



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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2006

The board of directors (the “Directors”) of Chia Tai Enterprises International Limited (the “Company”) announces that the consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 31st December, 2006 with comparative figures in 2005, were as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 31st December,	
	Notes	2006 HK\$'000	2005 HK\$'000 (Restated)
Continuing operation			
Turnover	2	3,482,835	1,852,753
Cost of sales		<u>(3,104,107)</u>	<u>(1,601,543)</u>
Gross profit		378,728	251,210
Other revenue		177,881	77,448
Other net income/(loss)		30,939	(1,972)
Distribution and store operating costs		(820,004)	(371,334)
Administrative expenses		(236,250)	(269,515)
Other operating expenses		<u>(33,609)</u>	<u>(163,418)</u>
Loss from operations		(502,315)	(477,581)
Finance costs		(62,462)	(22,539)
Share of results of associates		<u>3,124</u>	<u>(23,981)</u>
Loss before taxation		(561,653)	(524,101)
Taxation	6	<u>(9,375)</u>	<u>538</u>
Loss for the year from continuing operation		(571,028)	(523,563)
Discontinued operations			
Profit/(loss) for the year from discontinued operations		<u>223,571</u>	<u>(6,617)</u>
Loss for the year		<u>(347,457)</u>	<u>(530,180)</u>
Attributable to:			
Equity shareholders of the Company		(334,577)	(497,296)
Minority interests		<u>(12,880)</u>	<u>(32,884)</u>
Loss for the year		<u>(347,457)</u>	<u>(530,180)</u>
Loss per share			
From continuing and discontinued operations – Basic & diluted	7	<u>(5.58) cents</u>	<u>(8.29) cents</u>
From continuing operation – Basic & diluted	7	<u>(9.32) cents</u>	<u>(8.21) cents</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Non-current assets			
Fixed assets			
– Property, plant and equipment		1,245,424	621,665
– Interests in leasehold land held for own use under operating leases		187,672	–
		1,433,096	621,665
Goodwill		27,331	–
Interests in associates		–	368,888
Deposit for acquisition of additional interest in a subsidiary		9,900	–
Prepaid lease payments for premises		17,235	9,876
Long-term deposits		19,800	–
Deferred tax assets		3,920	–
		1,511,282	1,000,429
Current assets			
Prepaid lease payments for premises		38,149	41,453
Inventories		458,715	310,363
Trade and other receivables	8	150,415	70,835
Pledged bank deposits		191,124	23,623
Cash and cash equivalents		98,528	146,949
		936,931	593,223
Assets classified as held for sale		10,890	313,140
		947,821	906,363
Current liabilities			
Trade and other payables	9	1,510,612	841,026
Bank loans		39,600	357,600
Other loans		–	70,583
Consideration payable for acquisition of subsidiaries		139,995	103,724
Obligations under finance leases		2,146	–
Current taxation		–	791
		1,692,353	1,373,724
Liabilities associated with assets classified as held for sale		–	46,382
		1,692,353	1,420,106
Net current liabilities		(744,532)	(513,743)
Total assets less current liabilities		766,750	486,686
Non-current liabilities			
Bank loans		390,000	–
Consideration payable for acquisition of subsidiaries		230,285	146,198
Obligations under finance leases		208,002	–
Deferred tax liabilities		7,842	–
		836,129	146,198
		836,129	146,198
NET (LIABILITIES)/ASSETS		(69,379)	340,488
CAPITAL AND RESERVES			
Share capital		119,932	119,932
Reserves		(191,828)	133,965
Total equity attributable to equity shareholders of the Company		(71,896)	253,897
Minority interests		2,517	86,591
TOTAL EQUITY		(69,379)	340,488

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The changes in accounting policies resulting from these developments had no material effect on the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for HK(IFRIC) 10, Interim financial reporting and impairment, which is effective for accounting periods beginning on or after 1st November, 2006.

2. TURNOVER

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns, allowances and value added taxes and rental income from investment properties for the year and is analysed as follows:

	2006 HK\$'000	2005 HK\$'000
Continuing operation		
Sales of goods	<u>3,482,835</u>	<u>1,852,753</u>
Discontinued operations		
Rental income from investment properties	<u>221</u>	<u>1,438</u>

3. SEGMENT INFORMATION

Business Segments

The Group is currently focusing on the retail business. Prior to the completion of disposal of certain subsidiaries and associates, the Group also focused on property investment and property development divisions which were discontinued in September, 2005.

Segment information about these businesses is presented below.

For the year ended 31st December, 2006

	<u>Continuing operation</u>		<u>Discontinued operations</u>			Consolidated HK\$'000
	Retail HK\$'000	Total HK\$'000	Property investment HK\$'000	Property development HK\$'000	Total HK\$'000	
TURNOVER						
External revenue	<u>3,482,835</u>	<u>3,482,835</u>	<u>221</u>	<u>–</u>	<u>221</u>	<u>3,483,056</u>
RESULT						
Segment result	<u>(485,648)</u>	(485,648)	<u>(3,419)</u>	<u>–</u>	(3,419)	(489,067)
Interest and unallocated income		13,587			–	13,587
Unallocated expenses		(69,391)			–	(69,391)
Finance costs		(62,462)			–	(62,462)
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		<u>39,137</u>			<u>227,268</u>	<u>266,405</u>
(Loss)/profit before taxation		(561,653)			223,571	(338,082)
Taxation		<u>(9,375)</u>			–	<u>(9,375)</u>
(Loss)/profit for the year		<u>(571,028)</u>			<u>223,571</u>	<u>(347,457)</u>

