K.P.I. COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 605)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2008

BUSINESS HIGHLIGHTS

The operating results of Hualian GMS Shopping Center Co., Ltd ("Hualian GMS") has been consolidated into the Group's operating results from 31 January 2008.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Percentage
	2008	2007	change
			%
Turnover *(HK$'million)*	**1,805.9**	775.0	133.0
Revenue *(HK$'million)*	**1,777.1**	666.3	166.7
Gross profit *(HK$'million)*	**177.4**	65.5	170.8
Profit attributable to equity holders of the Company *(HK$'million)*	**247.7**	6.3	3,831.7
Basic earnings per share *(HK cents)*	**14.431**	0.476	2,931.7
Cash and cash equivalents *(HK$'million)*	**550.4**	252.3	118.2
Bank loans *(HK$'million)*	**169.6**	63.8	165.8
Current ratio *(Note: 1)*	**1.12**	1.85	(39.5)
Gearing ratio *(%) (Note: 2)*	**21.7**	16.5	31.5

Notes:

1. The calculation of current ratio (times) is based on total current assets divided by total current liabilities as at 31 December.

2. The calculation of gearing ratio (%) is based on consolidated net borrowings divided by total equity as at 31 December.

The board of directors (the "Board") of K.P.I. Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008, together with the comparative audited consolidated figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	3	**1,805,881**	775,012
Revenue	3	**1,777,062**	666,288
Cost of sales		**(1,599,691)**	(600,799)
Gross profit		**177,371**	65,489
Other revenue and other net income	3	**250,624**	113,039
Change in fair value of investment property		**812**	–
Gain on remeasurement of interest in jointly controlled entity to fair value		**261,565**	–
Loss on disposal of an associate		**(459)**	–
Selling and distribution expenses		**(120,371)**	(41,573)
Administrative expenses		**(299,670)**	(120,130)
Finance costs	4	**(11,151)**	(8,592)
Profit before taxation	5	**258,721**	8,233
Income tax	6	**(2,847)**	(1,916)
Profit for the year		**255,874**	6,317
Other comprehensive income:			
Exchange differences on translating foreign operations		**5,961**	1,669
Change in fair value of available-for-sale financial assets		**(7,043)**	–
Other comprehensive income for the year		**(1,082)**	1,669
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**254,792**	7,986

	Note	2008 HK$'000	2007 HK$'000
Profit attributable to:			
Owners of the parent		**247,686**	6,330
Non-controlling interest		**8,188**	(13)
		255,874	6,317
Total comprehensive income attributable to:			
Owners of the parent		**246,604**	7,999
Non-controlling interest		**8,188**	(13)
		254,792	7,986
Earnings per share	*8*		
Basic		**HK14.431 cents**	HK0.476 cents
Diluted		**HK14.431 cents**	HK0.473 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**65,203**	27,866
Investment property	*9*	**57,954**	–
Land lease premium		**882**	905
Intangible assets		**167,431**	55,664
Goodwill		**377,972**	13,493
Interests in associates		**–**	2,112
Amount due from a joint venture partner		**–**	2,928
Long term lease prepayment		**8,591**	3,668
Available-for-sale investments		**21,774**	3,534
		699,807	110,170
Current assets			
Land lease premium		**23**	23
Accounts receivable	*10*	**261**	–
Financial assets at fair value through profit or loss		**–**	29,773
Inventories		**219,514**	68,774
Other receivables, deposits and prepayments		**351,058**	182,780
Loan and interest receivables		**–**	64,350
Tax recoverable	*6(b)*	**567**	567
Pledged deposits		**339**	6,372
Cash and cash equivalents		**550,385**	252,288
		1,122,147	604,927
Current liabilities			
Tax payables	*6(b)*	**825**	1,236
Accounts payable	*11*	**457,387**	167,860
Other payables, deposits received and accruals		**370,417**	94,439
Short term bank loans – unsecured		**169,587**	63,830
		998,216	327,365
Net current assets		**123,931**	277,562
Total assets less current liabilities		**823,738**	387,732
Non-current liabilities			
Deferred tax liabilities		**41,951**	–
NET ASSETS		**781,787**	387,732

