北京京客隆商業集團股份有限公司

BEIJING JINGKELONG COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 814)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

HIGHLIGHTS

- Revenue was approximately RMB8,632,531,000, representing an increase of approximately16.0% as compared to 2010;
- Gross profit was approximately RMB1,297,070,000, representing an increase of approximately 24.6% as compared to 2010;
- Gross profit margin was approximately15.0%, representing an increase of 1 percentage point as compared to 14.0% of 2010;
- Profit attributable to equity holders was approximately RMB210,160,000, representing an increase of approximately16.4 % as compared to 2010;
- Basic earnings per share was approximately RMB51.0 cents (2010: RMB43.8 cents); and
- The proposed final dividend per share was RMB20.0 cents (tax inclusive, 2010: RMB20.0 cents).

The board of directors (the "Board") of Beijing Jingkelong Company Limited (the "Company" or "Jingkelong") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011 (the "Reporting Period").

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	**2011**	2010
		RMB'000	*RMB'000*
REVENUE	*4*	**8,632,531**	7,438,729
Cost of sales		**(7,335,461)**	(6,397,472)
Gross profit		**1,297,070**	1,041,257
Other income and gains	*4*	**576,428**	495,442
Selling and distribution costs		**(1,140,170)**	(880,270)
Administrative expenses		**(202,031)**	(213,020)
Other expenses		**(53,039)**	(44,458)
Finance costs	*5*	**(125,290)**	(93,940)
PROFIT BEFORE TAX	*6*	**352,968**	305,011
Income tax expense	*7*	**(79,957)**	(76,510)
PROFIT FOR THE YEAR		**273,011**	228,501
Attributable to:			
Owners of the parent	*9*	**210,160**	180,502
Non-controlling interests		**62,851**	47,999
		273,011	228,501
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	*9*	**51.0 cents**	43.8 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2011

	2011	2010
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**273,011**	228,501
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Changes in fair value	**(539)**	2,560
Income tax effect	**135**	(640)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(404)**	1,920
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**272,607**	230,421
Attributable to:		
Owners of the parent	**209,756**	182,422
Non-controlling interests	**62,851**	47,999
	272,607	230,421

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011	2010
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,828,542**	1,839,832
Investment properties		**33,001**	7,326
Prepaid land lease payments		**233,511**	85,817
Goodwill		**86,674**	90,204
Intangible assets		**11,467**	11,055
Available-for-sale investments		**6,314**	48,853
Deferred tax assets		**18,720**	12,172
Other long term lease prepayments		**55,441**	58,157
Total non-current assets		**2,273,670**	2,153,416
CURRENT ASSETS			
Inventories		**1,416,806**	997,356
Trade receivables	*10*	**1,358,876**	1,185,689
Prepayments, deposits and other receivables		**661,143**	542,034
Loan receivable		**–**	50,000
Pledged deposits		**36,351**	21,966
Cash and cash equivalents		**580,655**	574,532
Total current assets		**4,053,831**	3,371,577
CURRENT LIABILITIES			
Trade and bills payables	*11*	**1,323,527**	1,065,512
Debentures		**299,200**	498,733
Tax payable		**13,578**	17,198
Other payables and accruals		**659,766**	597,817
Interest-bearing bank and other borrowings	*12*	**1,911,519**	1,185,000
Deferred income – current portion		**2,754**	1,216
Total current liabilities		**4,210,344**	3,365,476
NET CURRENT (LIABILITIES)/ASSETS		**(156,513)**	6,101
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,117,157**	2,159,517

	Notes	2011	2010
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*12*	**200,000**	430,000
Deferred income		**2,131**	2,398
Deferred tax liabilities		**11,476**	12,286
Other liabilities		**11,433**	10,075
Total non-current liabilities		**225,040**	454,759
Net assets		**1,892,117**	1,704,758
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**412,220**	412,220
Reserves		**1,125,207**	997,895
Proposed final dividend	*8*	**82,444**	82,444
		1,619,871	1,492,559
Non-controlling interests		**272,246**	212,199
Total equity		**1,892,117**	1,704,758

1. Corporate Information

The Company is a joint stock limited company registered in the People's Republic of China (the "PRC").

The registered office of the Company is located at Block No. 45, Xinyuan Street, Chaoyang District, Beijing, the PRC. The principal place of business of the Company in Hong Kong is located at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong.

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.

In the opinion of the directors, the controlling shareholder of the Company is Beijing Chaoyang Auxiliary Food Company ("Chaoyang Auxiliary"), a state-owned enterprise established in the PRC.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, 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 of the Hong Kong Companies Ordinance. They have been prepared on a historical cost convention, except for the equity investments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2011, the Group had net current liabilities of RMB156,513,000. Based on the Group's history of obtaining financing, available banking facilities, operating performance, working capital forecast and financial obligations in the next twelve months, the directors consider that there are sufficient financial resources available to the Group to meet its liabilities as when fall due and to carry on its business in the foreseeable future. Accordingly, the directors have prepared these financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the Group for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 Changes in Accounting Policy and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC) – Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in Improvements to HKFRSs 2010, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations:* The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements:* The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements:* The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

3. Operating Segment Information

For management purposes, the Group is organised into business units based on its products and services and has three reportable operating segments as follows:

(a) the retailing segment engages in the distribution of live and fresh produce, dry products, beverages, processed food and daily necessities through the department stores, hypermarkets, supermarkets and/or convenience stores of the Group (the "Retail Outlets");

(b) the wholesaling segment engages in the wholesale supply of daily consumer products to consumers, including the Retail Outlets, other retail operators, and trading companies; and

(c) the "others" segment comprises, principally, the production of plastic packing materials, and the installation and maintenance of commercial equipment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is measured consistently with the Group's profit before tax except that excess over the cost of acquisition of non-controlling interests and share of losses of associates are excluded from such measurement in the consolidated financial statements. The Group's income tax is managed on a group basis and is not allocated to operating segments.

