In the third to fifth years, inclusive		**56,000**	98,250
		443,125	432,000
Other borrowings repayable:			
Within one year or on demand		**20,000**	150,000
In the second year		**–**	60,000
		20,000	210,000
Total bank loans and other borrowings		**463,125**	642,000
Less: Portion classified as current liabilities		**(362,750)**	(462,000)
Long term portion		**100,375**	180,000

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31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

(a) Bank loans

All of the Group's and the Company's bank loans, which are denominated in RMB, bear fixed interest rates ranging from 5.5% to 7.5% (2006: 4.0% to 6.1%) per annum.

(i) Secured bank loans

As at 31 December 2007, the secured bank loans of the Group and the Company amounting to RMB443.1 million were secured by certain of the Group's and the Company's buildings, investment properties and lease prepayments for land use rights with aggregate net book values of approximately RMB381 million (note 14), RMB5.3 million (note 15), and RMB66 million (note 16), respectively. In addition, the secured bank loans of the Group amounting to RMB34.7 million were secured by certain of the Group's pledged time deposits amounting to RMB10.4 million (note 27).

As at 31 December 2006, the secured bank loan of the Group and the Company amounting to RMB432 million were secured by certain of the Group's and the Company's buildings and construction in progress, investment properties and lease prepayments for land use rights with aggregate net book values of approximately RMB169 million (note 14), RMB294 million (note 14), RMB16.9 million (note 15) and RMB68 million (note 16), respectively. In addition, the secured bank loans of the Group amounting to RMB56.4 million were secured by certain of the Group's pledged time deposits (note 27).

(ii) Unsecured bank loans

As at 31 December 2007, the unsecured bank loans of the Group amounting to RMB160 million (2006: RMB180 million) were guaranteed by the Company. There were entrusted loans from a third party amounting to RMB20 million (2006: RMB28 million) as at 31 December 2007.

Entrusted loans are tripartite arrangements, under which banks, as entrusted by certain non-financial institutions, lend the Group the funds sourced from such non-financial institutions for a management fee. Such non-financial institutions are considered the providers of the entrusted loans. Entrusted loans generally bear interest rates higher than those of normal bank borrowings.

(b) Other borrowings

(i) Secured other borrowings

As at 31 December 2006, secured other borrowings of the Group and the Company was borrowing from BITIC amounting to RMB210 million, which were secured by the 71.7% equity interest in subsidiary (note 17) and were fully settled during the year.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

(b) Other borrowings *(Continued)*

(ii) Unsecured other borrowings

As at 31 December 2007, an unsecured other borrowing of the Group and the Company was a borrowing from the Chaoyang State-owned Assets Supervision and Administration Commission amounting to RMB20 million, which was fully settled subsequent to the balance sheet date.

As at 31 December 2006, the unsecured other borrowings of the Group and the Company was borrowings from BITIC amounting to RMB100 million, which were guaranteed by the Company and were fully settled during the year.

All of the Group's and the Company's other borrowings as at 31 December 2007 and 2006 are denominated in RMB and bear a fixed interest rate 6.57% per annum (2006: 5.3% to 6.1%).

The carrying amounts of the Group's and the Company's interest-bearing bank and other borrowings approximate to their fair values.

32. DEFERRED INCOME

	Group and Company	
	2007	2006
	RMB'000	RMB'000
Carrying amount as at 1 January	**3,733**	4,000
Released to the income statement	**(267)**	(267)
Carrying amount as at 31 December	**3,466**	3,733
Current portion	**(267)**	(267)
Non-current portion	**3,199**	3,466

In 2005, Beijing Municipal Commission of Development and Reform and Beijing Municipal Chaoyang District Finance Bureau granted RMB3 million and RMB1 million, respectively, to the Company for the construction of a fresh produce logistics centre and a logistics system. The construction has been completed as at 31 December 2005. Therefore, the amounts were recorded in government grants and are amortised over the useful lives of the corresponding assets beginning from 1 January 2006.

33. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities are as follows:

	Group and Company	
	2007	2006
	RMB'000	RMB'000
At beginning of year	**18,679**	15,747
Charged/(credited) to the income statement:		
Temporary difference arising from capitalised interest expenses into construction in progress	**(307)**	3,284
Reversal of temporary difference arising from gain on exchange of buildings	**(352)**	(352)
Effect on change in deferred tax rate	**(5,687)**	–
	(6,346)	2,932
At end of year	**12,333**	18,679
Provision in respect of:		
Temporary difference arising from capitalised interest expenses into construction in progress	**6,262**	10,313
Temporary differences arising from gain on exchange of buildings	**6,071**	8,366
	12,333	18,679

34. ISSUED CAPITAL

	Group and Company	
	2007	2006
	RMB'000	RMB'000
Issued and fully paid:		
230,060,000 (2006: 232,820,000) Domestic Shares of RMB1.00 each	**230,060**	232,820
182,160,000 (2006: 151,800,000) H shares of RMB1.00 each	**182,160**	151,800
	412,220	384,620

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34. ISSUED CAPITAL *(Continued)*

A summary of the movements in the Company's share capital is as follows:

	Notes	Domestic Shares of RMB1.00 each RMB'000	H shares of RMB1.00 each RMB'000	Total RMB'000
At 1 January 2006		246,620	–	246,620
Sales of Domestic Shares by Chaoyang Auxillary and conversion into H shares upon listing	*a*	(12,000)	12,000	–
Issuance of new H shares upon listing	*a*	–	120,000	120,000
Sales of Domestic Shares by Chaoyang Auxillary and conversion into H shares upon full exercise of the over-allotment option	*b*	(1,800)	1,800	–
Issuance of new H shares upon full exercise of the over-allotment option	*b*	–	18,000	18,000
At 31 December 2006 and 1 January 2007		232,820	151,800	384,620
Sales of Domestic Shares by Chaoyang Auxillary and conversion into H shares upon placement	*c*	(2,760)	2,760	–
Issuance of new H shares upon placement	*c*	–	27,600	27,600
At 31 December 2007		230,060	182,160	412,220

Notes:

a. On 25 September 2006, the Company issued 132,000,000 H Shares, consisting of 120,000,000 new H Shares and 12,000,000 H Shares converted from Domestic Shares, with a par value of RMB1.00 each, to the public by way of listing and offer at HK$4.50 (equivalent to approximately RMB4.57) each. The gross proceeds received from the issue of the 120,000,000 new H Shares amounted to RMB548,597,000. Part of the proceeds amounting to RMB120,000,000 was recorded as share capital, and the remaining balance of the proceeds of RMB428,597,000 was recorded to the share premium account.

34. ISSUED CAPITAL *(Continued)*

Notes:

b. On 25 September 2006, the over-allotment option was exercised. An additional 19,800,000 H Shares, consisting of 18,000,000 new H Shares and 1,800,000 H Shares converted from Domestic Shares, with a par value of RMB1.00 each, were issued to the public by way of placement at HK$4.50 (equivalent to approximately RMB4.57) each. The gross proceeds received from the issue of the 18,000,000 new H Shares amounted to RMB82,501,000. Part of the proceeds amounting to RMB18,000,000 was recorded as share capital, and the remaining balance of the proceeds of RMB64,501,000 was recorded to the share premium account.

c. On 12 October 2007, the Company completed the placement of 30,360,000 H Shares of the Company, which comprised a total of 27,600,000 new H Shares and 2,760,000 H Shares converted from Domestic Shares. The gross proceeds received from the issue of the 27,600,000 new H Shares amounted to RMB195,301,000. Part of the proceeds amounting to RMB27,600,000 was recorded as share capital, and the remaining balance of the proceeds of RMB167,701,000 was recorded to share premium account.

35. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on page 52 to page 53 of the financial statements.