	Note	2008 HK$'000	2007 HK$'000
Capital and reserves			
Share capital		**172,590**	159,590
Share premium		**287,362**	244,522
Convertible note reserve		**–**	–
Statutory public welfare reserve		**–**	–
Share based compensation reserve		**16,914**	2,153
Exchange fluctuation reserve		**11,009**	5,048
Fair value reserve		**(7,043)**	–
Statutory surplus reserve		**747**	1,393
Retained earnings/(accumulated losses)		**212,561**	(34,684)
		694,140	378,022
Non-controlling interest		**87,647**	9,710
SHAREHOLDERS' FUNDS		**781,787**	387,732
SHAREHOLDERS' FUNDS PER SHARE		**HK45.55 cents**	HK28.98 cents

NOTES:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

a) General Information

The Company is a public listed company incorporated in Hong Kong with limited liability. The Company is an investment holding company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group is principally engaged in retailing business.

These consolidated financial statements were approved for issue by the Board on 23 April, 2009.

b) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

c) Basis of preparation

The consolidated financial statements have been prepared in accordance with HKFRSs and under the historical cost convention, except for the available-for-sale investments, financial assets at fair value through profit or loss and investment property that have been measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The financial statements of the company have been prepared in accordance with HKFRSs and under the historical cost convention except for certain financial assets and liabilities which are measured at fair value, if applicable. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except where otherwise indicated.

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

Adoption of new/revised HKFRSs

In the current year, the Group has, where applicable, applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented except for the amendments to HKAS 39 & HKFRS 7.

The amendments to HKAS 39 and HKFRS 7 permit reclassification of non-derivative securities (other than those designated as fair value through profit or loss upon initial recognition) out of the trading category in rare circumstances. The amendments also permit reclassification of non-derivative securities (other than those designated as fair value through profit or loss upon initial recognition) which would have met the definition of loans and receivables out of the trading category (i.e. out of the fair value through profit or loss category) if the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity. The reclassified assets would be carried at their fair value on the date of reclassification, which will become their new costs or amortised costs, as applicable. The amendments also permit reclassification of financial assets from the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity. The amendments to HKAS 39 and HKFRS 7 are effective from 1 July 2008 and they can only be applied prospectively from that date. The adoption of the amendments to HKAS 39 and HKFRS 7 resulted in reclassification of "Financial assets at fair value through profit or loss" included in current assets to "Available-for-sale investments" in non-current assets. Such reclassification was not previously allowed under HKAS 39. The fair value loss on remeasurement of such "Available-for-sale investments" at the statement of financial position date of HK$7,043,000 is recognised directly in equity. In prior years, the gain or loss on remeasurement was included in the statement of comprehensive income.

Early adoption of new/revised HKFRSs

For the year 2008, the Group early adopted certain new/revised HKFRSs issued up to 31 December 2008 which were pertinent to its operations where early adoption was permitted. The applicable HKFRSs are set out below:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
Amendments to HKFRS 1 and HKAS 27	Cost of an investment in Subsidiary, Jointly Controlled Entity or Associate

HKAS 1 (Revised) affects certain disclosures of the financial statements. Under the revised standard, the Profit and Loss Account is renamed as the "Statement of Comprehensive Income", the Balance Sheet is renamed as the "Statement of Financial Position" and the Cash Flow Statements is renamed as the "Statement of Cash flows". All income and expenses arising from transactions with non-owners (i.e. the non-owner movements of equity) are presented under the "Statement of Comprehensive Income", and the total carried to the "Statement of Changes in Equity", while the owner changes in equity are presented in the "Statement of Changes in Equity".

