



# 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: 121)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

#### UNAUDITED CONSOLIDATED RESULTS

The board of directors (the “Directors”) of Chia Tai Enterprises International Limited (the Company”) announces the unaudited condensed consolidated income statement of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2007 (the “Period”) together with the comparative figures in 2006, as follows:

#### Condensed Consolidated Income Statement

		Unaudited	
		Six months ended 30th June,	
		2007	2006
	Notes	HK\$'000	HK\$'000
			(Restated)
<b>Continuing operation</b>			
Revenue	2	2,152,019	1,487,371
Cost of sales		<u>(1,877,324)</u>	<u>(1,309,944)</u>
<b>Gross profit</b>		<b>274,695</b>	177,427
Other revenue	3	163,265	104,558
Other net (loss)/income	3	(1,170)	39,247
Distribution and store operating costs		(486,670)	(352,208)
Administrative expenses		<u>(111,539)</u>	<u>(117,752)</u>
<b>Loss from operations</b>		<b>(161,419)</b>	(148,728)
Finance costs		(42,808)	(23,908)
Share of results of associates		-	3,124
<b>Loss before taxation</b>		<b>(204,227)</b>	(169,512)
Taxation	5	<u>(1,093)</u>	-
<b>Loss for the period from continuing operation</b>	2 & 4	<b>(205,320)</b>	(169,512)
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	2 & 4	-	234,027
<b>(Loss)/profit for the period</b>		<b><u>(205,320)</u></b>	<b><u>64,515</u></b>

## Condensed Consolidated Income Statement (Continued)

		Unaudited	
		Six months ended 30th June,	
		2007	2006
	Notes	HK\$'000	HK\$'000 (Restated)
<b>Attributable to:</b>			
Equity holders of the Company		(202,380)	72,146
Minority interests		(2,940)	(7,631)
		<u>(205,320)</u>	<u>64,515</u>
<b>(Loss)/earnings per share</b>			
From continuing and discontinued operations	7		
- Basic		<u>(3.37) HK cents</u>	<u>1.20 HK cents</u>
- Diluted		<u>(3.37) HK cents</u>	<u>1.11 HK cents</u>
From continuing operation			
- Basic and diluted		<u>(3.37) HK cents</u>	<u>(2.71) HK cents</u>

## Condensed Consolidated Balance Sheet

		Unaudited	Audited
		30th June,	31st December,
		2007	2006
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Fixed assets			
- Property, plant and equipment		999,728	1,245,424
- Interests in leasehold land held for own use under operating leases		<u>191,163</u>	<u>187,672</u>
		<b>1,190,891</b>	1,433,096
Goodwill		27,576	27,331
Deposit for acquisition of additional interest in a subsidiary		10,262	9,900
Prepaid lease payments for premises		28,298	17,235
Long term deposits		20,523	19,800
Deferred tax assets		<u>4,064</u>	<u>3,920</u>
		<u><b>1,281,614</b></u>	<u>1,511,282</u>
<b>Current assets</b>			
Prepaid lease payments for premises		11,625	38,149
Inventories		268,028	458,715
Trade and other receivables	9	169,585	150,415
Pledged bank deposits		99,041	191,124
Cash and cash equivalents		<u>103,000</u>	<u>98,528</u>
		<b>651,279</b>	936,931
Assets classified as held for sale	10	<u>389,660</u>	<u>10,890</u>
		<u><b>1,040,939</b></u>	<u>947,821</u>

