



Chia Tai Enterprises International Limited  
正大企業國際有限公司

Incorporated in the Cayman Islands with limited liability  
於開曼群島註冊成立之有限公司

Stock Code 股份代號: 00121

Interim  
Report

2008中期報告



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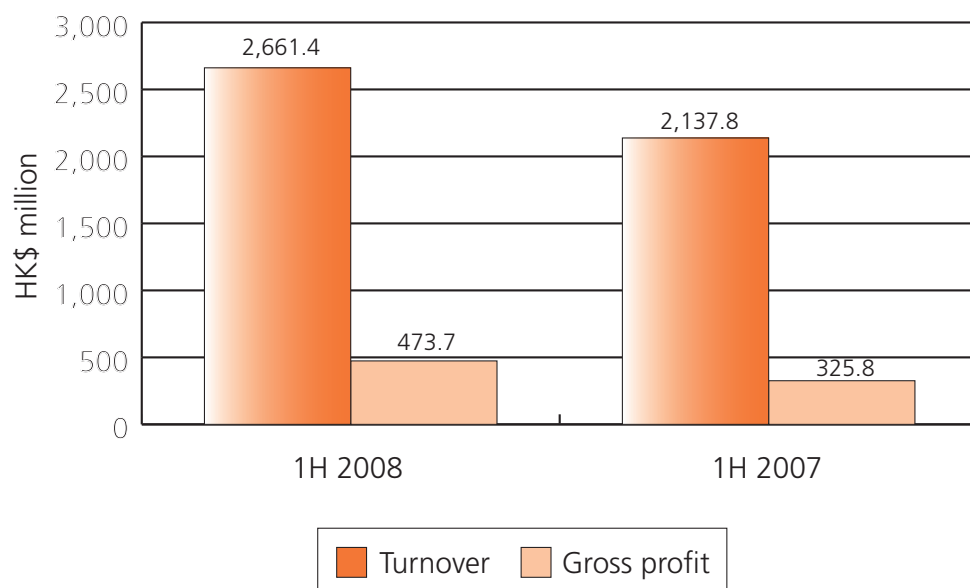
## FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30th June,		Change
	2008 HK\$ million	2007 HK\$ million (Restated)	
Turnover	2,661.4	2,137.8	24.5%
Gross Profit	473.7	325.8	45.4%
Loss for the period	(76.4)	(205.3)	62.8%
EBITDA	49.6	(79.7)	162.2%

### Highlights

- Strong turnover growth
- EBITDA turned positive and significantly improved
- Continue to improve shopping experience for our customers
- Positive outlook for the remainder of the year and beyond

### TURNOVER VS. GROSS PROFIT





## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Review

Chia Tai Enterprises International Limited (the "Company") and its subsidiaries (collectively known as the "Group") recorded a loss attributable to shareholders for the six months ended 30th June, 2008 (the "Period") of HK\$75.6 million (2007: HK\$202.4 million).

Revenue rose by HK\$523.7 million, or 24.5% to HK\$2,661.4 million. The increase in revenue was primarily a result of like-for-like growth of 21.2% and the contribution from a new store located in the southern region which was opened in the third quarter of 2007.

Gross profit margin which includes income from suppliers increased from 15.2% to 17.8%. Increase in purchase volume which enhanced our bargaining power with suppliers, increase in promotional activities and our continuous efforts to optimize merchandise mix and implement better pricing strategy all contributed to the improvement in the margin.

Revenue from leasing of store premises rose 38.9% to HK\$69.3 million, approximately 2.6% of sales. It represents income received from our tenants for leasing of the consignment areas. Increase in revenue from leasing of store premises was due primarily to the increase in the rental rates upon renewal of agreements as most of the leases have a lease term of 1 year or less. We will continue to bring in well-known tenants to our consignment areas and emphasize on total shopping experience by providing customers with shopping, leisure and food & beverage services to attract greater foot traffic and an increase in consignment revenue.

Distribution and store operating costs was HK\$506.4 million, represent a decrease from 22.5% of sales for the corresponding period in 2007 to 19.0% of sales during the Period. It mainly comprised of utilities, personnel and rental expenses for a total of HK\$363.4 million. We expect the distribution and store operation costs over sales will continue to decline as sales continue to pick up and more stringent cost control measures are in place.