HKFRS 3 (Revised) continues to apply acquisition method to business combinations, with a number of major changes: All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as liabilities subsequently remeasured through the statement of comprehensive income (rather than by adjusting goodwill). All acquisition-related costs will no longer be capitalised as part of the costs of the acquisition but will be expensed immediately. HKAS 27 (Revised) specifies the accounting treatment when control is lost any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. HKFRS 3 (Revised) requires prospective application and HKAS 27 (Revised) should be applied at the same time. The changes to HKAS 27 (Revised) require retrospective applications with certain exceptions (accounting for loss of control of a subsidiary should be applied prospectively). Gain on remeasurement of previously held 40% equity interest in a jointly controlled entity to fair value of HK$262 million is recognised in the statement of comprehensive income when the Group acquire the entire equity interest of a company which held 20% equity interest in the jointly controlled entity and the jointly controlled entity became a subsidiary of the Group.

The amendments to HKFRS 1 and HKAS 27 require all dividends be presented as income in the separate financial statements of the investor (prior to the amendments, the investor recognises income from the investment only to the extent that the investor receives distributions from retained earnings of the investee arising after the date of acquisition, and distributions received in excess of such profits are regarded as recovery of investment and are recognised as a reduction of the cost of the investment). The amendments to HKFRS 1 and HKAS 27 require prospective application. The adoption of the amendments to HKFRS 1 and HKAS 27 did not have any financial impact to the Company as the Company did not receive distributions from subsidiaries that are in excess of their retained earnings arising after the date of acquisition in 2008.

Improvements to HKFRSs

In October 2008, the HKICPA published several improvements to HKFRSs which were based on the annual improvements project of IASB. Since October in 2008, the Group early adopted all such amendments which were pertinent to its operations where early adoption was permitted. The applicable HKFRSs are set out below:

HKAS 1: Presentation of Financial Statements

Assets and liabilities classified as available-for-sale investments in accordance with HKAS 39: Financial Instruments-Recognition and Measurement are not automatically classified as current in the consolidated statement of financial position. The Group amended its accounting policy accordingly and classified the financial assets and liabilities in accordance with management's intention of the period of realisation. The application of the amendment requires retrospective application.

HKAS 38: Intangible Assets

Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. Retrospective application is required. The adoption of this amendment did not have any financial impact to the Group as the Group's accounting policy already complies with this amendment.

HKAS 39: Financial Instruments-Recognition and Measurement

This amendment clarifies that it is possible for a derivative to move into or out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in a cash flow or net investment hedge. The amendment should be applied as of the date and in the manner the Group applied the 2005 amendment (fair value option) to HKAS 39 (i.e. 1 January 2005). The adoption of this amendment did not have financial impact to the Group as no such derivatives were held by the Group in 2008 or prior years.

All relevant changes in accounting policies and disclosures have been made in accordance with the provisions of the respective standards.

New/revised HKFRSs not adopted

The Group has not early applied the following new and revised standards, amendments or interpretations which have been issued but are not yet effective for annual periods beginning on 1 January 2008.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKAS 23 (Revised)	Borrowing Costs [2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [2]
HKAS 39 (Amendment)	Eligible hedged items [3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations [2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [3]
HKFRS 8	Operating Segments [2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate [2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation [5]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners [3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers [3]
HKFRS 7 (Amendment)	Improving Disclosure about Financial Instruments [2]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives [6]

[1] *Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009*

[2] *Effective for annual periods beginning on or after 1 January 2009*

[3] *Effective for annual periods beginning on or after 1 July 2009*

[4] *Effective for annual periods beginning on or after 1 July 2008*

[5] *Effective for annual periods beginning on or after 1 October 2008*

[6] *Effective for annual periods beginning on or after 30 June 2009*

The Company's directors anticipate that the application of the above new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. SEGMENT INFORMATION

The Group is principally engaged in the supermarket chain operations. The turnover, operating profit and total assets, total liabilities and capital expenditures attributable to this business segment accounted for over 90% of the Group's consolidated totals for the years ended 31 December 2008 and 2007. Consequently, no segment information by business activity is presented.