## Condensed Consolidated Balance Sheet (Continued)

		Unaudited 30th June, 2007 <i>HK\$'000</i>	Audited 31st December, 2006 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	1,440,652	1,510,612
Short-term bank loans		20,523	39,600
Consideration payable for acquisition of subsidiaries		152,085	139,995
Obligations under finance leases		2,878	2,146
		<u>1,616,138</u>	<u>1,692,353</u>
Liabilities associated with assets classified as held for sale	<i>10</i>	<u>225,084</u>	-
		<u>1,841,222</u>	<u>1,692,353</u>
<b>Net current liabilities</b>		<u>(800,283)</u>	<u>(744,532)</u>
<b>Total assets less current liabilities</b>		<u>481,331</u>	<u>766,750</u>
<b>Non-current liabilities</b>			
Bank loans		390,000	390,000
Consideration payable for acquisition of subsidiaries		150,145	230,285
Obligations under finance leases		213,671	208,002
Deferred tax liabilities		7,628	7,842
		<u>761,444</u>	<u>836,129</u>
<b>NET LIABILITIES</b>		<u>(280,113)</u>	<u>(69,379)</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		119,932	119,932
Reserves		<u>(398,246)</u>	<u>(191,828)</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<u>(278,314)</u>	<u>(71,896)</u>
<b>Minority interests</b>		<u>(1,799)</u>	<u>2,517</u>
<b>TOTAL EQUITY</b>		<u>(280,113)</u>	<u>(69,379)</u>

## Notes to Condensed Consolidated Financial Statements

### 1. ACCOUNTING POLICIES

The condensed consolidated financial statements 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 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 2006 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, 2006, except for the adoption of the new and revised Hong Kong Financial Reporting Standards and interpretations as noted below:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above new and revised standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the interim financial statements.

## 2. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the net amounts received and receivable for goods sold by the Group to external customers, less returns and allowances and rental income from investment properties for the period and is analysed as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30th June,</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Restated)
<b>Continuing operation</b>		
Sales of goods	<b>2,152,019</b>	1,487,371
<b>Discontinued operations</b>		
Rental income from investment properties	-	221

### **Business segments**

The Group is currently engaged in the operation of hypermarkets in the PRC. Operation of department store and retailing of consumer products ceased during 2006.

The Group was also involved in the business of property investment in residential premises for their rental income potential and property development in the PRC. These operations were discontinued in September, 2005 and completion of disposal of these segments took place in March, 2006.

Segment information about these businesses is presented below:

**For the period ended 30th June, 2007**

	<u>Continuing operation</u>	<u>Consolidated</u>
	<b>Retail</b> <i>HK\$'000</i>	<i>HK\$'000</i>
<b>REVENUE</b>		
External revenue	<b>2,152,019</b>	<b>2,152,019</b>
<b>RESULT</b>		
Segment result	<b>(145,841)</b>	<b>(145,841)</b>
Interest and unallocated income		<b>5,369</b>
Unallocated expenses		<b>(20,947)</b>
Finance costs		<b>(42,808)</b>
Loss before taxation		<b>(204,227)</b>
Taxation		<b>(1,093)</b>
Loss for the period		<b>(205,320)</b>

**For the period ended 30th June, 2006 (restated)**

	<u>Continuing operation</u>		<u>Discontinued operations</u>			
	Retail	Total	Property	Property	Total	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>investment</i>	<i>development</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>REVENUE</b>						
External revenue	<b>1,487,371</b>	<b>1,487,371</b>	<b>221</b>	<b>-</b>	<b>221</b>	<b>1,487,592</b>
<b>RESULT</b>						
Segment result	<b>(165,875)</b>	<b>(165,875)</b>	<b>(3,219)</b>	<b>-</b>	<b>(3,219)</b>	<b>(169,094)</b>
Interest and unallocated income		5,165			-	5,165
Unallocated expenses		(27,155)			-	(27,155)
Finance costs		(23,908)			-	(23,908)
Share of result of a jointly controlled entity		-		(278)	(278)	(278)
Share of results of associates	3,124	3,124			-	3,124
Gain on disposal of subsidiaries and an associate		39,137			237,524	276,661
(Loss)/profit before taxation		(169,512)			234,027	64,515
Taxation		-			-	-
(Loss)/profit for the period		<b>(169,512)</b>			<b>234,027</b>	<b>64,515</b>

**Geographical segments**

In view of the fact that the Group operates mainly in the PRC, no geographical segment information is presented.