All assets and liabilities are included in the segment information, neither assets nor liabilities are managed on a group basis.

Intersegment sales and transfers are conducted based on mutually agreed terms.

The Group has not placed reliance on any single external customers, amounting to 10% or more of its revenues.

No geographical information is presented as all of the Group's revenue is derived from customers based in Mainland China, and all of its assets are located in Mainland China.

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 December 2011 and 2010.

Year ended 31 December 2011

	Retailing *RMB'000*	**Wholesaling** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue				
Sales to external customers	**4,332,701**	**4,280,413**	**19,417**	**8,632,531**
Intersegment sales	**–**	**568,491**	**9,949**	**578,440**
	4,332,701	**4,848,904**	**29,366**	**9,210,971**
Reconciliation:				
Elimination of intersegment sales				**(578,440)**
Revenue from operations				**8,632,531**
Segment results	**145,021**	**207,820**	**127**	**352,968**
Profit before tax				**352,968**
Segment assets	**3,411,420**	**2,895,326**	**7,399**	**6,314,145**
Reconciliation:				
Elimination of intersegment receivables				**13,356**
Total assets				**6,327,501**
Segment liabilities	**2,314,836**	**2,104,902**	**2,290**	**4,422,028**
Reconciliation:				
Elimination of intersegment payables				**13,356**
Total liabilities				**4,435,384**
Other segment information				
Capital expenditure*	**173,828**	**13,153**	**43**	**187,024**
Depreciation:				
Property, plant and equipment	**144,028**	**27,101**	**1,089**	**172,218**
Investment properties	**1,467**	**–**	**–**	**1,467**
Amortisation of intangible assets	**1,416**	**1,518**	**–**	**2,934**
Recognition of prepaid land lease payments	**4,889**	**–**	**1,698**	**6,587**
Impairment losses recognised in the income statement	**888**	**–**	**–**	**888**
Foreign exchange differences	**41**	**–**	**–**	**41**

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and prepaid land lease payments.

Year ended 31 December 2010

	Retailing *RMB'000*	Wholesaling *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue				
Sales to external customers	3,395,359	4,036,014	7,356	7,438,729
Intersegment sales	–	538,132	8,891	547,023
	3,395,359	4,574,146	16,247	7,985,752
Reconciliation:				
Elimination of intersegment sales				(547,023)
Revenue from operations				7,438,729
Segment results	148,225	155,784	1,002	305,011
Profit before tax				305,011
Segment assets	3,285,299	2,243,782	5,405	5,534,486
Reconciliation:				
Elimination of intersegment receivables				(9,493)
Total assets				5,524,993
Segment liabilities	2,222,477	1,604,421	2,830	3,829,728
Reconciliation:				
Elimination of intersegment payables				(9,493)
Total liabilities				3,820,235
Other segment information				
Capital expenditure*	212,483	44,923	16	257,422
Depreciation:				
Property, plant and equipment	124,666	26,818	66	151,550
Investment properties	467	–	–	467
Amortisation of intangible assets	1,061	1,270	–	2,331
Recognition of prepaid land lease payments	2,454	–	–	2,454
Impairment losses recognised/ (reversed) in the income statement	1,500	(727)	–	773
Foreign exchange differences	67	–	–	67

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and prepaid land lease payments.

4. 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 revenue, other income and gains is as follows:

	2011	2010
	RMB'000	*RMB'000*
Revenue		
Direct sale of merchandise and produce:		
Retailing	**4,294,923**	3,369,831
Wholesaling*	**4,280,413**	4,036,014
	8,575,336	7,405,845
Commissions from concessionaire sales	**37,778**	25,528
Others	**19,417**	7,356
Total revenue	**8,632,531**	7,438,729

* Included in the amounts are sales to franchisees amounting to RMB15,182,000 (2010: RMB422,418,000).

	2011	2010
	RMB'000	*RMB'000*
Other income and gains		
Income from suppliers:		
Promotion income	**377,459**	327,227
Display space leasing income and others	**24,664**	15,429
	402,123	342,656
Gross rental income	**106,381**	88,710
Interest income	**16,287**	30,537
Government grants#	**10,730**	3,028
Franchise fee	**3,658**	7,129
Net compensation on demolished properties	**2,070**	2,244
Others	**35,179**	21,138
Total other income and gains	**576,428**	495,442

\# Various local government grants have been granted to reward the Group for its contributions to the local economy and employing the surplus rural labour. There were no unfulfilled conditions or contingencies attaching to these grants.

5. Finance Costs

	2011	2010
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**107,930**	88,005
Interest on other borrowings wholly repayable within five years	**18,371**	6,647
	126,301	94,652
Less: Interest capitalised	**(1,011)**	(712)
	125,290	93,940

6. Profit Before Tax

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

	2011	2010
	RMB'000	*RMB'000*
Cost of inventories sold	**7,335,461**	6,397,472
Depreciation:		
Property, plant and equipment	**172,218**	151,550
Investment properties	**1,467**	467
	173,685	152,017
Amortisation of intangible assets	**2,934**	2,331
Amortisation of prepaid land lease payments	**6,587**	2,454
Minimum lease payments under operating leases on properties	**177,724**	126,565
Losses on disposal of items of property, plant and equipment, net	**1,232**	4,854
Impairment of trade and other receivables	**–**	773
Impairment of property, plant and equipment	**888**	–
Net rental income	**(106,381)**	(88,710)
Auditors' remuneration	**1,959**	2,153
Staff costs:		
Directors' emoluments	**7,791**	6,904
Other staff costs:		
Wages, salaries and social security costs	**422,955**	338,675
Retirement benefit contributions	**39,973**	31,692
	462,928	370,367
	470,719	377,271
Foreign exchange differences	**(41)**	67

7. Income 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 does 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 at a rate of 25% on their respective taxable income.