The Group's operations are primarily in the People's Republic of China (the "PRC") and the Group's sales and total assets attributable to other geographical areas are less than 10% of the Group's corresponding consolidated totals for the years ended 31 December 2008 and 2007. Consequently, no segment information by geographical area is presented.

3. TURNOVER, OTHER REVENUE AND OTHER NET INCOME

Turnover represents the retailing operations in supermarket stores, sales of food products and gross sale proceeds from trading of securities during the year.

The Group's revenue, other revenue and other net income for the year arose from the following activities:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Revenue		
Supermarket chain operations	**1,775,654**	666,288
Sales of food products	**1,408**	–
	1,777,062	666,288
Other revenue		
Bank interest income	**7,126**	5,605
Loan interest income	**1,749**	2,691
Total interest income on financial assets not at fair value through profit or loss	**8,875**	8,296
Gross rental income from investment property	**4,456**	32
Dividend income from unlisted investment	**304**	206
Dividend income from listed investments	**328**	–
Reversal of impairment loss on receivables	**5,465**	–
Write back of other payables	**–**	3,493
Income from government subsidies	**2,583**	999
Forfeiture of share options	**–**	334
Gross rental income from leasing of shop premises	**39,041**	16,589
Promotion and store display income from suppliers	**173,818**	65,396
Others	**10,937**	4,548
Other net income		
Gain on disposal of marketable securities	**–**	10,451
Gain on disposal of share options	**–**	1,686
Exchange gain, net	**4,817**	24
Gain on disposal of property, plant and equipment	**–**	985
	250,624	113,039

In the current year, certain comparative figures of consolidated statement of comprehensive income have been reclassified to conform with current year's presentation. The Directors consider the current year's presentation is able to provide more relevant financial information.

4. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Interest expense on bank loans, bank overdrafts and other loans repayable within five years	**11,151**	5,521
Total interest expense on financial liabilities not at fair value through profit or loss	**11,151**	5,521
Interest on convertible note	**–**	3,071
	11,151	8,592

5. PROFIT BEFORE TAXATION

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

	2008	2007
	HK$'000	*HK$'000*
Depreciation	**28,723**	15,542
Amortisation of land lease premium	**23**	23
Amortisation of intangible assets	**7,287**	2,352
Cost of inventories sold	**1,599,691**	600,799
Operating lease payments – land and buildings	**80,479**	33,666
Donation	**50**	–
Auditors' remuneration	**1,534**	1,216
Net foreign exchange gain	**(4,817)**	(24)
Staff costs (including directors' remuneration):		
Salaries, allowances and other benefits	**93,576**	35,370
Pension scheme contribution	**20,949**	1,007
Share-based payment expenses	**14,761**	1,342
	129,286	37,719
Increase in fair value of investment property	**(812)**	–
Rental income from investment property less direct outgoings 2008: NIL (2007: HK$3,000)	**(4,456)**	(13)
Unrealised loss on changes in fair value of financial assets at fair value through profit or loss	**9,881**	3,175
Loss on disposal of property, plant and equipment	**9,355**	502

6. INCOME TAX

a) The taxation in the consolidated statement of comprehensive income represents:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Provision for the year	**–**	421
PRC enterprise income tax		
Provision for the year	**4,011**	1,495
Under-provision of PRC enterprise income tax in prior years	**222**	–
Deferred taxation	**(1,386)**	–
Tax charge for the year	**2,847**	1,916

Income tax for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2008	2007
	HK$'000	*HK$'000*
Profit before taxation	**258,721**	8,233
Calculated at a tax rate of 16.5% (2007: 17.5%)	**42,688**	1,441
Effect of different taxation rate in other countries	**183**	1,489
Income not subject to taxation	**(156,049)**	(874)
Expenses not deductible for taxation purposes	**145**	1,470
Effect of depreciation allowance	**(25)**	–
Utilisation of tax losses previously not recognised	**(2,288)**	(2,636)
Deferred tax assets not recognised	**119,357**	1,105
Deferred taxation	**(1,386)**	–
Under-provision in prior years	**222**	–
Reversal of temporary difference	**–**	(79)
Tax charge	**2,847**	1,916

Hong Kong profit tax has been provided for at the rate of 16.5% (2007: 17.5%) on the estimated net assessable profits for the year.

