
FUTURE PLANS AND PROSPECTS

BUSINESS OBJECTIVES AND STRATEGIES

The Group's mission is to strengthen its foothold in the Greater Beijing Region and to expand into other parts of eastern and northern China. The Group aims to become one of the leading retail and wholesale distribution network operators in the PRC through leveraging on and enhancing its competitive strengths.

STRATEGIES

To achieve its business objectives, the Group adopts the following strategies.

Expanding distribution network

The Group will leverage on its strong market position in the Greater Beijing Region to continue to expand to nearby regions, including eastern and northern China. The focus of the expansion for the Group's retail distribution network will be along the four major highways radiating from Beijing.

In order to increase the number of Retail Outlets, the Group will continue to grow organically through establishing new directly operated hypermarkets, supermarkets and convenience stores, as well as entering into franchise arrangements with third parties to operate new supermarkets and convenience stores. The Group also aims to develop community shopping centres in highly accessible, visible and populous locations. The Directors believe that community shopping centres will be able to attract and cater to a more diverse pool of consumers.

In addition, the Logistics Centres will undergo capacity expansion, and upgrading. The Group will also further consolidate the logistic capacity of its retail and wholesale distribution networks, which the Directors believe will increase the economies of scale and the reach of the Group's wholesale distribution network.

As at the Latest Practicable Date, the Group does not have any company which it intends to acquire for the purpose of enhancing the pace of the expansion of its distribution network. However, should the opportunity arise, the Group would also consider expanding its business through synergistic acquisitions.

Increasing operating efficiency

The Group intends to enhance the management of its retail and wholesale distribution networks to achieve greater efficiency and responsiveness by:

- Upgrading the warehouse management systems in the Distribution Centres and the Logistics Centres, in order to increase the efficiency and flexibility of the retail and wholesale distribution networks, hence reducing the costs of distribution;
- Upgrading the information management systems. By establishing electronic communication links with its suppliers and customers, the flow of stock, market competitiveness and customer loyalty could be maintained and improved;
- Enhancing the distribution capabilities of the live and fresh produce Logistics Centre, as the Directors believe that live and fresh produce enjoy very high consumer demand and make up a considerable portion of the Group's sales;

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- Strengthening the relationship between suppliers, customers and retailers in order to increase the efficiency of the retail and wholesale distribution networks through the streamlining of ordering and distribution procedures, hence reducing costs and leading to stability in both the sourcing of products (via the wholesale channel) and the distribution of the same (via the retail channel); and
- Investing in staff training in order to achieve excellence in delivering efficient and knowledgeable customer service.

Further brand-building

In order to further strengthen and raise the profile of the “京客隆” and “朝批” brandnames in the retail and wholesale distribution industry, the Group plans to continue to (i) enhance its customer service; (ii) improve the variety and quality of its daily consumer products; (iii) renovate and upgrade its Retail Outlets; and (iv) increase the reach of its wholesale distribution network to the peripheral areas of Beijing. The Directors believe that one of the Group’s most valuable assets is its brands. Accordingly, the Group is committed to continue to invest and improve its brands’ awareness in the Greater Beijing Region so as to further enhance its competitive edge as a leading retail and wholesale distributor of daily consumer products in the Greater Beijing Region.

Joint venture collaborations and acquisitions

The Directors consider that strategic business collaborations and acquisitions will help strengthen and accelerate the future growth of the Group. In line with the expansion of its distribution network, the Group intends to achieve its expansion plan by entering into appropriate joint ventures co-operations with or looking for opportunities for suitable mergers and acquisitions of other distributors. With the support of its existing advanced logistics systems and information management systems, the Group will pro-actively seek opportunities of mergers and acquisitions in the retail chain industry in the Greater Beijing Region and will utilise its existing wholesale distribution network within and outside the Greater Beijing Region to continue expansion of the regional coverage of its wholesale business. The Directors believe that this strategy will enable the Group to expand its distribution network and explore distribution markets with a relatively low cost of investment which will in turn enlarge its market share and sustain its continuous growth. The Group will seek to finance the required funding by its own generated resources and banking facilities. As at the Latest Practicable Date, there was no specific target or detailed plan for strategic business collaborations and acquisitions.

Funding for expansion

It is anticipated that additional funds may be required in the future to finance the expansion of the business and operations of the Group. The Group may raise the additional funds through the issuance of new equity or equity-linked securities of the Company.

At the annual general meeting of the Company held on 18 May 2007, a special resolution was passed to grant the Board a general mandate to issue Domestic Shares and/or H Shares of the Company. Full particulars of the general mandate are set out under the section headed “Share capital – Issuing mandate” in this document.

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The Board may, during the Relevant Period (as defined in the section headed “Share capital – Issuing Mandate” in this document), at its sole discretion exercise the power of the Company pursuant to the general mandate to issue further H Shares (which, if issued, may comprise the Domestic Shares held by Chaoyang Auxillary that may then be allocated by SASAC to the NSSF Council and converted into H Shares), which exercise may be before and/or after the Main Board Listing. If the general mandate is exercised, the existing shareholding interest of the Shareholders will be diluted.

If the Board exercises the general mandate, the net proceeds raised will be applied to finance the expansion of the business and operations as set out in this document. The Group will from time to time review its business plans in the best interests of the Shareholders.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the restrictions on further issues of securities within six months of listing on the Main Board as required by Rule 10.08 of the Main Board Listing Rules. Any issue of securities by the Company within six months of listing on the Main Board must be either for cash to fund a specific acquisition or as part or full consideration for an acquisition; and the acquisition must be for assets or business(es) that will contribute to the growth of the operation of the Group.