### 3. OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	Unaudited	
	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
		(Restated)
<b>Other revenue</b>		
Promotion and service income	85,110	62,030
Leasing of store premises	49,921	31,941
Interest income	5,206	2,623
Other income	23,028	7,964
	<u>163,265</u>	<u>104,558</u>
<b>Other net (loss)/income</b>		
Gain on disposal of subsidiaries and an associate	-	39,137
(Loss)/gain on disposal of fixed assets	(1,170)	110
	<u>(1,170)</u>	<u>39,247</u>

### 4. DEPRECIATION AND AMORTIZATION

During the Period, depreciation and amortization of HK\$81.7 million (2006: HK\$51.9 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.

### 5. TAX

	Unaudited	
	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
<b>Current tax - PRC</b>		
Income tax provision	1,592	-
<b>Deferred tax</b>		
Reversal of temporary differences	(499)	-
	<u>1,093</u>	<u>-</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.

## 6. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the Period (2006: nil).

## 7. (LOSS) / EARNINGS PER SHARE

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

*From continuing and discontinued operations*

The calculation of basic (loss)/earnings per share was based on the loss from continuing and discontinued operations attributable to the Company's shareholders for the Period of HK\$202.4 million (2006: profit of HK\$72.1 million) and the weighted average of 5,996,614,408 shares (2006: 5,996,614,408 shares) of the Company in issue during the Period.

*From continuing operation*

The calculation of basic loss per share was based on the loss from continuing operation attributable to the Company's shareholders for the Period of HK\$202.4 million (2006: loss of HK\$162.8 million) and the weighted average number of 5,996,614,408 shares (2006: 5,996,614,408 shares) of the Company in issue during the Period.

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

*From continuing and discontinued operations*

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

Diluted earnings per share for the six months ended 30th June, 2006 was calculated based on the profit from continuing and discontinued operations attributable to the Company's shareholders of HK\$72.1 million and the weighted average number of ordinary shares in issue of 5,996,614,408 shares during the period plus potential ordinary shares of 487,596,667 shares deemed to be issued if outstanding share options had been exercised.

*From continuing operation*

The diluted loss per share for the six months ended 30th June, 2006 and 2007 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. TRADE AND OTHER RECEIVABLES

	GROUP	
	Unaudited	Audited
	30th June,	31st December,
	2007	2006
	HK\$'000	HK\$'000
Trade receivables, other receivables and deposits	145,849	135,480
Amounts due from related companies	23,736	14,935
	<u>169,585</u>	<u>150,415</u>

Included in trade and other receivables are trade receivables of approximately HK\$7.9 million (2006: approximately HK\$5.1 million) and their aged analysis is as follows:

	GROUP	
	Unaudited	Audited
	30th June,	31st December,
	2007	2006
	HK\$'000	HK\$'000
Current to 30 days overdue	7,790	4,931
31 to 60 days overdue	63	102
61 to 90 days overdue	79	89
	<u>7,932</u>	<u>5,122</u>

## 10. ASSETS CLASSIFIED AS HELD FOR SALE / LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

- (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 consolidated balance sheet; and
- (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. Accordingly, the land use right is classified as an asset held for sale and presented separately in the consolidated balance sheet. As at 31st December, 2006 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.

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

	<b>GROUP</b>	
	<b>Unaudited</b>	Audited
	<b>30th June,</b>	31st December,
	<b>2007</b>	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	246,781	-
Interest in leasehold land	11,288	10,890
Prepaid lease payments for premises	1,036	-
Inventories	98,148	-
Trade and other receivables	10,858	-
Cash and cash equivalents	21,549	-
<b>Total assets classified as held for sale</b>	<b>389,660</b>	<b>10,890</b>
Trade and other payables	225,084	-
<b>Liabilities associated with assets classified as held for sale</b>	<b>225,084</b>	<b>-</b>

## 11. TRADE AND OTHER PAYABLES

	<b>GROUP</b>	
	<b>Unaudited</b>	Audited
	<b>30th June,</b>	31st December,
	<b>2007</b>	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Notes payable, creditors and accrued charges	1,179,795	1,367,580
Amounts due to related companies	260,857	143,032
	<b>1,440,652</b>	<b>1,510,612</b>

Included in trade and other payables are trade creditors and notes payable of approximately HK\$715.3 million (2006: approximately HK\$956.9 million) and their aged analysis is as follows:

	<b>GROUP</b>	
	<b>Unaudited</b>	Audited
	<b>30th June,</b>	31st December,
	<b>2007</b>	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days of invoice date	689,933	642,716
31 to 60 days after invoice date	20,678	153,932
61 to 90 days after invoice date	2,354	96,062
More than 90 days of invoice date	2,315	64,185
	<b>715,280</b>	<b>956,895</b>

## **12. NON-ADJUSTING POST BALANCE SHEET EVENTS**

The relevant resolutions approving the following post balance sheet events have been passed on 25th July, 2007, details of which are as follow :

- (a) the Acquisition Agreement dated 17th May, 2007 entered into between the Company, the SLS Vendors and the SLS Ultimate Shareholders pursuant to which the Company has agreed to acquire the SLS Interests and to issue the Consideration Shares, the Convertible Bonds and the Preference Shares as consideration for the Acquisition Agreement;
- (b) the Disposal Agreement dated 17th May, 2007 entered into between the Company and CPH, pursuant to which the Company has agreed to sell the CTEI Non-performing Interest to CPH in accordance with the term and conditions of the Disposal Agreement;
- (c) the issue of approximately HK\$156.4 million Convertible Bonds to C.P. Seven Eleven at a total subscription price of approximately HK\$156.4 million payable in cash as contemplated under the Acquisition Agreement; and
- (d) the authorized share capital of the Company be increased from HK\$300,000,000 divided into 15,000,000,000 ordinary shares of HK\$0.02 each (“Ordinary Shares”) to HK\$400,000,000 divided into 18,000,000,000 Ordinary Shares and 2,000,000,000 convertible preference shares of HK\$0.02 each (“Preference Share”) by the creation of an additional 3,000,000,000 new Ordinary Shares and 2,000,000,000 new Preference Shares.

Save for item (d) above, completion of items (a), (b) and (c) are subject to a number of conditions precedent as described in the Company’s circular dated 29th June, 2007.

Terms defined in the Company’s circular dated 29th June, 2007 shall have the same meaning when used herein unless the context otherwise requires.

## **13. COMPARATIVE FIGURES**

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

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

The Group recorded a loss attributable to shareholders for the six months ended 30th June, 2007 of HK\$202.4 million (2006: profit HK\$72.1 million). Excluding the profit recorded on the gain from discontinued operations and disposal of subsidiaries and an associate of HK\$273.2 million for the same period last year, there was no significant change in the results of the Group for the Period as compared with the corresponding period in 2006.

Revenue rose by HK\$664.7 million, or 44.7% to HK\$2,152.0 million. The increase in revenue was a result of like-for-like growth of 10.4%, the opening of 2 new stores (located in Qingdao and Xian) during the second half of 2006, and Lotus-CPF, an investment vehicle of hypermarket business in the southern region of China, became a subsidiary and its revenue and results were consolidated into the financial statements of the Group in March, 2006.

Gross profit margin increased from 11.9% to 12.8%. Increase was attributable to decline in unit cost due to economies of scale attained through centralized procurement and direct field purchase.

Promotion and service income rose by HK\$23.1 million, or 1.1% of sales to HK\$85.1 million, or 4.0% of sales. It represents discounts and various allowances received (including new store opening allowance) from our suppliers. The increase was due to continuing strengthening relationship with vendors.

Revenue from leasing of store premises rose 56.3% to HK\$49.9 million, approximately 2.3% 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 to the increase in the rental rates upon renewal of agreement as most of the leases have a lease term of 1 year or less, and also due to the increase in consignment areas with the opening of the 2 stores.

Distribution and store operating costs was HK\$486.7 million, or 22.6% of sales compared to 23.7% of sales for the corresponding period in 2006. The decline was due to increased productivity and good cost control measures in place. Distribution and store operating costs mainly comprise of utilities, personnel and rental expenses of HK\$317.7 million.

Administrative expenses decreased from HK\$117.8 million to HK\$111.5 million, or 5.2% of sales compared to 7.9% of sales for the corresponding period in 2006. Administrative expenses mainly include personnel expenses of HK\$72.6 million and professional fee of HK\$10.3 million.