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35. RESERVES *(Continued)*

(b) Company

	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000 *(note i)*	Statutory public welfare fund RMB'000 *(note ii)*	Retained profits RMB'000	Total RMB'000
As at 1 January 2006	–	5,121	11,278	5,640	12,819	34,858
Issue of H shares upon listing *(note 34 (a))*	428,597	–	–	–	–	428,597
Issue of H shares upon the exercise of the over-allotment option *(note 34 (b))*	64,501	–	–	–	–	64,501
Share issue expense	(50,868)	–	–	–	–	(50,868)
Profit for the year	–	–	–	–	81,372	81,372
Appropriation to statutory surplus reserve	–	–	9,326	–	(9,326)	–
Transfer of unutilised statutory public welfare fund to statutory surplus reserve	–	–	5,640	(5,640)	–	–
Proposed final 2006 dividend	–	–	–	–	(57,693)	(57,693)
As at 31 December 2006 and 1 January 2007	**442,230**	**5,121**	**26,244**	**–**	**27,172**	**500,767**
Issue of H shares upon placement *(note 34 (c))*	**167,701**	**–**	**–**	**–**	**–**	**167,701**
Share issue expense	**(4,760)**	**–**	**–**	**–**	**–**	**(4,760)**
Profit for the year	**–**	**–**	**–**	**–**	**97,503**	**97,503**
Appropriation to statutory surplus reserve	**–**	**–**	**8,183**	**–**	**(8,183)**	**–**
Proposed final 2007 dividend	**–**	**–**	**–**	**–**	**(72,139)**	**(72,139)**
As at 31 December 2007	**605,171**	**5,121**	**34,427**	**–**	**44,353**	**689,072**

35. RESERVES *(Continued)*

(b) Company *(Continued)*

(i) Statutory surplus reserve

In accordance with the PRC Company Law and the respective companies' articles of association, the Company and its subsidiaries are required to appropriate 10% of the annual statutory profits after tax (after offsetting any prior years' losses), determined in accordance with PRC GAAP, to the statutory surplus reserve. When the balance of each entity's reserve fund reaches 50% of its registered capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the registered capital after such uses.

(ii) Statutory public welfare fund

In accordance with the PRC Company Law and the respective companies' articles of association, the Company and its subsidiaries were required to appropriate 5% of annual statutory profits after tax (after offsetting any prior years' losses), determined in accordance with PRC GAAP, to the statutory public welfare fund, which is utilised to build or acquire capital items, such as dormitories and other facilities, for the employees of the Company and its subsidiaries, and cannot be used to pay for staff welfare expenses. Titles of these capital items will remain with the respective companies now comprising the Group.

According to the revised PRC Company Law effective from 1 January 2006, the Company and its subsidiaries are no longer required to transfer its profit after tax to the statutory public welfare fund. All unutilised balances of the fund as at 1 January 2006 were transferred to the statutory surplus reserve.

(iii) Distributable reserve

As at 31 December 2007, the Company had retained profits of approximately RMB1.4 million (2006: RMB26.2 million) after the appropriation of the proposed final dividend, as determined in accordance with the lower of which are the amount determined under PRC GAAP and the amount determined under HKFRSs, available for distribution by way of cash or in kind.

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36. CONTINGENT LIABILITIES

As at the balance sheet date, contingent liabilities not provided in the financial statements were as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**160,000**	180,000
Guarantees given to other financial institutions in connection with facilities granted to subsidiaries	**–**	–	**–**	100,000
	–	–	**160,000**	280,000

As at 31 December 2007, the facilities granted to subsidiaries subject to guarantees given to banks and other financial institutions by the Company were utilised to the extent of approximately RMB160,000,000 (2006: RMB180,000,000) and Nil (2006: RMB100,000,000), respectively.

37. PLEDGE OF ASSETS

Details of the Group's and the Company's assets for securing bank loans, other borrowings and bills payable are included in notes 14, 15, 16, 17, 27, 28 and 31 to the financial statements.

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38. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group and the Company lease their properties under operating lease arrangements, with leases negotiated for terms ranging from 1 to 20 years. The terms of the leases generally also require the tenants to pay security deposits.

As at 31 December 2007, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**28,668**	21,263	**26,384**	21,083
In the second to fifth years, inclusive	**83,079**	56,380	**73,839**	55,660
After five years	**76,200**	20,815	**46,700**	19,195
	187,947	98,458	**146,923**	95,938

(b) As lessee

The Group and the Company lease certain of their properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 2 to 20 years.