Taxes on profits assessable other than Hong Kong have been calculated at the rates of tax prevailing in the places in which the Group operates based on existing legislation, practices and interpretations thereof.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the tax rate for a subsidiary has been revised from 33% to 25% from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

b) Taxation in the consolidated statement of financial position represents:

	Group	
	2008	2007
	HK$'000	*HK$'000*
At 1 January	**(669)**	(85)
Net effect from acquisition of a subsidiary	**(258)**	–
Provision for the year		
– Hong Kong taxation	**–**	(421)
– PRC taxation	**(4,011)**	(1,495)
(Under)/over-provision in prior years	**(222)**	46
Taxation paid for PRC enterprise	**5,070**	1,291
Exchange adjustment	**(168)**	(5)
At 31 December	**(258)**	(669)
Analysed for reporting purposes as:		
Tax recoverable	**567**	567
Tax payables	**(825)**	(1,236)
	(258)	(669)

7. DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: Nil).

8. EARNINGS PER SHARE

i) The calculation of basic earnings per share for the year is based on the net profit attributable to equity holders of the Company of HK$247,686,000 (2007: HK$6,330,000) and the weighted average number of 1,716,312,172 (2007: 1,329,614,939) shares in issue during the year.

ii) The diluted earnings per share for the year is calculated by dividing the net profit attributable to equity holders of the company of HK$247,686,000 by the weighted average number of ordinary shares outstanding during the year.

The calculation of basic and diluted earnings per share are based on:

	2008	2007
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the Company	**247,686**	6,330

	Number of Shares	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the year	**1,716,312,172**	1,329,614,939
Effect of dilution – weighted average number of ordinary shares: Share options	**–**	8,171,750
	1,716,312,172	1,337,786,689

Note: As there were no diluted options and other dilutive potential shares in issue during the year, diluted earnings per share is the same as basic earnings per share.

9. INVESTMENT PROPERTY

	2008	2007
	HK$'000	*HK$'000*
At valuation:		
At 1 January	**–**	13,200
Addition	**57,142**	–
Increase in fair value	**812**	–
Disposal	**–**	(13,200)
At 31 December	**57,954**	–

The Group's investment property is situated at No. 88, Xi San Wan Road North, Hai Ding District, Beijing. It is held under a long term lease for rental purpose. It was stated at fair value as at 31 December 2008. The investment property was revalued on 31 December 2008 by Beijing Ding Xian Property Valuation Company Limited, an independent professional qualified valuer, on an open market, existing use basis.

10. ACCOUNTS RECEIVABLE

The aging of the Group's accounts receivable is analysed as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Outstanding balances with ages		
Due within 1 month or on demand	**–**	–
Due after 1 month but within 3 months	**261**	–
	261	–

Accounts receivable that are not impaired

	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**261**	–

Receivables that were neither past due nor impaired relate to recognised and creditworthy customers for whom there was no recent history of default.

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 any 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.

11. ACCOUNTS PAYABLE

The aging of the Group's accounts payable is analysed as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Outstanding balances with ages		
Due within 1 month or on demand	**222,075**	80,062
Due after 1 month but within 3 months	**235,312**	87,798
	457,387	167,860

Accounts payable are interest free and are normally settled on 90-day terms. The carrying amounts of accounts payable approximate to their fair values due to their short term maturity and measured at amortised cost.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's changes in presentation.

