

GENERAL

The Board consists of nine Directors, three of which are independent non-executive Directors. The Directors were elected at a meeting of the shareholders of the Company for a term of three years, renewable upon re-election and re-appointment.

The executive Directors have each entered into a service contract with the Company dated 29 July 2005 and under which they have agreed to act as executive director of the Company until 31 October 2007. The contracts may be renewed upon expiry in accordance with the Articles of Association and the applicable GEM Listing Rules.

In accordance with the Company Law, the Company has established a committee of supervisors that is responsible for monitoring the financial matters of the Group, and for supervising the actions of the Board and the management personnel. The supervisory committee consists of six members, with one member acting as the chairman. Two members of the supervisory committee is a representative elected by the Group's employees, and the remaining members are elected by the shareholders in a general meeting. Members of the supervisory committee may not serve as Director, president, vice president or financial controller of the Company.

EXECUTIVE DIRECTORS

Wei Tingzhan, aged 53, 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. Mr. Wei was elected as a representative of the 12th Beijing People's Congress. He has been the Director of the Company since November 2004. He was the Managing Director of Jingkelong Supermarket from 2002 to 2004. From 1994 to 2002, he was the Manager of Jingkelong Shang Sha. From 1991 to 1994 and 1999 to 2004, Mr. Wei was the Manager of Chaoyang Auxillary. Since November 2004, he has been the chairman of the Board. In November 2005, Mr. Wei was recognized as one of the prominent figures of the chain-store industry in 2005 by the China Chain Store & Franchise Association.

Li Jianwen, aged 45, obtained his graduation certificate in legal studies from College of the Central Party in 2001. He has been the Managing Director of the Company since November 2004. From 2002 to 2004, he was the Director and Assistant General Manager of Jingkelong Supermarket where he was mainly responsible for product procurement and sales. Mr. Li also worked in Jingkelong Shang Sha as the Deputy Manager from 1998 to 2002.

Li Chunyan, aged 34, obtained a bachelor's degree from China University of Politics & Law in 1994. Subsequently, she obtained master's degree in Private International Law from China University of Politics & Law in 1997. Ms. Li was the Officer of the Bureau of Law of Beijing 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 Directors and the Secretary to the Board of Directors where she was mainly responsible for the Group's legal affairs.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Liu Yuejin, aged 46, obtained a master's degree in Business Administration from Asia International Open University (Macau) in 2004. From 2000 to 2004, he was the Manager of Jingkelong Langfang. Between 2002 and 2004, he was one of the Directors of Jingkelong Supermarket. Since late 2004, he has been one of the Directors of the Company. Since 2005, he has been the Manager of the First Division, Operations of the Company.

NON-EXECUTIVE DIRECTORS

Gu Hanlin, aged 53, is one of the non-executive Directors. He 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. Since May 2004, Mr. Gu has been the Manager of Chaoyang Auxillary. From 2002 to 2004, he was a chairman of the Board of Jingkelong Supermarket. The Directors confirm that Mr. Gu Hanlin was a secretary of the PRC Communist Party while he was serving as the chairman of the board of Jingkelong Supermarket. During the Track Record Period, he was not involved in the daily management and operations of the Group. He was also not responsible for the formation of the overall corporate strategies of the Group. Therefore, the Directors confirm that his resignation as the chairman did not have any significant impact on the management continuity of the Group. Mr. Gu is currently the manager of Chaoyang Auxillary and is not involved in the daily management and operations of the Group.

Li Shunxiang, aged 53, 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 of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Fan Faming, aged 52, is an independent non-executive Director appointed by the Company in January 2005. He 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 a senior member of Hong Kong Quality Management Association.

Huang Jiangming, aged 43, is an independent non-executive Director appointed by the Company in January 2005. He is currently an assistant professor at the School of Business, Renmin University of China. He 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.

Chung Chi Kong, aged 35, is an independent non-executive Director appointed by the Company in July 2005. Mr. Chung is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Prior to assuming his current office, Mr. Chung has over nine years audit experience in international accounting firms and two years accounting experience in Datasys Technology Holdings Limited, a Hong Kong listed company. Mr. Chung is now a director of Ascension Financial Services Group Limited.