The income tax in the consolidated income statement of the Group comprises the following:

	2011	2010
	RMB'000	*RMB'000*
Current income tax – PRC	**82,978**	77,428
Deferred income tax	**(3,021)**	(918)
Total tax charge for the year	**79,957**	76,510

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the Group's effective rate, and a reconciliation of the statutory rate to the effective tax rate, are as follows:

	2011		2010	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**352,968**		305,011	
Income tax at the PRC statutory income tax rate	**88,242**	**25.0**	76,253	25.0
Expenses not deductible for tax	**2,400**	**0.7**	2,712	0.9
Tax losses not recognised	**1,007**	**0.3**	1,274	0.4
Tax effect of non-taxable income	**(1,434)**	**(0.4)**	(1,591)	(0.5)
Tax Losses utilized from previous periods	**(7,018)**	**(2.0)**	–	–
Others	**(3,240)**	**(0.9)**	(2,138)	(0.7)
Tax charge at the Group's effective rate	**79,957**	**22.7**	76,510	25.1

8. Dividend

	2011	2010
	RMB'000	*RMB'000*
Proposed final – RMB20.0 cents (2010: RMB20.0 cents) per ordinary share	**82,444**	82,444

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

	2011	2010
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**210,160**	180,502

	Number of shares	
	2011	2010
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**412,220,000**	**412,220,000**

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2011 and 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

10. Trade Receivables

The Group normally allows a credit period of not more than 60 days to its customers. A longer credit period is granted to its major customers with long term relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group's trade receivables as at 31 December 2011 comprised approximately 2,600 (2010: 2,500) customers with amounts ranging from RMB0.001 million to RMB403.7 million (2010: RMB0.001 million to RMB260.5 million). Trade receivables are non-interest-bearing except for amounts due from Beijing Shoulian Trading Company Limited ("Shoulian"), an independent third party, which bore interest at a rate of 6.5% (2010: 5.3%) per annum.

An aged analysis of the trade receivables of the Group and the Company as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2011	2010
	RMB'000	*RMB'000*
Within 2 months	**795,116**	635,557
2 to 6 months	**427,455**	270,592
6 months to 1 year	**50,737**	111,952
1 to 2 years	**85,568**	167,588
	1,358,876	1,185,689

11. Trade and Bills Payables

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is analysed as follows:

	2011	2010
	RMB'000	*RMB'000*
Within 2 months	**1,096,575**	918,616
2 to 6 months	**203,606**	131,082
6 months to 1 year	**14,662**	9,164
1 to 2 years	**4,392**	5,012
Over 2 years	**4,292**	1,638
	1,323,527	1,065,512

The trade and bills payables are non-interest-bearing and are normally settled on 60-day terms.

As at 31 December 2011, the bills payable of the Group amounting to RMB130.5 million (2010: RMB87.3 million) were secured by certain of the Group's pledged time deposits amounting to RMB36.4 million (2010: RMB22.0 million).

12. Interest-Bearing Bank and other Borrowings

	2011		2010	
	Maturity	***RMB'000***	Maturity	*RMB'000*
Current				
Bank loans – unsecured	2012	**1,681,519**	2011	1,185,000
Current portion of long term bank loans – secured	2012	**230,000**		–
		1,911,519		1,185,000
Non-current				
Bank loans – secured	2013	**200,000**	2012-2013	430,000
		2,111,519		1,615,000

All of the Group's and the Company's bank loans, which are denominated in RMB, bear interest at fixed rates ranging from 5.1% to 7.2% (2010: 4.0% to 5.6%) per annum.

As at 31 December 2011, the secured bank loans of the Group amounting to RMB430.0 million (2010: RMB430.0 million) which were secured by certain of the Group's buildings, investment properties and prepaid land lease payments with aggregate net book values of approximately RMB138.4 million (2010: RMB160.1 million), RMB13.5 million (2010: RMB5.9 million), and RMB23.3 million (2010:RMB24.0 million), respectively.

Except for the bank loans of the Group amounting to RMB750 million (2010: RMB720 million) guaranteed by the Company and RMB932 million (2010: RMB315 million) guaranteed by Chaopi Trading, the Group's bank loans amounting to nil (2010: RMB150 million) were unsecured as at 31 December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2011, China's economic operation was positive in general. The economic growth switched from policy-driven to autonomous growth, with a continually increasing proportion of domestic demand in the national economic growth. The economy has also gained a positive progress in its structural transformation, which indicated a favourable start for the 12th Five-Year plan. Although the general economic growth slowed down in 2011, the domestic consumer goods market has benefited from factors including increase in disposable income per capita, upgrading of consumption and inflation, etc., and maintained a steady and relatively fast growth momentum.

With an objective to expand its business scale and enhance its core competitiveness in the complicated external and internal business development environment, the Group moved forward in realising the synchronised growth of its retail and wholesale businesses and achieved stable growth of operating results.

RETAIL BUSINESS

Prudently expanding the retail network

During the Reporting Period, the Group continued to adhere to its strategy of regional development. It opened 25 retail stores in Beijing and Hebei Province, comprising 11 directly-operated retail outlets (including 6 supermarkets and 5 convenience stores) and 14 franchise-operated convenience stores. In addition, the Group renovated and upgraded 3 existing stores. The net operating area continued to increase, and the shopping environment was further improved.

