

SUMMARY

The Group achieved the follows for the three months ended 31 March 2007:

- Revenue amounted to approximately RMB1,565.6 million (first quarter of 2006: RMB1,272.5 million), representing an increase of approximately 23.0% as compared with the same period last year.
- Gross profit amounted to approximately RMB198.1 million (first quarter of 2006: RMB151.4 million), representing an increase of approximately 30.8% as compared with the same period last year.
- Gross profit margin was approximately 12.7%, approximately 0.8% higher than that of the last corresponding period.
- Profit attributable to equity holders amounted to approximately RMB43.3 million (first quarter of 2006: RMB36.3 million), representing an increase of approximately 19.3% as compared with last corresponding period.
- Same store sales growth increased from approximately 7.2% during the first quarter of 2006 to approximately 13.1%.
- 2 directly-operated supermarkets and 2 convenience stores operated under the franchise agreements were opened.
- Total number of retail outlets was 170 (including 5 hypermarkets, 41 supermarkets and 124 convenience stores).
- As at 31 March 2007, total borrowings stood at approximately RMB894.9 million, comprising bank loans of approximately RMB584.9 million and the borrowings from Beijing International Trust and Investment Company Limited of RMB310 million.

EXTRACTED FROM FIRST QUARTERLY REPORT 2007 PUBLISHED BY THE COMPANY

The unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2007 (the “Reporting Period”) together with the comparative unaudited consolidated figures for the three months ended 31 March 2006:

	<i>Notes</i>	For the three months ended 31 March	
		2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Unaudited)
Revenue	3	1,565,590	1,272,496
Cost of sales		<u>(1,367,524)</u>	<u>(1,121,057)</u>
Gross profit		198,066	151,439
Other income and gains	3	72,919	57,026
Selling and distribution costs		(127,883)	(99,640)
Administrative expenses		(39,103)	(30,633)
Other expenses		(11,203)	(3,838)
Finance costs		<u>(7,595)</u>	<u>(3,478)</u>
Profit before tax		85,201	70,876
Tax	4	<u>(30,360)</u>	<u>(26,188)</u>
Profit for the period		<u><u>54,841</u></u>	<u><u>44,688</u></u>
Attributable to:			
Equity holders of the parent		43,298	36,308
Minority interests		<u>11,543</u>	<u>8,380</u>
		<u><u>54,841</u></u>	<u><u>44,688</u></u>
Earnings per share-basic	6	<u><u>RMB11.3 cents</u></u>	<u><u>RMB14.7 cents</u></u>

NOTES:

1. CORPORATE INFORMATION

The Company was established in the People's Republic of China (the "PRC") as a limited liability company on 20 May 2002 and was transformed into a joint stock limited company in accordance with the PRC Company Law on 1 November 2004. The H shares of the Company were listed on GEM of the Stock Exchange on 25 September 2006.

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 "Greater Beijing Region").

2. BASIS OF PRESENTATION

The Group's unaudited financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include 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 set out in Chapter 18 of the GEM Listing Rules. They have been prepared on a historical cost convention, except for the available-for-sale investments, which have been measured at fair value. These unaudited financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and methods of computation used in the preparation of the Group's unaudited financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2006, except in relation to the following new and revised HKFRSs that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economics</i>
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 adoption of these new and revised HKFRSs, has had no material impact on the accounting policies and methods of computation in the Group's unaudited financial statements.

The Group has not applied the following new and revised HKFRSs, that have been issued, in the unaudited financial statements:

HKFRS 8	Operating Segments
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

HK(IFRIC)-Int 11, HK(IFRIC)-Int 12 and HKFRS 8 shall be applied for annual periods beginning on or after 1 March 2007, 1 January 2008 and 1 January 2009, respectively.