13. OTHER INFORMATION

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2008 have been reviewed by the Audit Committee of the Company and audited by the Company's auditor, CCIF CPA Limited. The unqualified auditor's report will be included in the Annual Report to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group was principally engaged in the retail business in the PRC.

Industry Analysis

According to the statistics published by the National Bureau of Statistics of China, the annual total retail sales of consumer goods reached approximately RMB10,848.8 billion. The par capita disposable income of urban citizens reached RMB15,000. As consumption growth is largely driven by the income growth of residents, it is believed that the retail sales growth momentum will maintain enormous in a long run.

Although the financial crisis hits various industries and exert some pressure on the growth of the retail industry in the short run, the Group believes that the effect may be temporary. Owing to the increased income effect, the consumption ability and actual expenditure incurred by PRC consumers will be further enhanced. The demand for good quality and safety products and change in consumption attitude will cast a solid impetus for a continuous growth.

Financial Review

Revenue and Net Profit

The Group completed the acquisition of 20% equity interest in Hualian GMS at the end of January 2008 and acquired the trademark of Hi-24 convenience stores in Beijing during the year.

During the year under review, the Group recorded revenue amounting to approximately HK$1,777,062,000 (2007: HK$666,288,000), representing an increase of 166.7% as compared to that of the previous year. The increase in revenue is mainly due to the steady growth in China's economy, continuous improvement in operation and the excellent performance of renovated outlets. Profit for the year attributable to equity holders of the Company was HK$247,686,000 (2007: HK$6,330,000), representing an increase of 3,813% as compared to that of the previous year. Earnings per share was HK14.431 cents (2007: HK0.476 cents). Selling and distribution expenses and administrative expenses for the year represented 6.8% and 16.9% of revenue respectively, as compared to 6.2% and 18.0% of last year.

Other Revenue and other net income

Other revenue and other net income of the Group in 2008 amounted to approximately HK$250,624,000, representing an increase of 122% as compared with HK$113,039,000 in 2007. This increase was primarily due to full consolidation of the financial results of Hualian GMS.

Finance Costs

The Group' finance costs for 2008 were approximately HK$11,151,000 (2007: HK$8,592,000). The increase in finance costs was mainly due to the increase in share of finance cost of Hualian GMS.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2008, the Group had non-current assets of approximately HK$699,807,000. The non-current assets were mainly comprised of property, plant and equipment of approximately HK$65,203,000, investment property of approximately HK$57,954,000, available-for-sale investments of approximately HK$21,774,000, goodwill of approximately HK$377,972,000, intangible assets of approximately HK$167,431,000 and long term lease prepayment of approximately HK$8,591,000. The Group's current assets as at the same date mainly included cash and cash equivalents amounting to approximately HK$550,385,000, inventories of approximately HK$219,514,000, other receivables, deposits and prepayments amounting to approximately HK$351,058,000. The Group's current liabilities as at the same date mainly included accounts payable of approximately HK$457,387,000, other payables, deposits received and accruals of approximately HK$370,417,000 and bank borrowings of approximately HK$169,587,000. Current ratio, defined as current assets over current liabilities, was 1.12. As at 31 December 2008, the Group's consolidated borrowings stood at approximately HK$169,587,000, all of which was Renminbi short term bank loans on fixed interest rate basis.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2008. The Group may become involved in certain legal proceedings relating to claims arising out of operations in the normal course of business. However, none of these proceedings, individually or in aggregate, is expected to have a material adverse effect on the Group's financial situation or operational results.

Details of Pledged Assets of the Group

As at 31 December 2008, the Group has assets of approximately HK$57,954,000 pledged to a bank to secure a general banking facility granted to a subsidiary of the Group on February 2009.

Risk Management

The activities of the Group expose it to a variety of financial risks, including foreign exchange risk, cash flow and fair value interest rate risk, credit risk, and liquidity risk.

