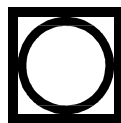


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## CHIA TAI ENTERPRISES INTERNATIONAL LIMITED

正大企業國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00121)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

#### UNAUDITED CONSOLIDATED RESULTS

The board of directors (the “Directors”) of Chia Tai Enterprises International Limited (the “Company” or “CTEI”) announces the unaudited condensed consolidated statement of comprehensive income of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2009 (the “Period”) together with the comparative figures in 2008, as follows:

#### Condensed Consolidated Statement of Comprehensive Income

	Notes	Unaudited	
		Six months ended 30th June,	
		2009	2008
		HK\$'000	HK\$'000
<b>Turnover</b>	2	<b>5,107,903</b>	2,661,417
Cost of sales		<b>(4,251,133)</b>	(2,187,748)
<b>Gross profit</b>		<b>856,770</b>	473,669
Other revenue	4	<b>265,859</b>	108,704
Other income	4	-	17,242
Other expenses		(772)	-
Distribution and store operating costs		<b>(800,759)</b>	(506,354)
Administrative expenses		<b>(249,403)</b>	(108,743)
<b>Profit/(loss) from operation</b>	2 & 5	<b>71,695</b>	(15,482)
Finance costs			
- Interest on convertible bonds	6	<b>(92,258)</b>	-
- Other finance costs		<b>(93,623)</b>	(53,187)
		<b>(185,881)</b>	(53,187)
<b>Loss before taxation</b>		<b>(114,186)</b>	(68,669)
Income tax	7	<b>(2,586)</b>	(7,714)
<b>Loss for the period</b>		<b>(116,772)</b>	(76,383)
<b>Other comprehensive income</b>			
Exchange differences on translation of financial statements of subsidiaries in the People's Republic of China (“PRC”)		<b>4,256</b>	9,488
<b>Total comprehensive expenses for the period</b>		<b>(112,516)</b>	(66,895)

## Condensed Consolidated Statement of Comprehensive Income (Continued)

		Unaudited	
		Six months ended 30th June,	
		2009	2008
	Notes	HK\$'000	HK\$'000
<b>Loss attributable to:</b>			
Equity shareholders of the Company		(116,772)	(75,628)
Minority interests		-	(755)
		<u>(116,772)</u>	<u>(76,383)</u>
<b>Total comprehensive expenses attributable to:</b>			
Equity shareholders of the Company		(112,516)	(68,938)
Minority interests		-	2,043
		<u>(112,516)</u>	<u>(66,895)</u>
<b>Loss per share</b>	9		
- Basic and diluted		<u>(1.09) HK cents</u>	<u>(1.26) HK cents</u>

## Condensed Consolidated Statement of Financial Position

		Unaudited	Audited
		30th June,	31st December,
		2009	2008
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Fixed assets			
- Property, plant and equipment		1,917,414	2,000,442
- Interests in leasehold land held for own use under operating leases		195,194	199,074
		<u>2,112,608</u>	<u>2,199,516</u>
Intangible assets		256,619	260,713
Goodwill		3,083,994	3,083,965
Prepaid lease payments for premises		7,346	6,831
Deferred tax assets		104,766	105,634
		<u>5,565,333</u>	<u>5,656,659</u>
<b>Current assets</b>			
Prepaid lease payments for premises		2,253	5,288
Inventories		574,695	900,969
Trade and other receivables	10	1,017,112	990,812
Income tax recoverable		9,277	9,277
Pledged and restricted bank deposits		435,823	573,651
Cash and cash equivalents		307,945	296,631
		<u>2,347,105</u>	<u>2,776,628</u>
Assets classified as held for sale	11	12,478	12,473
		<u>2,359,583</u>	<u>2,789,101</u>