Administrative expenses of HK\$108.7 million, represent a decrease from 5.3% of sales for the corresponding period in 2007 to 4.1% of sales during the Period. Administrative expenses mainly included personnel expenses of HK\$76.4 million and professional fee of HK\$4.6 million.

Loss for the Period was HK\$76.4 million, compared to HK\$205.3 million for the corresponding period in 2007. Earnings before interest, taxation, depreciation and amortization ("EBITDA") improved significantly from HK\$(79.7) million in 2007 to HK\$49.6 million in 2008. This was primarily attributable to improvement in revenue, a 2.6% point increase in gross profit margin and the relative reduction in operating cost.

### *Capital Structure*

For the period ended 30th June, 2008, 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 liabilities of approximately HK\$1,268.4 million and HK\$386.5 million respectively and incurred a loss of HK\$76.4 million for the Period then ended.

As at 30th June, 2008, the Group had short term bank loans of HK\$580.1 million (31st December, 2007: HK\$110.0 million). The Group had unsecured other loans of HK\$558.5 million (31st December, 2007: HK\$449.6 million) of which all (31st December, 2007: HK\$441.8 million) were advanced from related companies. The current portion of unsecured other loans amounted to HK\$511.8 million and HK\$403.0 million at the period ended 30th June, 2008 and the year ended 2007 respectively. The Group had cash and cash equivalents amounting to HK\$187.8 million, representing 92.2% of the balance as at the end of 2007.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### Financial Review (Continued)

#### *Gearing and Current Ratios*

As at 30th June, 2008, the gearing ratio of the Group stood at -2.91 (gearing ratio was calculated by dividing interest-bearing bank loans and other borrowings by shareholders' equity) (31st December, 2007: -2.95) and current ratio of the Group was 0.48 (31st December, 2007: 0.61).

#### *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 11,000 employees as at 30th June, 2008. 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

During the Period, the Group continued to focus on the operation of its hypermarket business in China and no new store was opened to conform with the Group's strategy to maintain its focus on the financial turnaround of its existing portfolio.

As at the date of this report, the Group operates a total of 33 hypermarkets stores in China, of which 21 are located in the Northern region and 12 in the Southern region of China.

Sales increased by 24.5% from HK\$2,137.8 million to HK\$2,661.4 million and loss for the Period reduced significantly from HK\$205.3 million to HK\$76.4 million, an encouraging result which demonstrated our continuous effort to review merchandise mix to ensure right products are offered to our customers; more marketing and promotional activities were organised to boost sales and strengthen customer loyalty and our commitment to reduce cost with more stringent cost measures in place.

While focusing on the operation of the hypermarket business, the Group also played its part in tackling some of the social and environmental challenges. Immediately after the Sichuan earthquake, the Group launched a donation campaign among all staff, the money raised were used to purchase food, medical aids and other necessities and delivered to those who were so unfortunately affected. Effective from 1st June, 2008, the PRC government banned free plastic bag, all plastic bags sold in our stores are in compliance with government standards. In addition, we also designed and manufactured our own Lotus shopping bags which are sold at very affordable prices to encourage people to use less single-use carrier bag and be more environmental friendly.

#### *The Restructuring*

On 30th July, 2008, the Company announced that as certain conditions precedent under the Acquisition Agreement were still outstanding, the parties to the Acquisition Agreement have agreed to extend the long-stop date of the Acquisition Agreement to 31st December, 2008. Efforts are continuing to be made to the fulfillment of those conditions and it is now expected that completion of the Restructuring will take place in the fourth quarter of 2008.

### Future Outlook

Good momentum in first half of 2008 reinforces our confidence that performance will continue to improve and we are on the right track for a financial turnaround. In addition to continue to do the right things for our customers, we will focus our efforts to fulfill the outstanding conditions precedent to ensure the Restructuring, a new phase of our business, take place as soon as possible.