(i) Foreign Exchange Risk

The Group has operations in the PRC and the majority of the Group's revenues, expenses and cashflows are denominated in Renminbi (RMB) and HK Dollars (HK$). Assets and liabilities of the Group are mostly denominated in RMB, HK$ or United States Dollars (US$). Any significant exchange rate fluctuations of foreign currencies against Renminbi may have financial impact on the Group.

(ii) Interest Rate Risk

The Group's consolidated statement of comprehensive income 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 2008, the Group did not have interest-bearing financial assets and long-term debt obligations with floating interest rates. Accordingly, the Group has no significant interest rate risk.

(iii) Credit Risk

The Group has no significant concentrations of credit risk. Most of the sales transactions are settled on cash basis or by credit card payment. The carrying amount of loan and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets. The directors are of the opinion that adequate provision for uncollectible receivables has been made in the audited consolidated financial statements. The credit risk on balances of cash and cash equivalents is low as these balances are placed with reputable financial institutions.

(iv) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and ability to close our market positions. The Group's objective is to maintain adequate credit lines to ensure that sufficient and flexible funding is available to the Group.

During the year under review, the Group did not use any financial instrument for hedging purpose and the Group did not have any hedging instrument outstanding for the year ended 31 December 2008.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as total interest-bearing liabilities divided by capital and reserves attributable to equity holders of the Company.

As at 31 December 2008, the debt to equity ratio was 21.7% (2007: 16.5%).

Fair Value Estimation

The carrying values less impairment provision of the financial assets and the carrying values of the financial liabilities are assumed to approximate their fair values.

Human Resources Management

As at 31 December 2008, the Group employed approximately 3,500 full time staff in Mainland China and Hong Kong. Total staff costs (including directors' remuneration) for the year were approximately HK$129,286,000, in which approximately HK$14,761,000 were share-based payment expenses absorbed for the year. The Group continued to recruit high calibre people and provided continuing education and training for employees to help upgrade their skills and knowledge as well as develop team spirit on an on-going basis. Competitive remuneration packages are structured to be commensurate with individual responsibilities, job duties, experience, performance and prevailing industry practice, and are regularly reviewed by the management. In addition, allowances and performance bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance and medical coverage as well as share option scheme.

Material Acquisitions and Disposals

On 28 November 2007, K.P.I. (BVI) Retail Management Company Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement to purchase the entire issued share capital of Bestjoy International Limited, which is the registered owner of a 20% equity interest in Hualian GMS. The acquisition was completed on 30 January 2008. Further details of the acquisition were set out in the Company's circular dated 31 December 2007 to its shareholders in connection with the acquisition. The Group has also been accelerating its investment in the PRC. On 30 June 2008, the Group acquired an investment property situated at 88 North Xi San Huan Road, Haidian District, Beijing, the PRC, at a consideration of approximately RMB50,535,000. The property will not only provide the Group with a stable source of rental income, but also facilitate the Group's establishment of a retail network in Beijing.

Business Review

As a major retail operator in the PRC, the Group has been investing resources to enhance its market position and improve competitiveness and profitability. The Group operates a hypermarket chains, Hualian GMS, mainly in Shanghai and nearby provinces, and a convenience store chain Hi-24 in Beijing. Currently the Group operates 17 hypermarkets and over 130 convenience stores with total turnover of more than RMB1.6 billion. The capital expenditure for our hypermarket chain was about RMB18 million, mainly for store renovation.

In 2008, the Group made a remarkable progress in the growth of its retail business. The increase in total turnover was mainly attributed to same store sales growth. The increase in same store sales growth was attributed to the continual enhancement of merchandise category management, re-design of store format, competitive pricing strategy and continuous improvement in service quality, resulting in increases in the number of transactions and average transaction amount per customer. The increase in rental income was mainly attributed to effective store space management, thereby leading to an increase in lease-out area and bringing in more prestigious brand name retail operators.