## Condensed Consolidated Statement of Financial Position (Continued)

		Unaudited 30th June, 2009 HK\$'000	Audited 31st December, 2008 HK\$'000
	<i>Notes</i>		
<b>Current liabilities</b>			
Trade and other payables	12	3,220,845	3,437,670
Bank loans		1,517,380	2,033,682
Other loans		897,775	876,764
Consideration payable for acquisition of subsidiaries		60,450	60,450
Obligations under finance leases		4,099	4,421
Current taxation		11,531	3,632
Provisions		59,514	71,301
		<u>5,771,594</u>	<u>6,487,920</u>
<b>Net current liabilities</b>		<u>(3,412,011)</u>	<u>(3,698,819)</u>
<b>Total assets less current liabilities</b>		<u>2,153,322</u>	<u>1,957,840</u>
<b>Non-current liabilities</b>			
Bank loans		390,000	-
Convertible bonds		1,148,420	1,174,928
Consideration payable for acquisition of subsidiaries		30,225	60,450
Obligations under finance leases		228,009	229,740
Deferred tax liabilities		51,967	53,380
		<u>1,848,621</u>	<u>1,518,498</u>
<b>NET ASSETS</b>		<u>304,701</u>	<u>439,342</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		214,064	214,064
Reserves		90,637	225,278
<b>TOTAL EQUITY</b>		<u>304,701</u>	<u>439,342</u>

## Notes to Condensed Consolidated Financial Statements

### 1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

The interim financial statements does not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the 2008 annual financial statements.

The accounting policies used in the condensed financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31st December, 2008.

During the Period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRS") and interpretations issued by the HKICPA, which are applicable to the Group's operation and effective for the Group's financial year beginning 1st January, 2009. The adoption of these standards and interpretations, except for HKAS 1 (Revised) as described below, had no material impact on the results or financial position of the Group for the current or prior accounting periods have been prepared and presented.

HKAS 1 (Revised), "Presentation of Financial Statements" separates owners and non-owners' changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owners' changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

The Group has not early adopted the following new and revised standards and interpretations which have been issued but are not yet effective:

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvement to HKFRSs issued in 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>3</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) - Int 18	Transfer of Assets from Customers <sup>4</sup>

1 Effective for annual periods beginning on or after 1st July, 2009.

2 Amendments that are effective for annual periods beginning on or after 1st July, 2009 or 1st January, 2010, as appropriate.

3 Effective for annual periods beginning on or after 1st January, 2010.

4 Effective for transfers on or after 1st July, 2009.

The adoption of the above new and revised standards and interpretations will have no material impact on the financial statements and the accounting policies of the Group.

## 2. TURNOVER

Turnover represents the net amounts received and receivable for goods sold by the Group to external customers, less returns and allowances for the period and is analysed as follows:

	Unaudited	
	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
Sales of goods	<b>5,107,903</b>	2,661,417

## 3. SEGMENT INFORMATION

In the current period, the Group has applied HKFRS 8, "Operating Segments" issued by the HKICPA, which replaces HKAS 14, "Segment Reporting". It requires segmental information to be disclosed on the same basis as used for internal reporting purposes.

The Group is engaged in retail business of the operation of hypermarket stores in the PRC and all of its sales during the periods are generated in the PRC. Under the requirement of HKFRS 8, the Group has only one business segment for the periods ended 30th June, 2009 and 2008.

## 4. OTHER REVENUE AND OTHER INCOME

	Unaudited	
	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
<b>Other revenue</b>		
Leasing of store premises	121,589	69,346
Management service fee	35,122	-
Procurement service fee	1,615	-
Interest income	6,470	2,794
Other promotion and service income	101,063	36,564
	<b>265,859</b>	108,704
<b>Other income</b>		
Foreign exchange gain	-	16,597
Profit on disposal of fixed assets	-	645
	-	17,242

## 5. DEPRECIATION AND AMORTIZATION

During the Period, depreciation of HK\$124.9 million (2008: HK\$61.3 million) in respect of the Group's property, plant and equipment, amortisation of HK\$4.0 million (2008: HK\$3.8 million) in respect of interests in leasehold land held for own use under operating leases of the Group and amortisation of HK\$4.2 million (2008: Nil) in respect of the Group's intangible assets were charged.