The total number of the Group's retail outlets was 251 as at 31 December 2011. The following table sets out the number and net operating area of the Group's retail outlets as at 31 December 2011:

	Department stores	**Hypermarkets**	**Supermarkets**	**Convenience stores**	**Total**
Number of retail outlets:					
Directly-operated	2	8	79	67	156
Franchise-operated	–	–	1	94	95
Total	2	8	80	161	251
Net operating area (square metres):					
Directly-operated	39,742	68,223	161,540	15,549	285,054
Franchise-operated	–	–	880	17,842	18,722
Total	39,742	68,223	162,420	33,391	303,776

Improving products competitiveness

The Group continually strengthened its procurement management and enhanced quality inspection on suppliers to ensure quality of procurement. By exploring direct sourcing channels from manufacturers and expanding the scale of imported goods, the Group developed series of high-quality merchandise with great market potential, further improving the Group's product mix. Through effective tactics including enhancing pricing strategies on seasonal, festive and special products, emphasizing on the marketing of new products and strengthening the development of in-house branded items, the Group's overall procurement management capabilities achieved a certain degree of improvement, and effectively increased market competitiveness of its merchandise.

The Group continued to implement its "order agriculture" strategy in the live and fresh produce market, and progressively fulfilled its key produce procurement plans. The Group continued to enhance the construction of its procurement bases to secure high-quality local procurement, and established two new local procurement bases this year, expanding the Group's scope of procurement and ensuring sufficient supply by improving storage capabilities of large quantities of fresh produce. The sales volume of vegetables rose significantly in 2011. The Group put in great efforts in the development of the sourcing channels of highly-reputed and unique fresh produce and optimized its merchandise catalogue, improving product quality and reducing costs at the same time. The Group also introduced various secondary processing methods including the convenient bundling of vegetables, easy packaging of beef and lamb, and modified atmosphere packaging of pork, which improved the operating competitiveness in relation to the Group's fresh produce.

Meticulous marketing

The Group diversified its marketing functions in multi tiers and designed various promotional campaigns with different themes, and achieved the simultaneous growth of sales and profit, proving the success of the Group's marketing functions. The Group attempted to shift from merchandize-based promotion to activity-based promotion, including the cooperation with external partners to introduce discount shopping with EFTPOS and discount magazine ordering promotional activities. The Group also introduced a unified store promotion policy to monitor sale campaigns of individual stores. In addition, the Group enhanced its promotional evaluation and market trend analysis, making its marketing function more meticulous.

The Group enhanced its marketing tactics of its membership schemes, simulating sales by introducing members' special-priced products, exclusive offers, members' day, etc. to benefit loyal customers. The Group's retail chain has over 1 million active members. The Group broadened its customer service functions by promoting company service programmes including the red heart service cards (愛心服務卡), all-in-one cards (一卡通刷卡) and Electronic Funds Transfer at Point of Sale (繳費易), etc.

Strengthening store's execution capabilities

Measures were taken to ensure that the fine-tuned marketing policies were properly implemented at the store level. The Group strictly implemented its policy to supply fresh produce 24-hour per day, and enhanced its supervision over the stores' daily operations by introducing weekly store inspection, monthly specific inspection and monthly departmental inspection modules, and increased the operational capabilities of the stores' fresh produce sales business. By rearranging store layout and supplementing service items, the Group enhanced the stores' competitiveness. The Group also enhanced the basic store management capabilities by establishing work standards and overall supervising the implementation of those standards, and thus enhanced their execution capabilities.

Improving the logistics system

The Group upgraded the normal-temperature logistics center and introduced the RF handset system in all stages of the distribution process. The Group fully started the operation of the electronic label sorting and logistics line which realized the integrated process of fast acceptance, warehousing and pallet loading. The new process replaced the traditional manual operations, enhanced the acceptance and sorting efficiency, increased the storage capacity and reduced the error and damage rate.

To coordinate with the upgrading of the Group's logistics mechanism, the normal-temperature logistics center revised operational requirements and modified its department organization scheme and defined responsibilities. The Group also attempted to refine its salary policy by introducing the piece rate approach, the performance related pay according to the site operation responsibility system, and significantly enhanced its distribution efficiency.

Operation results of retail business

An analysis of the revenue contributed by the Group's directly-operated hypermarkets, supermarkets, convenience stores and department stores is set out as follows:

	2011 ***RMB'000***	2010 *RMB'000*	Increase/ (Decrease) *(%)*
Directly-operated retail outlets:			
Hypermarkets	**1,179,164**	1,057,554	11.5
Supermarkets	**2,789,847**	2,027,623	37.6
Convenience stores	**317,395**	278,647	13.9
Department stores	**46,295**	31,535	46.8
(including commission)	**(37,778)**	(25,528)	48.0
Total retail revenue	**4,332,701**	3,395,359	27.6
Gross profit margin (%)	**16.2**	16.8	(0.6)

During the Reporting Period, the retail revenue of the Group increased by approximately 27.6%. This was mainly attributable to (i) the contribution of approximately RMB479,778,840 of sales during the Reporting Period from the 20 stores of Beijing Jingkelong Shouchao Company Limited ("Shouchao", formerly "Beijing Shoulian Supermarket Company Limited", which was acquired by the Company by the end of 2010), (ii) the same-store sales growth of approximately 8.6% during the Reporting Period, (iii) the contributions from sales of stores opened in the second half of 2010 and during the Reporting Period, and (iv) the increase in sales driven by the significant inflation during the Reporting Period.

The 0.6% decreased in gross profit generated from the directly-operated hypermarkets, supermarkets and convenience stores from approximately 16.8% to 16.2% during the Reporting Period, was mainly due to (i) the Group's increase in marketing activities to attract customers and increase sales during the Reporting Period as a response to the heavy market competition, and (ii)the lowering of the Group's overall gross profit margin in its retail business due to the acquisition of Shoulian Supermarket, as it would take a period of time for the improvement of Shoulian Supermarket's operational effectiveness and efficiency to the Group's profit margin level.

WHOLESALE BUSINESS

Expanding the network coverage and increasing market share

To further develop its wholesale business, the Group formed specialized teams to provide technical and service support to the suburban areas of Beijing and other cities (which the Group entered a few years ago) and improved the share in these markets. The Group has set up two new subsidiaries in Jinan region of Shandong Province and the Langfang region of Hebei Province and carried out measures to consolidate the business branding resources, which laid the foundation for the Group to enter into the wholesale business markets outside Beijing.