## UNAUDITED CONSOLIDATED RESULTS

The board of directors (the "Directors") of the Company announces the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June, 2008 together with the comparative figures in 2007, as follows:

### Condensed Consolidated Income Statement

	Notes	Unaudited	
		Six months ended 30th June,	
		2008 HK\$'000	2007 HK\$'000 (Restated)
<b>Turnover</b>	2	<b>2,661,417</b>	2,137,762
Cost of sales		<b>(2,187,748)</b>	(1,811,935)
<b>Gross profit</b>		<b>473,669</b>	325,827
Other revenue	3	<b>108,704</b>	98,815
Other net income	3	<b>17,242</b>	8,372
Distribution and store operating costs		<b>(506,354)</b>	(481,300)
Administrative expenses		<b>(108,743)</b>	(113,133)
<b>Loss from operation</b>	2 & 4	<b>(15,482)</b>	(161,419)
Finance costs		<b>(53,187)</b>	(42,808)
<b>Loss before taxation</b>		<b>(68,669)</b>	(204,227)
Income tax	5	<b>(7,714)</b>	(1,093)
<b>Loss for the period</b>		<b>(76,383)</b>	(205,320)
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(75,628)</b>	(202,380)
Minority interests		<b>(755)</b>	(2,940)
<b>Loss for the period</b>		<b>(76,383)</b>	(205,320)
<b>Loss per share</b>	7		
– Basic and diluted		<b>(1.26) HK cents</b>	(3.37) HK cents

## UNAUDITED CONSOLIDATED RESULTS (Continued)

### Condensed Consolidated Balance Sheet

	Notes	Unaudited 30th June, 2008 HK\$'000	Audited 31st December, 2007 HK\$'000
<b>Non-current assets</b>			
Fixed assets			
– Property, plant and equipment	9	991,161	982,201
– Interests in leasehold land held for own use under operating leases		204,078	195,255
		<b>1,195,239</b>	1,177,456
Goodwill		35,359	29,487
Deposits for acquisition of additional interest in subsidiaries		11,374	14,604
Prepaid lease payments for premises		11,123	13,965
Deferred tax assets		4,625	4,343
		<b>1,257,720</b>	1,239,855
<b>Current assets</b>			
Prepaid lease payments for premises		5,985	8,825
Long-term deposits receivable within one year		11,374	21,362
Inventories		304,196	356,297
Trade and other receivables	10	133,014	120,824
Income tax recoverable		5,981	1,631
Pledged bank deposits		39,869	38,208
Cash and cash equivalents		163,201	181,252
		<b>663,620</b>	728,399
Assets classified as held for sale	11	525,195	497,273
		<b>1,188,815</b>	1,225,672
<b>Current liabilities</b>			
Trade and other payables	12	1,020,469	1,087,470
Bank loans	13	580,122	110,043
Other loans	14	511,830	402,997
Consideration payable for acquisition of subsidiaries		60,450	111,772
Obligations under finance leases		3,847	3,427
Provisions		26,571	24,951
		<b>2,203,289</b>	1,740,660
Liabilities associated with assets classified as held for sale	11	253,894	260,526
		<b>2,457,183</b>	2,001,186
<b>Net current liabilities</b>		<b>(1,268,368)</b>	(775,514)
<b>Total assets less current liabilities</b>		<b>(10,648)</b>	464,341
<b>Non-current liabilities</b>			
Bank loans	13	–	390,000
Other loans	14	46,642	46,642
Consideration payable for acquisition of subsidiaries		90,675	120,900
Obligations under finance leases		232,985	220,573
Deferred tax liabilities		5,535	5,602
		<b>375,837</b>	783,717
<b>NET LIABILITIES</b>		<b>(386,485)</b>	(319,376)
<b>CAPITAL AND RESERVES</b>			
Share capital		119,932	119,932
Reserves		(510,934)	(441,996)
<b>Total equity attributable to equity shareholders of the Company – deficit</b>		<b>(391,002)</b>	(322,064)
<b>Minority interests</b>		<b>4,517</b>	2,688
<b>TOTAL EQUITY – DEFICIT</b>		<b>(386,485)</b>	(319,376)



## UNAUDITED CONSOLIDATED RESULTS (Continued)

### Condensed Consolidated Statement of Changes in Equity

	Unaudited									
	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Revaluation reserve	Share option reserve	Reorganization reserve	Exchange reserve	Accumulated losses	Total	Minority interests	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2008	119,932	931,688	(8,839)	50,670	105,567	81,476	(1,602,558)	(322,064)	2,688	(319,376)
Exchange differences on translation of financial statements of the subsidiaries in the PRC recognised directly in equity	-	-	-	-	-	6,690	-	6,690	2,798	9,488
Net loss for the Period	-	-	-	-	-	-	(75,628)	(75,628)	(755)	(76,383)
Acquisition of minority interests	-	-	-	-	-	-	-	-	(214)	(214)
At 30th June, 2008	119,932	931,688	(8,839)	50,670	105,567	88,166	(1,678,186)	(391,002)	4,517	(386,485)
At 1st January, 2007	119,932	931,688	(8,839)	50,670	105,567	24,315	(1,295,229)	(71,896)	2,517	(69,379)
Exchange differences on translation of financial statements of the subsidiaries in the PRC recognised directly in equity	-	-	(323)	-	-	(3,715)	-	(4,038)	(1,376)	(5,414)
Net loss for the period	-	-	-	-	-	-	(202,380)	(202,380)	(2,940)	(205,320)
At 30th June, 2007	119,932	931,688	(9,162)	50,670	105,567	20,600	(1,497,609)	(278,314)	(1,799)	(280,113)

### Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Net cash generated from operating activities	49,960	85,876
Net cash used in investing activities	(94,780)	(753)
Net cash generated from/(used in) financing activities	15,850	(62,660)
Net (decrease)/increase in cash and cash equivalents	(28,970)	22,463
Effect of foreign exchange rate changes	13,110	3,558
Cash and cash equivalents at 1st January	203,680	98,528
Cash and cash equivalents at 30th June	187,820	124,549





## UNAUDITED CONSOLIDATED RESULTS (Continued)

### 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 “Stock Exchange”).

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 2007 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, 2007.

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, 2008. The adoption of these standards and interpretations 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.

The following new and revised standards and interpretations have been issued but are not effective as at the balance sheet date and have not been early adopted:

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 (Revised)	Presentation of Financial Statements	1st January, 2009
HKAS 23 (Revised)	Borrowing Costs	1st January, 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July, 2009
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation	1st January, 2009
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations	1st January, 2009
HKFRS 3 (Revised)	Business Combinations	1st July, 2009
HKFRS 8	Operating Segments	1st January, 2009
HK(IFRIC) – Int 13	Customer Loyalty Programmes	1st July, 2008

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.



## UNAUDITED CONSOLIDATED RESULTS (Continued)

### Notes to Condensed Consolidated Financial Statements (Continued)

#### 2. TURNOVER AND SEGMENTAL INFORMATION

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,	
	2008	2007
	HK\$'000	HK\$'000 (Restated)
Sales of goods	<u>2,661,417</u>	<u>2,137,762</u>

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. Accordingly, no business segment and geographical segment analysis of the Group is presented for the periods ended 30th June, 2008 and 2007 as it is not subject to different risks and returns in its activities and the geographical regions in which it operates.

#### 3. OTHER REVENUE AND OTHER NET INCOME

	Unaudited	
	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000 (Restated)
<b>Other revenue</b>		
Leasing of store premises	69,346	49,921
Interest income	2,794	5,206
Other promotion and service income	36,564	43,688
	<u>108,704</u>	<u>98,815</u>
<b>Other net income</b>		
Net foreign exchange gain	16,597	9,542
Net profit/(loss) on disposal of fixed assets	645	(1,170)
	<u>17,242</u>	<u>8,372</u>

#### 4. DEPRECIATION AND AMORTIZATION

During the Period, depreciation and amortization of HK\$65.1 million (2007: HK\$81.7 million) was charged in respect of the Group's property, plant and equipment, and interest in leasehold land held for own use under operating leases.



## UNAUDITED CONSOLIDATED RESULTS (Continued)

### Notes to Condensed Consolidated Financial Statements (Continued)

#### 5. TAX

	Unaudited	
	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
<b>Current tax – PRC</b>		
Provision for the period	8,134	1,592
<b>Deferred tax</b>		
Reversal of temporary differences	(420)	(499)
Taxation charge	7,714	1,093

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.

#### 6. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the Period (2007: Nil).

#### 7. LOSS PER SHARE

##### (a) Basic loss per share

The calculation of basic loss per share was based on the loss attributable to the Company's shareholders for the Period of HK\$75.6 million (2007: loss of HK\$202.4 million) and the weighted average number of 5,996,614,408 shares (2007: 5,996,614,408 shares) of the Company in issue during the Period.

##### (b) Diluted loss per share

The diluted loss per share for the six months ended 30th June, 2007 and 2008 is the same as the basic loss per share as all potential ordinary shares are anti-dilutive.

#### 8. TRANSFER TO/FROM RESERVE

There was no transfer to/from reserve of the Company in either the current or the prior interim reporting period.

#### 9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group spent HK\$14.3 million (2007: HK\$35.8 million) on leasehold improvements and equipment.