## 6. INTEREST ON CONVERTIBLE BONDS

Interest on convertible bonds of HK\$92.3 million for the six months ended 30th June, 2009 consisted of HK\$7.8 million representing coupon interest at 1% per annum on the principal amount of the convertible bonds, which was an actual cash payment and HK\$84.5 million representing additional non-cash interest element arising from the remeasurement of the liability component of the convertible bonds using the effective interest rate method.

## 7. TAX

	<b>Unaudited</b>	
	<b>Six months ended 30th June,</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current tax - PRC</b>		
Provision for the period	<b>3,106</b>	8,134
<b>Deferred tax</b>		
Reversal of temporary differences	<u>(520)</u>	<u>(420)</u>
Taxation charge	<u><b>2,586</b></u>	<u>7,714</u>

No provision for Hong Kong profits tax has been made as the Group has no assessable profits which were earned in or derived from Hong Kong during the Period. Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the areas in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

## 8. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the Period (2008: Nil).

## 9. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss attributable to equity shareholders of the Company for the Period of HK\$116.8 million (2008: HK\$75.6 million) and on the 9,184,414,410 weighted average number of ordinary shares and 1,518,807,075 weighted average number of preference shares (2008: 5,996,614,408 weighted average number of ordinary shares) in issue during the Period.

For the six months ended 30th June, 2009 and 2008, the diluted loss per share is the same as the basic loss per share as all potential ordinary shares are anti-dilutive.

## 10. TRADE AND OTHER RECEIVABLES

	<b>THE GROUP</b>	
	<b>Unaudited</b>	Audited
	<b>30th June,</b>	31st December,
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables, other receivables and deposits	252,832	212,040
Amounts due from related companies	764,280	778,772
	<b>1,017,112</b>	<b>990,812</b>

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis:

	<b>THE GROUP</b>	
	<b>Unaudited</b>	Audited
	<b>30th June,</b>	31st December,
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 30 days overdue	27,104	33,015
31 to 60 days overdue	1,500	1,189
61 to 90 days overdue	280	630
Over 90 days	745	5,245
	<b>29,629</b>	<b>40,079</b>

## 11. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale represent:

	<b>THE GROUP</b>	
	<b>Unaudited</b>	Audited
	<b>30th June,</b>	31st December,
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land use right (note)	12,478	12,473

Note: During the year ended 31st December, 2004, a subsidiary of Lotus-CPF (PRC) Investment Company Limited (“Lotus-CPF”) entered into an agreement with an independent third party to dispose of a land use right at a consideration of approximately RMB11.0 million (equivalent to approximately HK\$12.5 million (2008: HK\$12.5 million)). Accordingly, the land use right is classified as an asset held for sale and presented separately in the condensed consolidated statement of financial position. As at 31st December, 2008 and the end of the Period, the transaction for the disposal of the land use right has not been completed pending the approval of the relevant government authorities.

## 12. TRADE AND OTHER PAYABLES

	<b>THE GROUP</b>	
	<b>Unaudited</b>	Audited
	<b>30th June,</b>	31st December,
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Notes payable	358,874	47,632
Creditors and accrued charges	2,646,083	3,200,121
Amounts due to related companies	215,888	189,917
	<u>3,220,845</u>	<u>3,437,670</u>

Included in trade and other payables are trade creditors and notes payable of approximately HK\$2,167.4 million (2008: approximately HK\$2,382.9 million) with the following ageing analysis:

	<b>THE GROUP</b>	
	<b>Unaudited</b>	Audited
	<b>30th June,</b>	31st December,
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days of invoice date	2,015,505	1,998,897
31 to 60 days after invoice date	36,728	285,244
61 to 90 days after invoice date	28,265	51,437
More than 90 days after invoice date	86,933	47,285
	<u>2,167,431</u>	<u>2,382,863</u>



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

The Group recorded a loss attributable to shareholders for the six months ended 30th June, 2009 of HK\$116.8 million (2008: HK\$75.6 million).