Adjusting management model and optimizing resource allocation

Based on the "centralized decision, diversified operation" concept, the Group managed its key brands by granting relatively autonomous responsibility and authority to individual divisions. The Group set up independent and specialized divisions for the sale of key alcohol brands, general merchandise and imported red wine, optimizing the allocation of resources and enhancing its professional management level. This improved the practicality of the Group's management model and improved the sales results of the above products.

Enhancing the synergy of the supply chain and increasing the competitiveness of brands

The Group strengthened the strategic alliance with suppliers of key brands, and explored new suppliers to broaden brand coverage and expand the Group's business. More than 70 reputed new brands from more than 40 suppliers were introduced during the Reporting Period. Meanwhile, the Group developed new distribution channels in addition to its advantage in its traditional supply chain to enhance its sales network and market potential.

Enhancing and modernizing logistics and distribution system

To continue its advancement in the automation of its logistics system, the Group launched the operation of its second automatic sorting system in the distribution center and updated the key technology and equipment, increasing levels of equipment utilization and automation. The Group continued to strengthen its third-party logistics and distribution business. The number of clients of the Group's third-party logistics and distribution system reached 19 and the revenue increased by 16% during the Reporting Period. The Group also started its logistics and distribution business for some of the large-to-medium sized supermarkets, strengthening the cooperation with retail customers.

Operation results of wholesale business

The wholesale revenue and gross profit margin are analyzed as follows:

	2011	2010	Increase/ (Decrease)
	RMB'000	*RMB'000*	*(%)*
Revenue recognised by Chaopi Group	**4,833,722**	4,151,728	16.4
Less: Intersegment sales	**(568,491)**	(538,132)	5.6
Sales to franchisees by the Company*	**15,182**	422,418	(96.4)
Consolidated wholesale revenue	**4,280,413**	4,036,014	6.1
Gross profit margin**(%)	**11.6**	11.0	0.6

* Sales to franchisees by the Company decreased to approximately RMB 15,182,000 during the Reporting Period due to the elimination of intersegment sales to Shouchao by the Company after the acquisition of 100% equity interest in Shouchao on 24 December 2010. The sales to franchisees in the previous corresponding period included the sales of RMB400,887,000by the Company to Shouchao pursuant to the franchising agreement entered into between the Company and Shouchao. The revenue from the Group's retail business during the Reporting Period includes the sales of approximately RMB479,778,840 recognized by Shouchao.

** It represents gross profit margin recognised by Beijing Chaopi Trading Company Limited and its subsidiaries (collectively the "Chaopi Group") including intersegment sales.

During the Reporting Period, the increase in the wholesale revenue recognized by Chaopi Group of approximately 16.4 % was mainly due to (i) various marketing efforts arranged with suppliers to increase market shares; (ii) the sales growth in upscale wines and edible oil products; (iii) the sales contribution from the new subsidiary and sales departments in the suburban areas which were established in the second half of 2010; and (iv) the sales contribution from newly introduced distributorship brands.

During the Reporting Period, the increase in the gross profit margin of Chaopi Group of 0.6% compared with the previous corresponding period was mainly due to (i) the continuous optimization of product mix led to the increase in the sales of high gross profit margin products; (ii) the large inventories of the wholesale business enabled the realization of higher gross profit margin during the period of inflation, and (iii) the increase of bargaining power with suppliers due to the increase in the size of the business.

FINANCIAL RESULTS

	2011	2010	Increase/ (Decrease)
	RMB'000	*RMB'000*	*(%)*
Revenue	**8,632,531**	7,438,729	16.0
Gross profit	**1,297,070**	1,041,257	24.6
Gross profit margin (%)	**15.0**	14.0	1.0
Other income and gains	**576,428**	495,442	16.3
Selling and distribution costs	**(1,140,170)**	(880,270)	29.5
Administrative expenses	**(202,031)**	(213,020)	(5.2)
Other expenses	**(53,039)**	(44,458)	19.3
Finance costs	**(125,290)**	(93,940)	33.4
Income tax expense	**(79,957)**	(76,510)	4.5
Profit for the year	**273,011**	228,501	19.5
Net profit margin (%)	**3.2**	3.1	0.1
Profit attributable to equity holders of the parent	**210,160**	180,502	16.4
Net profit margin attributable to equity holders of the parent (%)	**2.4**	2.4	–
Basic earnings per share – RMB (cents)	**51.0**	43.8	16.4

REVENUE

Revenue represents the net invoiced value of goods sold, after deduction of the relevant taxes and allowances for returns and trade discounts.

The increase of the Group's revenue by approximately 16.0% during the Reporting Period was primarily due to the increase in retail and wholesale revenue by approximately 27.6% and 6.1%, respectively.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit of the Group increased by approximately 24.6% as compared to 2010. The increase was in line with the increase in revenue. The increase in gross profit margin from approximately 14.0% to approximately 15.0% in the current year was mainly attributable to (i) the consolidation of gross profit recognised by Shouchao in 2011(only the sales to Shouchao as franchisee were recognised without the gross profit realised by Shouchao in 2010); (ii) the reduction of layers of the procurement process, lowering the procurement cost and the optimisation of the product mix.

OTHER INCOME AND GAINS

Other income and gains mainly comprise income from suppliers, rental income from leasing and sub-leasing of properties and counters, and interest income.

The Group's other income and gains increased from RMB 495,442,000 to RMB 576,428,000 or by approximately 16.3% during the Reporting Period, mainly due to the increase from suppliers which were in line with the increase in revenue, and the increase of rental income from newly-opened stores and stores of Shoulian Supermarket acquired.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs mainly comprise of salary and welfare, depreciation expenses, energy fee, rental expenses, repair and maintenance expenses, transportation expenses, packaging expenses, and advertising and promotion expenses.