**UNAUDITED CONSOLIDATED RESULTS (Continued)**  
**Notes to Condensed Consolidated Financial Statements (Continued)**

**10. TRADE AND OTHER RECEIVABLES**

	<b>THE GROUP</b>	
	<b>Unaudited 30th June, 2008 HK\$'000</b>	Audited 31st December, 2007 HK\$'000
Trade receivables, other receivables and deposits	<b>128,554</b>	117,825
Amounts due from related companies	<b>4,460</b>	2,999
	<b>133,014</b>	120,824

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 30th June, 2008 HK\$'000</b>	Audited 31st December, 2007 HK\$'000
Current to 30 days overdue	<b>7,292</b>	8,488
31 to 60 days overdue	<b>156</b>	158
61 to 90 days overdue	<b>78</b>	72
Over 90 days	<b>1,561</b>	682
	<b>9,087</b>	9,400

**11. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE**

Assets classified as held for sale represent:

	<b>THE GROUP</b>	
	<b>Unaudited 30th June, 2008 HK\$'000</b>	Audited 31st December, 2007 HK\$'000
Assets subject to the Disposal Agreement ( <i>note (a)</i> )	<b>512,684</b>	485,524
Land use right ( <i>note (b)</i> )	<b>12,511</b>	11,749
	<b>525,195</b>	497,273



## UNAUDITED CONSOLIDATED RESULTS (Continued)

### Notes to Condensed Consolidated Financial Statements (Continued)

#### 11. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

- (a) On 17th May, 2007, the Company entered into an agreement to dispose of the shares or interests held by the Group in Chia Tai Trading (Tianjin) Company Limited, Chia Tai Trading (Jinan) Company Limited, Chia Tai Trading (Shijiazhuang) Company Limited and 泰安易初蓮花連鎖超市有限公司 and certain business conducted by Beijing Lotus Supermarket Chain Store Co., Ltd., the consideration for the disposal is HK\$433.4 million, the assets and liabilities attributable to the shares or interests, which were expected to be sold within twelve months, were classified as held for sale and presented separately in the condensed consolidated balance sheet.

The major classes of assets and liabilities which were presented separately in the condensed consolidated balance sheet, are as follows:

	THE GROUP	
	Unaudited 30th June, 2008 HK\$'000	Audited 31st December, 2007 HK\$'000
<b>Assets classified as held for sale</b>		
Property, plant and equipment	370,830	345,442
Prepaid lease payments for premises	2,216	1,068
Inventories	105,479	105,647
Trade and other receivables	9,540	10,939
Cash and bank balances	24,619	22,428
	<b>512,684</b>	485,524
<b>Liabilities associated with assets classified as held for sale</b>		
Trade payables	239,446	230,963
Other creditors and accrued charges	14,448	29,563
	<b>253,894</b>	260,526

- (b) 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 (2007: HK\$11.7 million)). Accordingly, the land use right is classified as an asset held for sale and presented separately in the condensed consolidated balance sheet. As at 31st December, 2007 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.



**UNAUDITED CONSOLIDATED RESULTS (Continued)**  
**Notes to Condensed Consolidated Financial Statements (Continued)**

**12. TRADE AND OTHER PAYABLES**

	<b>THE GROUP</b>	
	<b>Unaudited 30th June, 2008 HK\$'000</b>	Audited 31st December, 2007 HK\$'000
Notes payable	<b>59,675</b>	41,881
Creditors and accrued charges	<b>934,869</b>	1,018,455
Amounts due to related companies	<b>25,925</b>	27,134
	<b>1,020,469</b>	1,087,470

Included in trade and other payables are trade creditors and notes payable of approximately HK\$716.7 million (2007: approximately HK\$746.3 million) with the following ageing analysis:

	<b>THE GROUP</b>	
	<b>Unaudited 30th June, 2008 HK\$'000</b>	Audited 31st December, 2007 HK\$'000
Within 30 days of invoice date	<b>652,693</b>	659,295
31 to 60 days after invoice date	<b>26,254</b>	58,639
61 to 90 days after invoice date	<b>19,841</b>	6,998
More than 90 days after invoice date	<b>17,934</b>	21,415
	<b>716,722</b>	746,347



**UNAUDITED CONSOLIDATED RESULTS (Continued)**  
**Notes to Condensed Consolidated Financial Statements (Continued)**

**13. BANK LOANS**

All the Group's bank loans as at 30th June, 2008 and 31st December, 2007 were unsecured and repayable as follows:

	<b>THE GROUP</b>	
	<b>Unaudited 30th June, 2008 HK\$'000</b>	Audited 31st December, 2007 HK\$'000
Within 1 year ( <i>note (i), (ii)</i> )	<b>580,122</b>	110,043
More than 1 year but within 2 years ( <i>note (ii)</i> )	–	390,000
	<b>580,122</b>	<b>500,043</b>

As at 30th June, 2008, bank loans include fixed and floating rate bank loans as follows:

- (i) As at 30th June, 2008, the Group has drawn down a fixed rate bank loan of HK\$34.1 million (2007: HK\$32.0 million) which bears interest at 8.75% per annum (2007: 8.75% per annum).

As at 30th June, 2008, the Company has drawn down floating rate bank loans of US\$20.0 million (2007: US\$10.0 million), equivalent to HK\$156.0 million (2007: HK\$78.0 million), bear interest rates at London Interbank Offered Rate ("LIBOR") plus 1.65% and LIBOR plus 3.075% per annum (2007: LIBOR plus 1.65% per annum).

- (ii) The Company has drawn down a floating rate bank loan amounting to US\$50.0 million, equivalent to HK\$390.0 million which bears interest at LIBOR plus 2.75% per annum and repayable on 31st March, 2009.



**UNAUDITED CONSOLIDATED RESULTS (Continued)**  
**Notes to Condensed Consolidated Financial Statements (Continued)**

**14. OTHER LOANS**

	<b>THE GROUP</b>	
	<b>Unaudited 30th June, 2008 HK\$'000</b>	Audited 31st December, 2007 HK\$'000
Loan from third party ( <i>note (i)</i> )	–	7,800
Loans from related companies ( <i>note (ii)</i> )	<b>558,472</b>	441,839
	<b>558,472</b>	449,639
Represented by:		
Within 1 year	<b>511,830</b>	402,997
More than 1 year but within 2 years	<b>46,642</b>	46,642
	<b>558,472</b>	449,639

- (i) As at 31st December, 2007, a loan of HK\$7.8 million borrowed from an independent third party was unsecured, bearing interest at 9% per annum and repaid in 2008.
- (ii) Loans from related companies, being subsidiaries of the Group's ultimate holding company comprise the following:
- (a) HK\$511.8 million (2007: HK\$395.2 million), which bears interest at People's Bank of China lending rate multiplied by 1.055 per annum, is unsecured and repayable on 31st December, 2008.
- (b) HK\$46.6 million (2007: HK\$46.6 million), which bears interest at three-month LIBOR plus 1.5% per annum, is unsecured and repayable on 31st December, 2009.

**15. COMMITMENTS**

	<b>THE GROUP</b>	
	<b>Unaudited 30th June, 2008 HK\$'000</b>	Audited 31st December, 2007 HK\$'000
Capital Commitments:		
Contracted for	<b>7,364</b>	14,974

**16. COMPARATIVE FIGURES**

Certain comparative figures were reclassified to conform with the current period presentation.





## DISCLOSURE OF INTERESTS

### Disclosure Pursuant to Rule 13.18 of the Listing Rules

On 22nd May, 2006, the Company entered into an agreement (the "Facility Agreement") with a bank in Thailand pursuant to the terms and subject to the conditions of which, the Company was granted a term loan facility of US\$50.0 million which will expire on 31st March, 2009.

Pursuant to the Facility Agreement, it would be an event of default thereunder if the Company fails to ensure that its controlling shareholder, the Chearavanont Family (being any one or more of Mr. Jaran Chiaravanont, Mr. Montri Jiaravanont, Mr. Sumet Jiaravanon and Mr. Dhanin Chearavanont (or any company or companies controlled by one or more of them) collectively) at all times maintain their aggregate shareholding (direct or indirect) in the Company of at least 50%.

The occurrence of the aforesaid event of default would render all outstanding liabilities of the Company under the Facility Agreement to become immediately due and payable.

### Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares or Debentures

As at 30th June, 2008, the interests and short positions of the Directors and chief executives of the Company in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(i) *Director's interests in shares of an associated corporation*

Name of Director	Name of associated corporation	Number of Shares held	Approximate percentage of shareholding
Mr. Umroong Sanphasitvong	Charoen Pokphand Foods Public Company Limited	2,000,000	0.03%

(ii) *Directors' interests in share options granted by the Company*

Pursuant to the share option scheme adopted by the Company on 31st May, 2002 (the "Scheme"), the Company had on 6th June, 2002, 10th November, 2003 and 24th May, 2005 granted to certain Directors of the Company the rights to subscribe for ordinary shares in the capital of the Company at exercise prices of HK\$0.07, HK\$0.19 and HK\$0.11 per share respectively, details of which are as follows:

Name of Directors	Date of Grant	Exercisable Period	Exercise Price HK\$	Number of Share Options					As at 30th June, 2008
				As at 1st January, 2008	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
Mr. Soopakij Chearavanont	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144



## DISCLOSURE OF INTERESTS (Continued)

### Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares or Debentures (Continued)

#### (ii) Directors' interests in share options granted by the Company (Continued)

Name of Directors	Date of Grant	Exercisable Period	Exercise Price HK\$	Number of Share Options					As at 30th June, 2008
				As at 1st January, 2008	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
Mr. Narong Chearavanont	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Tse Ping	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Yang Xiaoping	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Umroong Sanphatitvong	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Robert Ping-Hsien Ho	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144

## DISCLOSURE OF INTERESTS (Continued)

### Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares or Debentures (Continued)

#### (ii) Directors' interests in share options granted by the Company (Continued)

Name of Directors	Date of Grant	Exercisable Period	Exercise Price HK\$	Number of Share Options					As at 30th June, 2008
				As at 1st January, 2008	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
Mr. Meth Jiaravanont	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Chatchaval Jiaravanon	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Suphachai Chearavanont	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Kachorn Chiaravanont	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
<b>Total:</b>				<b>1,679,052,032</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,679,052,032</b>

Save as disclosed above, as at 30th June, 2008, none of the Directors and chief executives of the Company had any interest or short positions in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## DISCLOSURE OF INTERESTS (Continued)

### Persons who have an Interest or Short Positions which is discloseable under the SFO and Substantial Shareholders

As at 30th June, 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

Name of Shareholders	Notes	Number of shares held	Approximate percentage of shareholding (Note 1)
C.P. Holding (BVI) Investment Company Limited ("CPH")	(2)	8,407,126,096	140.20%
Worth Access Trading Limited ("Worth Access")	(2)	8,407,126,096	140.20%
Charoen Pokphand Holding Company Limited ("Charoen Pokphand Holding")	(2)	8,407,126,096	140.20%
Charoen Pokphand Group Company Limited ("CPG")	(2)	8,407,126,096	140.20%
CP ALL Public Company Limited ("CP ALL")	(3)	2,686,029,237	44.79%
Lotus Distribution Investment Limited ("LDIL")	(3)	2,249,231,423	37.51%
The China Retail Fund, LDC ("CRF")	(4)	1,612,055,458	26.88%
China Retail Management LDC ("CRM")	(4)	1,612,055,458	26.88%
China United Resource Co. Ltd. ("CUR")	(4)	1,612,055,458	26.88%
AIG Global Investment Corp. (Asia) Limited ("AIG Global")	(4)	1,612,055,458	26.88%
American International Group, Inc. ("AIG")	(4)	1,612,055,458	26.88%

*Notes:*

- (1) The percentages shown are based on the total number of shares in issue as at 30th June, 2008.
- (2) Worth Access had declared an interest in the same 8,407,126,096 shares in which CPH had declared an interest by virtue of Worth Access' shareholding in CPH whilst Charoen Pokphand Holding also declared an interest in such number of shares by virtue of its shareholding in Worth Access. CPG had declared an interest in the same 8,407,126,096 shares by virtue of its shareholding in Charoen Pokphand Holding.
- (3) CP ALL's interest included the interest of LDIL, its wholly-owned subsidiary.
- (4) CRM had declared an interest in the same 1,612,055,458 shares in which CRF had declared an interest as CRF is accustomed to act in accordance with the directions of CRM whilst CUR also declared an interest in such number of shares by virtue of its shareholding in CRM. AIG Global had declared an interest in the same 1,612,055,458 shares by virtue of its shareholding in CRM whilst AIG also declared an interest in the same number of shares by virtue of its shareholding in AIG Global.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 30th June, 2008.

## DISCLOSURE OF INTERESTS (Continued)

### Share Option Scheme

Details of the Directors' interest in the Scheme are set out in the sub-section headed "Directors' interests in share options granted by the Company" under section headed "Directors' and chief executives' interests and short positions in shares, underlying shares or debentures" above.