Revenue rose by HK\$2,446.5 million to HK\$5,107.9 million. The increase in revenue was primarily a result of the completion of the Restructuring in October 2008 whereas CTEI acquired 21 performing stores from Shanghai Lotus Supermarket Chain Store Co., Ltd. while disposing 11 non-performing stores to C.P. Holding (BVI) Investment Company Limited. Revenue from the acquired performing stores amounted to approximately HK\$2,922.0 million. Same store sales drop of 2.3% was recorded during the Period.

Gross profit margin which includes income from suppliers dropped slightly from 17.8% to 16.8%, which was due to the general price decrease in food prices such as meat, egg & edible oil and more price-cutting promotional activities were launched to boost sales.

Revenue from leasing of store premises amounted to approximately HK\$121.6 million, or 2.4% of sales (2008: 2.6%). The decrease was a result of the Group's continued rollout of store renovation plan and some consignment areas had to be closed down for renovation.

Distribution and store operating costs was HK\$800.8 million, represented a decrease from 19.0% of sales to 15.7% of sales during the Period. It mainly comprised of utilities, personnel and rental expenses for a total of HK\$568.2 million. This cost improvement was a result of more stringent cost control measures in place including usage of energy-saving equipment. More training was introduced to increase the efficiency of our labour force which helped to reduce the cost further.

Administrative expenses of HK\$249.4 million mainly included personnel expenses of HK\$160.5 million and professional fee of HK\$22.4 million.

Loss for the Period was HK\$116.8 million, compared to HK\$76.4 million for the corresponding period in 2008. Included in the interest expenses was interest on convertible bonds of HK\$92.3 million (2008: Nil) of which HK\$7.8 million representing coupon interest at 1% per annum on the principal amount of the convertible bonds, which was an actual cash payment and HK\$84.5 million representing additional non-cash interest element arising from the remeasurement of the liability component of the convertible bonds using the effective interest rate method. The convertible bonds were issued in October 2008 upon the completion of the Restructuring. Earnings before interest, taxation, depreciation and amortization ("EBITDA") improved significantly from HK\$49.6 million (1.9% of sales) to HK\$204.8 million (4.0% of sales).

### **Capital Structure**

For the period ended 30th June, 2009, there has been no change in the Company's issued share capital.

### **Liquidity and Financial Resources**

As at end of the Period, the Group had net current liabilities and net assets of approximately HK\$3,412.0 million and HK\$304.7 million respectively and incurred a loss of HK\$116.8 million for the Period then ended.

As at 30th June, 2009, the Group had short term bank loans of HK\$1,517.4 million (31st December, 2008: HK\$2,033.7 million). The Group had unsecured other loans of HK\$897.8 million (31st December, 2008: HK\$876.8 million) of which HK\$710.6 million (31st December, 2008: HK\$767.6 million) were advanced from related companies. The current portion of unsecured other loans amounted to HK\$897.8 million and HK\$876.8 million at the period ended 30th June, 2009 and the year ended 2008 respectively. The Group had cash and cash equivalents amounting to HK\$307.9 million, representing a 1.04 times of the balance as at the end of 2008.

### **Gearing and Current Ratios**

As at 30th June, 2009, the gearing ratio of the Group stood at 12.98 (gearing ratio was calculated by dividing interest-bearing bank loans, other borrowings and convertible bonds by shareholders' equity) (31st December, 2008: 9.30) and current ratio of the Group was 0.41 (31st December, 2008: 0.43).