The Group's selling and distribution costs were approximately RMB 1,140,170,000 during the Reporting Period, representing an increase of approximately 29.5% compared to 2010. The increase was primarily due to (i) the increase in salary and welfare, depreciation expenses, rental expenses and advertising expenses of the new store and the renovated retail stores; (ii) the increase expenses for wages attributable to the compliance legal requirement for the increase in minimum wages; and (iii) the wholesale business, as the distributor between suppliers and retail operators, the promotional income from suppliers and the promotional expenses paid to retail operators are recognised respectively. During the Reporting Period, promotional activities increased, and the increase in the promotional expenses was in line with the increase in the promotional income.

ADMINISTRATIVE EXPENSES

Administrative expenses mainly comprise salary and welfare, social security costs (including retirement benefit contribution), depreciation expenses and entertainment expenses.

The Group's administrative expenses were approximately RMB202,031,000 during the Reporting Period, representing a decrease of approximately of 5.2% compared to 2010. The decrease was mainly because of the enhanced management on administrative expenses.

OTHER EXPENSES

Other expenses primarily comprise business tax, city construction tax and surcharges mainly charged on rental income and service income.

The Group's other expenses increased from approximately RMB44,458,000 in 2010 to approximately RMB53,039,000 in 2011. The increase was mainly because of the increase of tax payable attributable to the increase of other income, and the increase in the depreciation cost of the investment properties in Shouchao.

FINANCE COSTS

Finance costs represent interest on bank loans, other borrowings and debentures.

The Group's finance costs increased from approximately RMB93,940,000 in 2010 to approximately RMB125,290,000 in 2011, and was primarily due to (i) the increase of interest from the added short-term bank loan for the needs of operation, and (ii) the central bank of China increased the loan rate three times during the Reporting Period.

INCOME TAX EXPENSE

The Group was not subject to Hong Kong profit tax as the Group had no assessable profit arising in or deriving from Hong Kong during the Reporting Period.

The members of the Group were subject to corporate income tax at a rate of 25% during the Reporting Period on their respective taxable profit pursuant to the relevant PRC tax laws and regulations.

Income tax expense increased from approximately RMB76,510,000 to approximately RMB79,957,000 in 2011, primarily due to the increase in 2011 taxable profits.

PROFIT FOR THE YEAR

Profit for the year increased by approximately 19.5% from approximately RMB228,501,000 in 2010 to approximately RMB273,011,000 in the current year. The increase was mainly attributable to an increase in gross profit of approximately 24.6% and an increase in other income and gains of approximately 16.3%.

BASIC EARNINGS PER SHARE

The Group recorded basic earnings per share of approximately RMB51.0 cents for 2011, which was calculated on the basis of the number of 412,220,000 shares, representing approximately 16.4% higher than the RMB43.8 cents of last year.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group mainly financed its operations through internally generated cash flows, bank borrowings and short-term debentures.

As at 31 December 2011, the Group had non-current assets of approximately RMB2,273,670,000, which mainly comprised property, plant and equipment of approximately RMB1,828,542,000, and noncurrent liabilities of approximately RMB225,040,000 mainly including interest-bearing bank borrowings of RMB200,000,000and deferred tax liabilities of approximately RMB11,476,000.

As at 31 December 2011, the Group had the net current liabilities of approximately RMB156,513,000. Current assets mainly comprised cash and cash equivalents (mainly denominated in renminbi) of approximately RMB580,655,000, inventories of approximately RMB1,416,806,000, trade receivables of approximately RMB1,358,876,000 and prepayments, deposits and other receivables of approximately RMB661,143,000. Current liabilities mainly comprised of trade and bills payables of approximately RMB1,323,527,000, interest-bearing bank borrowings of approximately RMB1,911,519,000, and other payables and accruals of approximately RMB659,766,000.

INDEBTEDNESS AND PLEDGE OF ASSETS

As at 31 December 2011, the Group had an aggregate borrowings (all denominated in renminbi) of approximately RMB2,111,519,000, consisting of secured short-term bank loans of approximately RMB230,000,000, unsecured short-term bank loans of RMB1,681,519,000and secured long-term bank loans of RMB200,000,000. All the Group's bank loans bear fixed interest rates ranging from 5.1% to 7.2% per annum. The secured bank loans were secured by:

– Certain of the Group's buildings, investment properties and lease prepayments for land use rights with an aggregate carrying value of approximately RMB175,200,000 as at 31 December 2011.

As at 31 December 2011, the Group had approximately RMB 36,400,000 term deposit used as collaterals for bills payable.

According to an independent legal opinion, all the borrowings incurred in 2011 are in compliance with the relevant PRC applicable laws.

FOREIGN CURRENCY RISK

The Group's operating revenues and expenses are principally denominated in renminbi.

During the Reporting Period, the Group did not encounter any material effect on its operation or liquidity as a result of fluctuation in currency exchange rates.

EMPLOYEES AND TRAINING

As at 31 December 2011, the Group employed 8,249 employees in the PRC (2010: 6,917). The total staff costs (including directors' and supervisors' remunerations) of the Group for the Reporting Period amounted to approximately RMB470,719,000 (2010: approximately RMB377,271,000). The staff emolument (including for directors and supervisors) of the Group are based on position, duty, experience, performance, and market rates, in order to maintain their remunerations at a competitive level.

As required by the PRC laws and regulations, the Group participates in the defined contribution retirement benefits scheme for its employees operated by the relevant local government authorities in the PRC. The Group is required to make contributions for those employees who are registered as permanent residents in the PRC at a rate of 20% (2010: 20%) of the employees' salaries, bonuses and certain allowances. The Group has no further obligation associated with the said defined contribution retirement benefits scheme beyond the annual contributions. The Group's contributions to the defined contribution retirement benefits schemes amounted to approximately RMB40,093,000for the Reporting Period (2010: RMB 31,808,000).

