



MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Structure

For the period ended 30th June, 2006, there has been no change in the Company's share capital.

Liquidity and Financial Resources

During the Period, the Group has short-term bank and other borrowings of HK\$66.4 million (2005: HK\$428.2 million), the Group has obtained new banking facilities of US\$50.0 million (equivalent to HK\$390.0 million) of which US\$26.0 million (equivalent to approximately HK\$202.8 million) has been drawdown during the Period. As at the end of the Period, its cash and cash equivalents amounted to approximately HK\$143.8 million, representing a 0.98 time of the balance as at the end of 2005.

Gearing and Current Ratios

As at 30th June, 2006, the gearing ratio of the Group stood at 0.86 (gearing ratio was calculated by dividing interest-bearing bank loans and other borrowings by shareholders' equity) (31st December, 2005: 1.69) and the current ratio of the Group increased from 0.65 to 0.68.

Foreign Currency Exposure

As at 30th June, 2006, the Group had RMB144.6 million (equivalent to HK\$138.8 million) in cash and cash equivalent.

Most of the Group's monetary assets and liabilities are denominated in Hong Kong dollars, RMB and US dollars. As the Hong Kong dollar is pegged to US dollar and the fluctuation in the exchange rates between Hong Kong dollar and RMB has been relatively small in recent years, the Group believes it faces minimal foreign currency risk and thus, has not undertaken any hedging activities.

Employees, Training and Remuneration Policy

Including the Directors, the Group had around 12,000 employees as at 30th June, 2006. The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits include insurance and medical cover, subsidized training programmes as well as share option scheme.

STRATEGIC OUTLOOK

With continuous steady economic growth, rising disposable income and favourable demographics, China's consumer market is promising. The Directors are confident that our supermarket operation has solid potential and would be able to provide fruitful returns in the long term. The Directors are also confident that the Group, having established considerable scale and expertise in Mainland China, can cope with the challenges ahead and capitalize on the continuous economic boom in the PRC.

Looking forward, apart from focusing on the existing businesses, the Directors will continue to seek new investment opportunities which are expected to provide significant growth in the future. The Directors will also endeavour to improve the operating efficiencies of the Group.