### **Foreign Currency Exposure**

Most of the Group's monetary assets and liabilities are denominated in Hong Kong dollars, RMB and US dollars. As the Hong Kong dollar is pegged to US dollar and the fluctuation in the exchange rates has been relatively small in recent years, and the sales and purchases of the PRC subsidiaries are mainly in RMB which minimizes the RMB exchange effect, therefore, the Group believes it faces minimal foreign currency risk and thus, has not undertaken any hedging activities.

### **Employees, Training and Remuneration Policy**

The Group had around 15,000 employees as at 30th June, 2009. The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits include insurance and medical cover, subsidized training programmes as well as share option scheme for senior management.

## **BUSINESS REVIEW**

As at the date of this announcement, the Group operates a total of 44 hypermarkets in China, of which 21 are located in the East region, 13 in the South region and 10 in the North region of China.

The completion of Restructuring opened a new chapter for the Group, enabling it to focus its efforts on development and improvement of the operations of its hypermarket stores. China's economy has been adversely affected by the global economic crisis in particular the end of 2008 and first half of 2009. According to the National Statistic Bureau, China's CPI continued to slide and hitting a record low of -1.6% in February 2009 while food prices dropped 1.9%. Retail sales growth also slowed down from 19% at the beginning of year to 15% in June 2009. Job security has become the biggest concern for customers in China which tends to slow spending large ticket discretionary items.

Despite the adversity, China is one of the first countries to recover due to the speedy fiscal policy of the government to stimulate the economy and the high level of personal savings also helped to maintain consumers' confidence.

The Group continued to focus on its strategy to remain competitive during the Period, including the transforming of our stores into Lifestyle model to provide a one stop shopping format with shopping, leisure and food & beverage offerings. We continued to bring in more well-known tenants to our consignment areas to attract more affluent customers with higher disposing income. As of this date, the transformation of 13 of our 21 stores in the East region have been completed.

Various marketing activities were held to boost sales and further raise Lotus' profile including Happy Girl Meet and Greet, Welcome Expo Energy-saving activity, Kids Drawing Contest, Lotus' 12th Year Anniversary Celebrations, and Thai Food Festival etc. The Group has been reviewing its house brand program, so far, 59 new house brand products were launched in 2009. We also continued to introduce new products with higher margin.

In order to create a safer and more comfortable working environment, the Group launched an ISO Continuous Improvement Project – 7S in April 2009. The objective was to improve current backroom process and standard, reduce storage space waste, reduce unnecessary shrinkage and damage, thereby increasing the overall working efficiency.

The Group continued to focus and invest in developing our people. We reviewed and reset our people management system in order to motivate and retain talents. Bi-weekly training is provided to store managers, they learn about Consignment, Merchandise, Assortment, Accounting, Marketing and Contract & Labour Law etc.

### **FUTURE OUTLOOK**

The Group believes the worst of the financial crisis is behind us and China's economy is on its way to steady recovery. The impact of the government's fiscal policy to boost the economy continued to be felt and we were able to share the growth driven by such policy. As the market continues to consolidate, enhancing our overall competitiveness remains our priority.

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the Period.

### **AUDIT COMMITTEE**

The Audit Committee comprises the three Independent Non-Executive Directors of the Company. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

By Order of the Board  
**James H. Haworth**  
*Chairman*

Hong Kong, 16th September, 2009

*As at the date of this announcement, the Board comprises fifteen executive directors, namely Mr. James H. Haworth, Mr. Soopakij Chearavanont, Mr. Michael Ross, Mr. Narong Chearavanont, Mr. Tse Ping, Mr. Yang Xiaoping, Mr. Li Wen Hai, Mr. Zheng Mengyin, Mr. Umroong Sanphasitvong, Mr. Robert Ping-Hsien Ho, Mr. Meth Jiaravanont, Mr. Nopadol Chiaravanont, Mr. Chatchaval Jiaravanon, Mr. Suphachai Chearavanont and Mr. Kachorn Chiaravanont and three independent non-executive directors, namely Mr. Viroj Sangsnit, Mr. Chokchai Kotikula and Mr. Cheng Yuk Wo.*