During the Reporting Period, the Group enhanced human resources training in various areas to progressively optimise the employee assessment and award system, and the Group successfully enabled the employees to reach their full potential. continued to implement its policies and procedures in relation to competitive employment system and rotation of management personnel, and recruited 48 store managers. The Group strengthened its human resources training and reserve, and started the second phase of the assistant management training and recruitment and recruited 30 store assistant managers,, progressively increasing the Group's implementation of professional qualification admission system. The Group enhanced the specific contents of trainings, including training courses for the procurement staff and head office management to increase the professional capabilities and qualities of the Group's management. The Group implemented a mechanism to increase the salary level of employees progressively, and completed the annual appraisals of head office staff and store staff and raised the standard salary level. It also set up a human resources information system and adopted it in 48 stores, standardizing the human resources management policies and procedures which facilitate the Group's respective developments.

ACQUISITION OF 86 % ENTIRE INTEREST IN JINGCHAO AND POST-ACQUISITION CONSOLIDATION

On 25 January 2011, the Group acquired 86% equity interest in Beijing Jingchao Company Limited ("Jingchao") from Shoulian for a consideration of RMB259,324,500, including cash of RMB80,000,000 and trade receivable of RMB179,324,500. Jingchao then became a wholly owned subsidiary of the Company. Further details of the acquisition were set out in the announcement of the Company dated 18 January 2011.

On 30 June 2011, Shouchao, another subsidiary of the Group, acquired Jingchao, and completed the procedures of de-registration of Jingchao on 19 September 2011.

ESTABLISHMENT OF TWO SUBSIDIARIES

During the Reporting Period, the Company, through its non-wholly owned subsidiary, Beijing Chaopi Trading Company Limited ("Chaopi Trading"), established a subsidiary, Jinan Chaopi Linda Trading Company Limited ("Jinan Chaopi") to engage in the wholesale of general merchandise in Jinan district. Up to the date of this announcement, the Company holds an indirect equity interest of approximately 79.85% in Jinan Chaopi. The registered capital of Jinan Chaopi is RMB26,000,000 and has been fully paid up by Chaopi Trading.

During the Reporting Period, the Company, through its non-wholly owned subsidiary, Beijing Zhongde Trading Company Limited ("Chaopi Zhongde"), established a subsidiary, Beijing Chaopi Fangsheng Trading Company Limited ("Chaopi Fangsheng") to engage in the wholesale of general merchandise in Beijing district. Up to the date of this announcement, the Company holds an indirect equity interest of approximately 63.88% in Chaopi Fangsheng. The registered capital of Chaopi Fangsheng is RMB12 million and has been fully paid up.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group had no material contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events subsequent to 31 December 2011.

STRATEGY AND PLANS

For the year of 2012, the Group will continue to consolidate its foundation of development, speed up its pace of development, increase management quality, and promote progression while maintaining stability. It will promote its corporate development in the following areas:

– **Steadily expanding retail network.** Our aim is to open 20 stores in the year, including 2 hypermarkets, 8 supermarkets and 10 convenience stores.

– **Expanding the wholesale distribution network.** To continually expand the wholesale distribution network, we will explore new types of retailers and venture into new markets in other cities. For example, we seek to establish subsidiaries in the central cities in the Bohai Rim Region. We will develop scientific plans for the wholesale business development objectives, adjust subsidiaries' management structure in time, and establish efficient and smooth internal and external communication channels in order to achieve development by the simultaneous growth of the sales divisions and subsidiaries in Beijing and other cities.

– **Optimizing sales and the marketing capability.** We will strengthen our marketing forecast and analysis of marketing & sales activities to ensure appropriate marketing decisions. We will continue to optimize the product mix, broaden the product range, speed up the renewal process and enhance the development of imported merchandise and in-house branded products in order to attract customer flow. As for the retail business, we will progressively adopt product display and positioning management to enhance marketing towards loyalty members. As for the wholesale business, we will continue to expand our procurement to the top end of the supply chain, gaining more regional and exclusive distributorship for famous top brands.

- **Improving the competitiveness of services.** By holding suppliers' meetings, carrying out customer satisfaction surveys, organizing seminars for store managers on duty, employing voluntary inspectors and secret customers, etc., we will collect suppliers' and customers' suggestions on how to further improve our services. We will extend the functions of the "red heart service card" ("愛心服務卡"), actively develop consumer protection programmes and launch community awareness programmes to maintain customer relationships, extend service items and add service value. Through the above measures, we aim to strengthen our competitiveness for services.

- **Improving the logistics and distribution system.** We will utilize the opportunity of the rapid development of China's logistics industry. The Group will optimize its management procedures, strengthen the approval process for development and improve the operating efficiency and service capabilities of the normal-temperature logistics center. As for live and fresh produce, we will Introduce and promote the modified atmosphere packaging of beef and lamb based on the current technology of modified atmosphere packaging of pork, study preservation technologies of vegetables and strengthen our vegetable processing capabilities. The Group will also speed up its wholesale logistics mechanism, continue to improve the relevant equipments, speed up the automation process, carry out full analysis of the automatic sorting system and to make reasonable upgrades, in order to satisfy the development needs of the Group.

OTHER INFORMATION

Corporate Governance

In the opinion of the directors, the Company has applied the principles of and complied with all the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited during the Reporting Period, saving for the directors' retirement by rotation as explained below.

Provision A4.2 of the Code requires that every director, including those appointed for a specific term, of a listed issuer should be subject to retirement by rotation at least once every three years. The Company's Articles of Association stipulates that each director shall be elected in general meeting of the Company for a term of not more than three years, and eligible for re-election upon the expiry of the term. Having taken into account of the continuity of the Group's operation and management policies, the Company's Articles of Association contains no express provision for the directors' retirement by rotation and thus deviating from the aforesaid provision of the Code.

Audit Committee

The audit committee of the Company has reviewed the Group's 2011 audited annual results and discussed with the management and the external auditors on the accounting principles and practices adopted by the Group, internal control and financial reporting matters.