As at 31 December 2007, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**61,246**	60,260	**51,444**	38,980
In the second to fifth years, inclusive	**267,961**	270,896	**216,676**	201,094
After five years	**581,038**	624,518	**506,154**	521,931
	910,245	955,674	**774,274**	762,005

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39. COMMITMENTS

(a) Capital commitments

The Group and the Company had the following capital commitments, principally for the construction and acquisition of property, plant and equipment at the balance sheet date:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Authorised, but not contracted for	**51,056**	16,307	**51,056**	16,307
Contracted, but not provided for	**56,226**	84,864	**55,641**	84,864
	107,282	101,171	**106,697**	101,171

(b) Investment commitment

As at 31 December 2006, the Group had a commitment authorised but not contracted for amounting to RMB6,132,000 in respect of a capital contribution to a subsidiary. The investment commitment was fully settled during the year.

40. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
		2007	2006
	Notes	**RMB'000**	RMB'000
Controlling Shareholder of the Company			
Expenses on property leasing	*(i)*	**8,451**	8,178
Compensation for early termination of rental agreements	*(ii)*	**3,000**	–
Net compensation on demolished properties	*(iii)*	**–**	10,426
Interest expense		**–**	62
A subsidiary of controlling shareholder:			
Expenses on property leasing	*(iv)*	**1,575**	–

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40. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes:

(i) Pursuant to three property lease agreements and supplementary agreements signed between the Company and Chaoyang Auxillary, between Chaopi Trading and Chaoyang Auxillary dated 30 April 2004 and between Xinyang Tongli and Chaoyang Auxillary dated 1 July 2004, and the supplementary agreements, with the commencement and expiry dates on 1 January 2004 and 31 December 2023, respectively, the Company, Chaopi Trading and Xinyang Tongli rent properties from Chaoyang Auxillary for operation purposes at a basic annual rental expense, including related business taxes and property taxes of approximately RMB7,340,000, RMB1,099,000 and RMB16,000, respectively, with a term of increase of rental expense including related business taxes of 5% or 20% for each aforesaid fixed rental period. Pursuant to a supplementary agreement dated 24 March 2006 signed between the Company and Chaoyang Auxillary, the Company ceased the rental of one of the leased properties from Chaoyang Auxillary with effect from 1 January 2006. The aggregate annual rental to be paid to Chaoyang Auxillary by the Company since 1 January 2006 was reduced from RMB7,340,000 to RMB6,952,000.

On 4 April 2006, the Company and Chaoyang Auxillary entered into a lease agreement, pursuant to which the Company leases one property from Chaoyang Auxillary for ten years commencing from 1 July 2006. The annual rental is RMB183,000 and RMB219,000 for the first four years and the remaining six years, respectively.

Pursuant to a supplementary agreement dated 19 March 2007 signed between the Company and the Chaoyang Auxillary, the Company ceased the rental of two leased properties from Chaoyang Auxillary with effect from 1 January 2007, the aggregate annual rental to be paid to Chaoyang Auxillary by the Company since 1 January 2007 was reduced from RMB6,952,000 to RMB6,530,000.

In addition to the above, the Company and Chaoyang Auxillary entered into a lease agreement with the commencement and expiry dates on 1 April 2007 and 31 December 2023, respectively. The rental is RMB900,000 for the first thirteen months and the remaining rental is at a basic annual rental expense of approximately RMB1,896,000, with a term of increase of rental expense for each aforesaid fixed rental period.

(ii) For the year ended 31 December 2007, the gross compensation income was received from Chaoyang Auxillary for early termination of an operating lease agreement.

(iii) For the year ended 31 December 2006, the gross compensation income was received from Chaoyang Auxillary for the Company's loss of business and the related items of property, plant and equipment, primarily leasehold improvements and machinery and equipment of three demolished retail outlets originally rented from Chaoyang Auxillary.

(iv) Pursuant to a property lease agreement signed between the Company and Beijing Tengyuan Xingye Automobile Service Company Limited, a subsidiary of Chaoyang Auxillary, with the commencement and expiry dates on 1 April 2007 and 31 March 2022, respectively. The annual rental is approximately RMB2,100,000, with a term of increase of rental expense for each aforesaid fixed rental period.