3. 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 the Group's revenue, other income and gains for the Reporting Period is as follows:

	For the three months ended 31 March	
	2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Unaudited)
Revenue		
Sales of merchandise and produce		
Retailing	782,488	655,628
Wholesaling	<u>782,367</u>	<u>615,850</u>
	1,564,855	1,271,478
Others	<u>735</u>	<u>1,018</u>
Total revenue	<u><u>1,565,590</u></u>	<u><u>1,272,496</u></u>
Other income and gains		
Income from suppliers	57,740	42,698
Gross rental income	9,408	10,897
Net compensation on demolished properties	–	15
Interest income	2,594	1,501
Gain on sale of wastes	942	779
Others	<u>2,235</u>	<u>1,136</u>
Total other income and gains	<u><u>72,919</u></u>	<u><u>57,026</u></u>

4. 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 ("CIT") at a rate of 33% on their respective taxable income. The determination of the CIT in the consolidated income statement of the Group for the Reporting Period is as follows:

	For the three months ended 31 March	
	2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Unaudited)
Current CIT – PRC	29,758	25,468
Deferred CIT	<u>602</u>	<u>720</u>
Total CIT charged for the period	<u><u>30,360</u></u>	<u><u>26,188</u></u>

A reconciliation of the CIT applicable to the unaudited profit before tax at the statutory rate to the CIT charged at the Group's effective rate for the Reporting Period is as follows:

	For the three months ended 31 March	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit before tax	85,201	70,876
CIT at statutory CIT rate (33%)	28,116	23,389
Expenses not deductible for tax	2,244	2,799
	<u>30,360</u>	<u>26,188</u>
CIT charged at the Group's effective rate for the period	<u>30,360</u>	<u>26,188</u>

5. DIVIDENDS

The Board does not recommend the payment of any dividend for the Reporting Period (first quarter of 2006: Nil).

The Board has recommended the payment of a final dividend of RMB0.15 per share (inclusive of tax) for the financial year ended 31 December 2006, pending approval at the annual general meeting.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited profit attributable to ordinary equity holders of the parent for the Reporting Period of approximately RMB43,298,000 (first quarter of 2006: RMB36,308,000) and on the weighted average number of 384,620,000 ordinary shares in issue during the Reporting Period (first quarter of 2006: 246,620,000 ordinary shares).

Diluted earnings per share for the Reporting Period and the last corresponding period have not been presented because no diluting events existed during these two periods.

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The changes in consolidated equity during the Reporting Period are as follows:

	For the three months ended 31 March										
	2007										2006
	Issued capital	Share premium account	Capital reserve	Available- for-sale investment reserve	Statutory surplus reserve	Proposed final dividend	Retained profits	Subtotal	Minority interests	Total	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January	384,620	442,230	5,121	2,749	43,049	57,693	49,511	984,973	89,672	1,074,645	432,704
Profit for the period	-	-	-	-	-	-	43,298	43,298	11,543	54,841	44,688
At 31 March	<u>384,620</u>	<u>442,230</u>	<u>5,121</u>	<u>2,749</u>	<u>43,049</u>	<u>57,693</u>	<u>92,809</u>	<u>1,028,271</u>	<u>101,215</u>	<u>1,129,486</u>	<u>477,392</u>

8. BORROWINGS

As at 31 March 2007, the Group had outstanding borrowings of approximately RMB894.9 million, comprising bank loans of approximately RMB584.9 million and borrowings from Beijing International Trust and Investment Company Limited (“BITIC”) of RMB310 million (the “BITIC Loans”).

BITIC Loans and Employee Investments

To rationalize the Group’s financing arrangement, the Company obtains BITIC Loans from June 2004.

BITIC has offered and may continue to offer investment proposal to those interested employees of the Group to invest in its trust loan programme for the Group. The investments made by the said employees (the “Employee Investments”) have been used to fund the BITIC Loans provided by BITIC to the Group from time to time.

As at 31 March 2007 and the date of this report, both the total accrued Employee Investments and total sum of BITIC Loans amounted to RMB310 million. As at the same dates, both the total number of participating employees was 1,995.

An analysis of the BITIC Loans and Employee Investments incurred during the period from 1 January 2007 to the date of this report is as follows:

Both the RMB50 million Employee Investments and the related BITIC Loans with due date on 16 February 2007 have been extended respectively to 31 March 2008. The number of employees participated was reduced to 760 when such Employee Investments were renewed.