Purchase, Sale or Redemption of Listed Securities of The Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period and up to the date of this announcement.

Distribution of Dividends/Closure of Register of Members

The Board has proposed a final dividend of RMB20 cents per share (tax inclusive) payable to the shareholders whose name appear on the register of members of the Company on Wednesday, 6 June 2012, subject to the approval of the shareholders at the annual general meeting 2011 (the "AGM")by way of ordinary resolution.

The register of members of the Company will be closed from Tuesday, 8 May 2012 to Monday, 28 May 2012, both days inclusive, during which no transfer of shares of the Company will be effective. Holders of H Shares whose names appear on the register of H Shares kept at Computershare Hong Kong Investor Services Limited (the "H-Shares Registrar") at the close of business on Monday, 7 May 2012 are entitled to attend and vote at the 2011 Annual General Meeting following completion of the registration procedures. Holders of domestic shares of the Company whose names appear on the register of shareholders of the Company at the close of business on Monday, 7 May 2012 are entitled to attend and vote at the Annual General Meeting following completion of the registration procedures.

The register of members of the Company will also be closed from Friday, 1 June 2012 to Wednesday, 6 June 2012, both days inclusive, during which no transfer of shares of the Company will be effective. Holders of H Shares and whose names appear on the register of H Shares kept at the Company's H-Shares Registrar and Holders of domestic shares of the Company whose names appear on the register of shareholders of the Company on Wednesday, 6 June 2012 are entitled to the 2011 final dividend. Dividends will be payable on or before Friday, 29 June 2012. Payment to domestic shareholders of the Company will be made in RMB, while payment to the H shareholders will be made in HK$.

Pursuant to the "Enterprise Income Tax Law of the PRC" and the "Detailed Rules for the Implementation of the Enterprise Income Tax Law of the PRC", commencing from 1 January 2008, any Chinese domestic enterprise which pays dividends to a non-resident enterprise shareholder (i.e. legal person shareholder) in respect of accounting periods beginning from 1 January 2008 shall withhold and pay enterprise income tax for such shareholder. Since the Company is a H share listed company in Hong Kong, the proposed 2011 final dividend of RMB 20 cents per share (tax inclusive) will be subject to the aforesaid Enterprise Tax Laws. In order to properly carry out the withholding and payment of income tax on dividends to non-resident enterprise shareholders, the Company will strictly abide by the law and identify those shareholders who are subject to the withholding and payment of income tax based on the register of its H shareholders as at the end of 6 June 2012. In respect of all shareholders whose names appear in the register of H shareholders (the "Individual H Shareholders") kept at Computershare Hong Kong Investor Services Limited, the Company's H-Shares Registrar and Transfer Office in Hong Kong as at the end of 6 June 2012 who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees, and other entities or organisations that are all considered as non-resident enterprise shareholders), the Company will distribute the 2011 final dividends after deducting income tax of 10%.

Pursuant to the State Administration of Taxation Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) (the "SAT Notice") dated 28 June 2011, and the letter entitled "Tax arrangements on dividends paid to Hong Kong residents by Mainland companies" issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange Letter") dated 4 July 2011, the Company is required to withhold and pay the individual income tax in respect of the 2011 Final Dividends paid to the Individual H Shareholders, as a withholding agent on behalf of the same. However, the Individual H Shareholders may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the Individual H Shareholders are domiciled and the tax arrangements between Mainland China and Hong Kong (Macau).

The Company will finally withhold and arrange for the payment of the withholding tax pursuant to the above the SAT Notice and the Stock Exchange Letter and other relevant laws and regulation, including the "Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative)" (Guo Shui Fa [2009] No.124) (《國家稅務總局關於印發<非居民享受稅收協定待遇管理辦法(試行)>的通知》(國稅發[2009]124 號)) (the "Tax Treaties Notice"). The Company will determine the country of domicile of the Individual H Shareholders based on the registered addresses as recorded in the register of members of the Company on Wednesday, 6 June 2012 (the "Registered Address(es)"). The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the Individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the Individual H Shareholders or any disputes over the withholding mechanism or arrangements. Details of arrangements are as follows: (i) For Individual H Shareholders who are Hong Kong and Macau residents and those whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholder; (ii) For Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders. If the relevant Individual H Shareholders would like to apply for a refund of the additional amount of tax withheld and paid, the Company can assist the relevant shareholder to handle the application for the underlying preferential tax benefits pursuant to the tax treaties, provided that the relevant shareholder shall submit to the Company the information required under the Tax Treaties Notice on or before 31 July 2012. Upon examination and approval by competent tax authorities, the Company will assist in refunding the additional amount of tax withheld and paid. (iii) For Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will finally withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. and (iv) For Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or a country which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will finally withhold and pay individual income tax at the rate of 20% on behalf of the Individual H Shareholders.

If the domicile of an Individual H Shareholder is not the same as the Registered Address or if the Individual H Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the Individual H Shareholder shall notify and provide relevant supporting documents to the Company on or before 31 July 2012. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding provisions and arrangements. Individual H Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the Tax Treaties Notices if they do not provide the relevant supporting documents to the Company within the time period stated above.

Shareholders are recommended to consult their tax advisers regarding PRC, Hong Kong and other tax implications arising from their holding and disposal of H Shares of the Company.

By Order of the Board
Beijing Jingkelong Company Limited
Wei Tingzhan
Chairman

Beijing, the PRC
23 March 2012

As at the date of this announcement, the executive directors of the Company are Mr. Wei Tingzhan, Mr. Li Jianwen, Ms. Li Chunyan and Mr. Liu Yuejin; the non-executive directors are Mr. Gu Hanlin and Mr. Li Shunxiang; and the independent non-executive directors are Mr. Wang Liping, Mr. Chen Liping and Mr.Choi Onward.

* *For identification purpose only*