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40. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes:

(v) Pursuant to a deed of indemnity dated 1 March 2006 and a supplementary agreement dated 10 August 2006, Chaoyang Auxillary has undertaken to indemnity the Company against the following:

1. any costs, expenses, losses and claims that the Company and Chaopi Trading may suffer as a result of relocation or eviction from certain premises rented from outside parties in the event of that any of the corresponding tenancy agreements is determined to be void due to a lack of building ownership certificates or proper property title deeds by the lessors;

2. any costs and penalties that the Group may suffer due to the non-compliance with the relevant PRC Laws in respect of borrowings from the employees, the fact that the relevant loan agreements were not enforceable, and that the Group may be subject to a maximum penalty of 5% of the amount of the total borrowings; and

3. any costs and penalties that the Group may suffer due to any breach of the applicable PRC laws and regulations on the use of the Jingkelong cards and the membership reward cards which were issued by the Company as part of the Group's marketing strategy for its retail operations.

(b) Compensation of key management personnel of the Group:

	2007 **RMB'000**	2006 RMB'000
Short term employee benefits	**5,631**	4,427
Post-employment benefits	**621**	503
Total compensation paid to key management personnel	**6,252**	4,930

Further details of the directors' and supervisors' emoluments are included in note 9 to the financial statements.

The related party transactions in respect of items (a)(i) and (a)(iv) above also constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise bank loans, other interest-bearing borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, and trade and bills payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The board of directors reviews and approves policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's income statement is affected by changes in interest rates due to the impact of such changes on interest income and expenses from bank balances, interest-bearing bank loans and other interest-bearing borrowings. The Group's policy is to obtain the most favourable interest rates available. As at 31 December 2007, the Group did not have long-term debt obligations with floating interest rates. Accordingly, the Group has no significant interest rate risk.

Liquidity risk

The Group monitors its risk to shortage of funds using a recurring liquidity tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the issuance of debentures, bank loans and other interest-bearing borrowings. The Group's financing activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance the Group's operations. The Group also ensures the availability of bank credit facilities to address any short term funding requirements.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group

	2007					
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to less than 12 months RMB'000**	**1 to 2 years RMB'000**	**Over 2 years RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**40,500**	**104,587**	**432,375**	**44,375**	**56,000**	**677,837**
Debentures	**–**	**–**	**370,000**	**–**	**–**	**370,000**
Trade and bills payables	**214,873**	**782,116**	**428**	**–**	**–**	**997,417**
Other payables	**36,998**	**33,890**	**35,550**	**16,137**	**–**	**122,575**
	292,371	**920,593**	**838,353**	**60,512**	**56,000**	**2,167,829**

	2006					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	40,000	219,396	467,000	160,000	120,000	1,006,396
Trade and bills payables	205,257	541,433	–	–	–	746,690
Other payables	44,066	35,115	77,073	–	–	156,254
	289,323	795,944	544,073	160,000	120,000	1,909,340

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Company

	2007					
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to less than 12 months RMB'000**	**1 to 2 years RMB'000**	**Over 2 years RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**20,500**	**9,875**	**332,375**	**44,375**	**56,000**	**463,125**
Debentures	**–**	**–**	**370,000**	**–**	**–**	**370,000**
Trade and bills payables	**225,915**	**332,366**	**–**	**–**	**–**	**558,281**
Other payables	**30,846**	**23,334**	**37,612**	**–**	**–**	**91,792**
	277,261	**365,575**	**739,987**	**44,375**	**56,000**	**1,483,198**

	2006					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	105,000	357,000	60,000	120,000	642,000
Trade and bills payables	169,957	249,486	–	–	–	419,443
Other payables	43,106	14,128	73,804	–	–	131,038
	213,063	368,614	430,804	60,000	120,000	1,192,481

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

Credit risk arises mainly from the risk that counterparties defaulting on the terms of their agreements. The carrying amounts of cash and cash equivalents, pledged deposits, trade receivables, loan receivable, other receivables and available-for-sale investments represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group monitors the exposure to credit risk on an ongoing basis and credit evaluations are performed on customers requiring credit over a certain amount. In addition, receivable balances are monitored on an ongoing basis, therefore, the Group's exposure to bad debts is not significant. The credit risk on balances of cash and cash equivalents and pledged deposits is low as these balances are placed with reputable financial institutions.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 23 and 24 to the financial statements.