To further improve the Group's regional advantages, the management has adjusted our business development strategy. There are economic differences among provinces in the PRC and our early expansion in the Northeastern region turned out to be not very successful. In this regard, more resources will be allocated to increase our concentration in Shanghai city and progressively stretch out to nearby provinces to obtain district scale. During the year under review, one hypermarket outlet in Shanghai was closed. One outlet in Changchun will be closed in 2009 and one outlet in Shanghai was scheduled to be opened in April 2009. Centralized development in focused regions facilitates economies of scale and hence enhances profitability. In order to cope with increasingly complex consumer demand, the Group intends to renovate two to three stores per annum to build up an image of a distinguished retail chain via enhanced service and store format. Currently our hypermarkets operate in two different models, namely super store and neighborhood centre, both stressing a personal touch with contemporary ambience for shoppers. The neighborhood centre puts more emphasis on fresh food and premium imported products. It is our intention to open more neighborhood centers in Shanghai to deal with consumers' ever increasing demand for quality goods.

The year 2009 will be an opportunity rather than a threat for a well-prepared company such as the Group. We will enlarge our outlet penetration in Beijing by opening up to 40 convenience store outlets this year to further strengthen our leading position as a convenience store market leader. Capital investment in each convenience store outlet, which is less than RMB200,000 per store, is provided from internal funding. Nevertheless the Group will be cautious in its expansion due to dramatic deterioration in the global economic environment and the management will closely monitor the market situation and look for any opportunity that may arise.

Future Outlook and Prospects

Although the current financial crisis has a negative impact on the global business environment, the PRC is still one of the fastest growing countries in the world and will continue to grow in 2009. The Group is optimistic about the long term prospect of the retail industry. The Group will proactively enhance its cost effectiveness as usual and request all our subsidiaries to fully comply with the operating budgets approved by the Board in order to reinforce our competitive strengths. Due to successful efforts in the past years, the Group has laid a solid foundation in its retail business and the coming year will be a year full of opportunities for mergers and acquisitions. The Group will keep on exploring further investment projects with good returns to increase our market value.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company believes that good corporate governance practices are increasingly important for maintaining and promoting shareholder value and investor confidence.

The Company has applied the principles as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

Throughout the year under review, the Company has complied with the code provisions set out in the CG Code, save for the deviations from code provision A.2.1.

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr Cheung Siu Lam currently holds the offices of Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Company will continue to review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and Chief Executive Officer, are necessary.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE OF THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own Code of Conduct, which laid down terms no less exacting than those set out in Appendix 10 of the Listing Rules, regarding directors' transactions in securities of the Company. All directors of the Company have confirmed that they have complied with the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers throughout the year ended 31 December 2008.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company, which comprises all independent non-executive directors, has reviewed the consolidated financial statements of the Group for the year, including the accounting principles and accounting standards adopted by the Company, and discussed matters relating to auditing, internal controls and financial reporting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 5 June 2009 to Thursday, 11 June 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Tengis Limited of 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Thursday, 4 June 2009.

SCOPE OF WORK OF CCIF CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2008 as set out in the preliminary announcement have been agreed by the Group's auditor, CCIF CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by CCIF CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCIF CPA Limited on the preliminary announcement.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This announcement will be published on the Stock Exchange's website and the Company's website (www.kpi.com.hk). The 2008 Annual Report will also be published on the Stock Exchange's website and the Company's website and will be despatched to the shareholders of the Company.

ACKNOWLEDGEMENT

The Board would like to take this opportunity to express our sincere thanks to all stakeholders for their supports during the year.

On behalf of the Board
K.P.I. Company Limited
Cheung Siu Lam
Chairman and CEO

Hong Kong, 23 April 2009

As at the date of this announcement, the Board comprises Mr Cheung Siu Lam (Chairman), Mr Chan Yuk Ming (Vice-chairman) and Ms Lo Wan as executive directors, Mr Liu Hui as non-executive director, Mr Chan Chun Keung, Mr Wang Jian Sheng and Mr Tsang Kwok Wai as independent non-executive directors.