Loss for the Period was HK\$202.4 million, compared to a profit of HK\$72.1 million last year. Adjusted for the gain from discontinued operations and on disposal of subsidiaries and an associate of HK\$273.2 million, the Group recorded a loss of HK\$201.0 million for the six months ended 30th June, 2006. Earnings before interest, taxation, depreciation and amortization (“EBITDA”) improved 39.1% from HK\$(126.2) million (excluding gain from discontinued operations and on disposal of subsidiaries and an associate) in 2006 to HK\$(76.8) million in 2007. This was attributable to improvement in revenue, gross profit margin, increase in other income and the relative reduction in operating costs.

### **Capital Structure**

For the period ended 30th June, 2007, there has been no change in the Company’s share capital.

### **Liquidity and Financial Resources**

As at the end of the Period, the Group had short-term bank loans of HK\$20.5 million (2006: HK\$39.6 million), and had banking facilities of US\$50.0 million (equivalent to HK\$390.0 million) and the entire amount had been drawdown in 2006. The Group had cash and cash equivalents amounted to HK\$124.5 million, representing a 1.26 times of the balance as at the end of 2006.

### **Gearing and Current Ratios**

As at 30th June, 2007, the gearing ratio of the Group stood at -2.18 (gearing ratio was calculated by dividing interest-bearing bank loans and other borrowings by shareholders' equity) (2006: -6.90) and the current ratio of the Group increased slightly from 0.56 to 0.57.

### **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 minimize 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 11,400 employees as at 30th June, 2007. 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 maintained its focus on the operation and development of its hypermarket business in China.

As at the date of this announcement, the Group operates a total of 32 hypermarkets in China, of which 21 are located in the northern region and 11 in the southern region of China. The 32 hypermarkets have a total sales area of over 310,000 square metres.

### **The Restructuring**

On 17th May, 2007, the Company entered into an acquisition agreement with the vendors and the ultimate shareholders of Shanghai Lotus Supermarket Chain Store Co., Ltd. for the acquisition of 19 well-established and performing stores at a consideration of HK\$2,814.6 million ("the Acquisition"). As the consideration will be satisfied by issue of consideration shares, preference shares and convertible bonds, the Acquisition will not cause any depletion of the cash resources of the Group but will increase shareholders' equities significantly. At the same time, the Company also entered into a disposal agreement with a connected party for the disposal of 11 non-performing stores in the northern region for a consideration of HK\$433.4 million (collectively known as the "Restructuring").

The Restructuring has been duly approved by the independent shareholders of the Company on 25th July, 2007 and completion is expected to take place no later than May, 2008. Upon the completion of the Restructuring, the Group will operate a total of 40 hypermarkets, of which 10 stores in the northern, 11 stores in the southern and 19 stores in the central region of China with a total sales area of approximately 604,000 square metres, extending its presence in Shanghai and Jiangsu province in addition to its significant operations in the Guangdong province, Beijing, Qingdao, Xian and Zhengzhou, China.

## **STRATEGIC OUTLOOK**

Rising disposable incomes that has led to increased consumer purchasing power, coupled with rapidly changing consumer preference for modern retail shopping experience has positioned the Group well to capitalize on these trends. Hence, the Directors believe that the establishment and development of the distribution of food and non-food products business through large scale hypermarkets in the PRC has solid potential, and will be able to provide fruitful returns.

Our mission is to help people live better lives by delivering products and services that our customers need, want and dream of. We will continue to refine our merchandise mix and improve shopping experience to maintain customer loyalty. We will also focus on improving vendor relations in order to attain first-to-market introduction of new and in-season merchandise.

We will emphasis on total shopping experience providing customers with shopping, leisure and food & beverage services in our consignment areas.

To streamline our cost, we will continue to enhance capabilities of information technology and information system in order to improve operating efficiencies and leverage on our distribution network to provide efficiencies to vendor and thereby further strengthen our relationships.

Looking forward, through the efforts of all our management and staff, our goal is to help our customers live better lives while creating long-term value for our shareholders.

## **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  
**Soopakij Chearavanont**  
Chairman

Hong Kong, 19th September, 2007

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