Foreign currency risk

The Group's businesses are principally located in PRC and the Group's sales and purchases were mainly conducted in RMB. As at the balance sheet date, all the Group's assets and liabilities were denominated in RMB, except for the cash and bank balances of RMB78,000 (2006: RMB458,690,000) denominated in Hong Kong dollars ("HK$"). Accordingly, there was no significant concentration of foreign currency risk.

Notes to Financial Statements

31 December 2007

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payable, debentures and other payables and accruals, less cash and cash equivalents. Capital includes equity attributable to equity holders of the parent. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**677,837**	1,006,396
Trade and bills payables	**997,417**	746,690
Debentures	**370,000**	–
Other payables and accruals	**147,850**	223,671
Less: Cash and cash equivalents	**(501,940)**	(841,691)
Net debt	**1,691,164**	1,135,066
Equity attributable to equity holders	**1,242,995**	984,973
Adjusted capital	**1,242,995**	984,973
Capital and net debt	**2,934,159**	2,120,039
Gearing ratio	**58%**	54%

Notes to Financial Statements

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42. POST BALANCE SHEET EVENTS

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

Save as the event disclosed above, the Group did not have any significant post balance sheet event taken place subsequent to 31 December 2007.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2008.

Summary Financial Information

A summary of the published results, assets, liabilities and equity of the Group for the last five financial years, as extracted from the Prospectus and the Group's audited financial statements for the years ended 31 December 2006 and 2007, is set out below. This summary does not form part of the audited financial statements.

	2007			2006			2005			2004			2003		
	Continuing operations RMB'000	**Discontinued operations RMB'000**	**Total RMB'000**	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Results															
Revenue	**5,640,599**	**–**	**5,640,599**	4,530,975	–	4,530,975	4,121,748	–	4,121,748	3,568,865	97,893	3,666,758	2,894,108	364,926	3,259,034
Profit before tax	**255,306**	**–**	**255,306**	205,491	–	205,491	145,504	–	145,504	127,918	484	128,402	65,768	1,433	67,201
Tax	**(86,434)**	**–**	**(86,434)**	(74,072)	–	(74,072)	(47,158)	–	(47,158)	(44,127)	(106)	(44,233)	(20,519)	(658)	(21,177)
Profit for the year	**168,872**	**–**	**168,872**	131,419	–	131,419	98,346	–	98,346	83,791	378	84,169	45,249	775	46.024
Attributable to:															
Equity holders of the parent	**124,593**	**–**	**124,593**	99,577	–	99,577	75,098	–	75,098	73,167	361	73,528	38,172	695	38,867
Minority interests	**44,279**	**–**	**44,279**	31,842	–	31,842	23,248	–	23,248	10,624	17	10,641	7,077	80	7,157
	168,872	**–**	**168,872**	131,419	–	131,419	98,346	–	98,346	83,791	378	84,169	45,249	775	46,024

Summary Financial Information

	2007	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets, Liabilities and Equity					
Non-current assets	**1,463,681**	1,123,480	889,749	700,353	713,992
Current assets	**2,211,520**	1,994,434	1,252,434	1,082,930	952,110
Current liabilities	**(2,153,002)**	(1,741,124)	(1,531,249)	(1,241,717)	(1,279,108)
Net current assets/(liabilities)	**58,518**	253,310	(278,815)	(158,787)	(326,998)
Total assets less current liabilities	**1,522,199**	1,376,790	610,934	541,566	386,994
Non-current liabilities	**(115,907)**	(302,145)	(178,230)	(161,976)	(62,990)
Net assets	**1,406,292**	1,074,645	432,704	379,590	324,004
Represented by:					
Equity attributable to equity holders of the parent	**1,242,995**	984,973	358,784	322,493	278,101
Minority interests	**163,297**	89,672	73,920	57,097	45,903
Total equity	**1,406,292**	1,074,645	432,704	379,590	324,004