#### Outstanding Share Options

During the Period, options to subscribe for an aggregate of 1,798,984,320 shares (which include the options granted to certain Directors as disclosed above) of the Company granted pursuant to the Scheme were outstanding. Details are as follows:

Category of Participant	Date of Grant	Exercisable Period	Exercise Price HK\$	Number of Share Options					As at 30th June, 2008
				As at 1st January, 2008	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
Directors	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	539,695,296	-	-	-	-	539,695,296
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	539,695,296	-	-	-	-	539,695,296
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	599,661,440	-	-	-	-	599,661,440
Total for Directors:				1,679,052,032	-	-	-	-	1,679,052,032
Senior Executive	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
Total for Senior Executive:				119,932,288	-	-	-	-	119,932,288
<b>Total:</b>				<b>1,798,984,320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,798,984,320</b>

### Arrangement to Purchase Shares or Debentures

Save as disclosed in "Share Option Scheme" above, at no time during the Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### Directors' Interests in Contracts of Significance

No contract of significance, to which the Company, its holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.



## **CORPORATE GOVERNANCE**

### **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.

### **Model Code for Securities Transactions by Directors**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company for the six months ended 30th June, 2008.

### **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, 23rd September, 2008

As at the date of this report, the board of the Company comprises fourteen 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. 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 Sangsrit, Mr. Chokchai Kotikula and Mr. Cheng Yuk Wo.



## CORPORATE INFORMATION

### Executive Directors

Mr. James Harold Haworth (*Chairman*)  
Mr. Soopakij Chearavanont  
(*Chief Executive Officer & Executive Vice Chairman*)  
Mr. Michael Ross  
(*Executive Vice Chairman & Executive Vice President*)  
Mr. Narong Chearavanont (*Vice Chairman*)  
Mr. Tse Ping (*Vice Chairman*)  
Mr. Yang Xiaoping  
(*Vice Chairman & Executive Vice President*)  
Mr. Li Wen Hai  
(*Vice Chairman & Executive Vice President*)  
Mr. Umroong Sanphasitvong  
Mr. Robert Ping-Hsien Ho  
Mr. Meth Jiaravanont  
Mr. Nopadol Chiaravanont  
Mr. Chatchaval Jiaravanon  
Mr. Suphachai Chearavanont  
Mr. Kachorn Chiaravanont

### Independent Non-executive Directors

Mr. Viroj Sangsnit  
Mr. Chokchai Kotikula  
Mr. Cheng Yuk Wo

### Audit Committee

Mr. Cheng Yuk Wo  
Mr. Viroj Sangsnit  
Mr. Chokchai Kotikula

### Remuneration Committee

Mr. Soopakij Chearavanont  
Mr. Umroong Sanphasitvong  
Mr. Viroj Sangsnit  
Mr. Chokchai Kotikula  
Mr. Cheng Yuk Wo

### Company Secretary

Ms. Choi Yi Mei

### Qualified Accountant

Mr. Siu Hin Leung

### Authorised Representatives

Mr. Robert Ping-Hsien Ho  
Ms. Choi Yi Mei

### Registered Office

P.O. Box 309GT  
Ugland House  
South Church Street  
George Town  
Grand Cayman  
Cayman Islands

### Principal Place of Business

21st Floor  
Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### Auditors

Messrs. KPMG  
8th Floor, Prince's Building  
10 Chater Road  
Central  
Hong Kong

### Principal Bankers

Siam City Bank Public Company Limited  
Bank of America, N.A.

### Legal Advisors

*Hong Kong*  
Morrison & Foerster  
41/F., Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

### *Cayman Islands*

Maples and Calder  
P.O. Box 309GT  
Ugland House  
South Church Street  
George Town  
Grand Cayman  
Cayman Islands

### Share Registrars

*Hong Kong*  
Tricor Progressive Limited  
26th Floor  
Tesbury Centre  
28 Queen's Road East  
Hong Kong

### *Cayman Islands*

M&C Corporate Services Limited  
P.O. Box 309GT  
Ugland House  
South Church Street  
George Town  
Grand Cayman  
Cayman Islands

### Share Listing

The Stock Exchange of Hong Kong Limited  
Stock Code: 00121

### Company Website

<http://www.ctei.com.hk>



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