SUPERVISORS

Chen Jie, aged 55, graduated from Taiyuan University of Industry and College of the Party, Beijing Branch in 1984 and 1998 respectively. She was a member, industry section assistant section chief and Assistant Officer respectively of Beijing Chaoyang Municipal Commission of Reform from 1990 to 1997. From 1997 to 2001, she worked in Chaoyang Commission for Restructuring Economy as Assistant Officer and Officer. From 2001 to 2002, she was the Officer of Beijing Chaoyang Committee and Policy, Research Bureau Peoples' Government of Chaoyang. From 2002 to 2004, she was the Officer of Beijing Chaoyang Municipal Commission of Development and Planning. Since June 2004, she is the Officer of Beijing Chaoyang Municipal Commission of Development and Reform. Since November 2004, she is the chairman of the committee of Supervisors of the Company.

Qu Xinhua, aged 52, obtained a Master in Business Administration from Asia International Open University (Macau) in 2001. From 2002 to 2004, she was the Deputy General Manager of Jinkelong Supermarket. Since November 2004, she has been a Supervisor.

Yang Baoqun, aged 53, obtained a diploma in Business Management from 北京市農工商聯合總公司職工大學 (Beijing Nong Gong Shang Lian He Zong Gong Si Zhi Gong University) in 1994. He was a supervisor of Beijing Jingkelong Supermarket from 2002 to 2004. Since November 2004, he has been a Supervisor.

Chen Zhong, aged 43, 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. He obtained his master's degree and doctorate from Peking University in 1986 and 1989 respectively. Since January 2005, he has been a Supervisor.

Cheng Xianghong, aged 35, has been the Deputy General Manager and Financial Controller of Beijing Zhongguancun City Construction Company since December 2003. She is a qualified accountant, certified public valuer and registered tax agent. She obtained her bachelor degree in 1994 from Renmin University of China. She has previously worked in Beijing Ding Xin Li accounting firm. Since January 2005, she has been a Supervisor.

Wang Shuying, aged 51, 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. Also, she was a supervisor of the Jingkelong Supermarket for 2003 to October 2004. Since 2005, she has been the manager of the First Division, Operations of the Company. Since February 2006, she has been a Supervisor.

SENIOR MANAGEMENT

Chen Limin, aged 57, 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. Ms. Chen was the Deputy General Manager of Jingkelong Shang Sha from 1994 to 2002 and worked as a director of Jingkelong Supermarket since May 2002.

Gao Jingsheng, aged 52, obtained a master's degree in Business Administration from Asia International Open University (Macau) in 2001. From 2002 to 2004, he 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.

Zhao Weili, aged 53, obtained a master's degree in Business Administration from Asia International Open University (Macau) in 2001. From 2002 to 2004, he 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. From 1990 to 1998, he was the Assistant General Manager of Chaoyang Auxillary. He has been the Assistant General Manager of the Company since November 2004.

Keung Siu Fai, aged 48, is the Financial Controller, one of the joint company secretaries and the qualified accountant of the Group. Prior to joining the Group in February 2005, Mr. Keung was the company secretary of Kong Sun Holdings Limited, a company which shares are listed on the Main Board of the Stock Exchange. Mr. Keung 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. Mr. Keung is a member of the Hong Kong Institute of Certified Public Accountants and a member of Certified Public Accountants Australia.

JOINT COMPANY SECRETARIES AND QUALIFIED ACCOUNTANT

Keung Siu Fai, one of the joint company secretaries, is the qualified accountant employed by the Company on a full time basis and an authorised representative of the Company. Mr. Keung's personal particulars are set out in the paragraph headed "Senior management".

Li Chunyan, one of the joint company secretaries, is a Director and an authorised representative of the Company. Ms. Li's personal particulars are set out in the paragraph headed "Executive Directors".

Rules 5.14 and 25.11 Requirements

As Ms. Li Chunyan does not possess the qualifications required under Rules 5.14 and 25.11 of the GEM Listing Rules, she does not meet all the requirements under Rules 5.14 and 25.11.

The Directors understand that the company secretary plays an important role in the corporate governance of the Company after the Listing, particularly in assisting the Company as well as the Directors in complying with the GEM Listing Rules and the applicable company law. In view of this, the Company has put in place the following arrangements:

- (a) Mr. Keung Siu Fai, the Financial Controller and qualified accountant of the Group, who meets the requirements under Rule 5.14 of the GEM Listing Rules, will be engaged as a joint company secretary to assist Ms. Li Chunyan so as to enable her to acquire the relevant experience (required under Rule 5.14(2) of the GEM Listing Rules) to discharge the duties as company secretary of the Company; and

- (b) Mr. Keung Siu Fai will be engaged as the joint company secretary of the Company for an initial period of three years from the Listing Date (the “engagement period”). Upon expiry of the engagement period, the qualifications and experience of Ms. Li Chunyan as company secretary and the need for on-going assistance will be further evaluated by the Company and the Company will then determine whether the appointment of Ms. Li Chunyan as sole company secretary will satisfy the requirements as stipulated in the GEM Listing Rules.

The Company has applied to the Stock Exchange for, and has been granted, a waiver from strict compliance with the requirements of Rules 5.14 and 25.11 of the GEM Listing Rules. Upon the expiry of the engagement period, the Company will re-evaluate the qualifications of Ms. Li Chunyan to determine whether the requirements of the GEM Listing Rules can be satisfied.

PRC LAW ON CORPORATE GOVERNANCE

The “Further Standardizing Operations and Intensifying Reform of Companies Listed outside China Opinion” jointly issued by SETC and the CSRC sets out that no more than two senior management members (including the chairman, vice-chairman and executive directors) of the controlling shareholder can be senior management members of the company at the same time. Approvals from SASAC and CSRC have been obtained for the Share Offer and the Company’s PRC legal advisers have confirmed that the appointment of the directors and the senior management of the Company comply with the requirement as mentioned above.

AUDIT COMMITTEE

The Board has established the Audit Committee with written terms of reference in compliance with Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company’s annual reports and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee will also be responsible for reviewing the financial reporting system, internal controls and risk management processes of the Company.

The Audit Committee presently has three members who are the three independent non-executive Directors, Fan Faming, Huang Jiangming and Chung Chi Kong. Chung Chi Kong is the chairman of the Audit Committee.

REMUNERATION COMMITTEE

The Group has also established the Remuneration Committee pursuant to Appendix 15 of the GEM Listing Rules, comprising three Directors, namely Wei Tingzhan, Fan Faming and Huang Jiangming. Wei Tingzhan is the chairman of the Remuneration Committee. The Remuneration Committee will review and determine the policy for the remuneration of Directors.

NOMINATION COMMITTEE

The Group has also established the Nomination Committee pursuant to Appendix 15 of the GEM Listing Rules, comprising three Directors, namely Wei Tingzhan, Fan Faming and Huang Jiangming. The Nomination Committee is chaired by Wei Tingzhan. The other members of the

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Nomination Committee are Huang Jiangming and Fan Faming. 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.

REMUNERATION OF DIRECTORS AND SUPERVISORS

During the Track Record Period, the total remuneration (comprising basic salaries, housing allowances, other allowances, pension and benefits in kind) paid to the Directors and Supervisors was approximately RMB2.1 million, RMB2.3 million, RMB1.9 million and RMB2.5 million respectively.

COMPLIANCE ADVISER

The Company will appoint DBS Asia as its compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. The term of the appointment shall commence on the Listing Date and ends on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year after the Listing Date (i.e. the date of despatch of the annual report of the Company in respect of its results for the financial year ending 31 December 2008), subject to early termination.

EMPLOYEES

As at 30 June 2006, the Group had a total of 4,281 full-time employees. The following table shows the number of employees of the Group as at 30 June 2006.

	Headquarters	Hypermarkets	Supermarkets	Convenience Stores	Chaopi Trading	Logistics Centres	Xinyang Tongli	Total
Management, administration and finance	145	8	52	3	99	6	2	315
Sales and marketing	98	681	1,655	421	483	243	6	3,587
Other	45	45	71	9	132	39	38	379
Total	288	734	1,778	433	714	288	46	4,281

RELATIONSHIP WITH STAFF

The Group has not experienced any disruption of its operations due to labour disputes in the past.

EMPLOYEE BENEFITS

The staff costs of the Group of continuing operations (including Directors' and Supervisors' emoluments) during the Track Record Period were approximately RMB168.1 million, RMB166.4 million, RMB178.8 million and RMB105.3 million respectively.

The Group makes social insurance contributions (including retirement benefits) in accordance with the applicable PRC regulations. The amount of such contributions made by the Group during the three years ended 31 December 2005 and the six months ended 30 June 2006 were approximately RMB26.8 million, RMB25.8 million, RMB25.4 million and RMB12.8 million, respectively.

The accrued salaries, wages and benefits classified as current liabilities as at 31 December 2004 increased to approximately RMB91.9 million from approximately RMB47.5 million as at 31 December 2003. The increase was mainly because the staff bonuses accrued of approximately RMB56.8 million and RMB19.7 million as at 31 December 2003 and 2004, respectively, was recorded as non-current liabilities as the Group had agreed with its employees to pay the said amount of RMB56.8 million during the period from 2005 to 2007.