For the year ended 31st December, 2005

	Continuing operation		Discontinued operations			Consolidated HK\$'000
	Retail HK\$'000	Total HK\$'000	Property investment HK\$'000	Property development HK\$'000	Total HK\$'000	
TURNOVER						
External revenue	<u>1,852,753</u>	<u>1,852,753</u>	<u>1,438</u>	<u>-</u>	<u>1,438</u>	<u>1,854,191</u>
RESULT						
Segment result	<u>(252,901)</u>	<u>(252,901)</u>	<u>(13,734)</u>	<u>-</u>	<u>(13,734)</u>	<u>(266,635)</u>
Interest and unallocated income		10,543			-	10,543
Unallocated expenses		(216,648)			-	(216,648)
Finance costs		(22,539)	(1,449)		(1,449)	(23,988)
Share of result of a jointly controlled entity		-		8,566	8,566	8,566
Share of results of associates	(23,981)	(23,981)			-	(23,981)
Adjustment to negative goodwill arising from acquisition of an associate	(18,575)	<u>(18,575)</u>			-	<u>(18,575)</u>
Loss before taxation		(524,101)			(6,617)	(530,718)
Taxation		538			-	538
Loss for the year		<u>(523,563)</u>			<u>(6,617)</u>	<u>(530,180)</u>

Geographical Segments

In view of the fact that the Group operates mainly in the People's Republic of China ("PRC"), no geographical segment information is presented.

4. DEPRECIATION AND AMORTISATION

During the year ended 31st December, 2006, depreciation of HK\$136,419,000 (2005: HK\$61,049,000) in respect of the Group's fixed assets and amortisation of HK\$6,139,000 (2005: Nil) in respect of interests in leasehold land held for own use under operating leases of the Group were charged.

5. GAIN ON DISPOSAL OF INTERESTS IN SUBSIDIARIES AND AN ASSOCIATE

During the year ended 31st December, 2006, the Group recognised gain on disposal of subsidiaries and an associate of HK\$266,405,000 (2005: HK\$613,000) in the consolidated income statement.

6. TAXATION

	2006 HK\$'000	2005 HK\$'000
Current tax – PRC		
Over-provision in respect of prior years	-	538
	-	538
Deferred tax		
Origination and reversal of temporary differences	<u>(9,375)</u>	-
	<u>(9,375)</u>	<u>538</u>

Income tax is calculated at the rates prevailing in the relevant jurisdictions. No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries have no income derived from Hong Kong. Pursuant to the relevant laws and regulations in the PRC, subsidiaries established in the PRC are subject to Corporate Income Tax of 33%. No provision for income tax is made as the subsidiaries in the PRC either have sustained losses for taxation purposes or have tax losses brought forward exceeded the assessable profits for the current year.

7. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic loss per share is based on loss for the year attributable to equity shareholders of the Company of HK\$334,577,000 (2005: HK\$497,296,000) and on the 5,996,614,408 (2005: 5,996,614,408 ordinary shares) ordinary shares in issue during the year.

During the year ended 31st December, 2006 and 2005, no diluted loss per share in respect of both the continuing and discontinued operations is presented as the exercise of the Company's outstanding share option would result in a decrease in loss per share.

From continuing operation

The calculation of the basic loss per share is based on loss for the year attributable to equity shareholders of the Company of HK\$334,577,000 (2005: HK\$497,296,000) less profit for the year from discontinued operations net of minority interests of HK\$224,495,000 (2005: loss for the year from discontinued operations net of minority interests of HK\$4,729,000) and the number of ordinary shares used are the same as those detailed above for basic loss per share from continuing and discontinued operations.

During the year ended 31st December, 2006 and 2005, no diluted loss per share in respect of the continuing operation as the exercise of the Company's outstanding share options would result in a decrease in loss per share and the number of ordinary shares used are the same as those detailed above for diluted loss per share from continuing and discontinued operations.

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) of HK\$5,122,000 (2005: HK\$8,411,000) with the following ageing analysis:

	THE GROUP	
	2006	2005
	HK\$'000	HK\$'000
Current	4,646	4,548
1 to 30 days overdue	285	1,269
31 to 60 days overdue	102	385
61 to 90 days overdue	89	2,209
	<u>5,122</u>	<u>8,411</u>

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors and notes payable of HK\$956,895,000 (2005: HK\$511,511,000) with the following ageing analysis:

	THE GROUP	
	2006	2005
	HK\$'000	HK\$'000
Within 30 days of invoice date	642,716	353,919
31 to 60 days after invoice date	153,932	91,664
61 to 90 days after invoice date	96,062	48,255
More than 90 days of invoice date	64,185	17,673
	<u>956,895</u>	<u>511,511</u>

DIVIDENDS

No dividend was paid or proposed during the years ended 31st December, 2006 and 2005, nor has any dividend been proposed since the balance sheet date.

BUSINESS REVIEW

The Group's turnover for the year ended 31st December, 2006 was HK\$3,482,835,000 (2005: HK\$1,852,753,000), representing an increase of 88 percent over the corresponding period in 2005.

The Group recorded a net loss attributable to the equity shareholders of the Company for the year of HK\$334,577,000 as compared to the 2005 net loss of HK\$497,296,000. Basic loss per share from continuing and discontinued operations for the year was HK\$0.0558 as compared to 2005 basic loss per share of HK\$0.0829.

Retail – Lotus Supermarket Chain Stores

During the year under review, the retail business of the Group expanded continuously through organic growth and acquisition.

In Northern region of the PRC, the Group opened 4 new stores in Beijing City, Henan Province, Shandong Province and Shaanxi Province in 2006, bringing the total number of northern stores to 21 stores. As of year end of 2006, the Group operated in Beijing (8 stores), Tianjin (4 stores), Taian (1 store), Xian (3 stores), Zhengzhou (2 stores), Jinan (1 store), Qingdao (1 store) and Shijiazhuang (1 store). These northern stores generated total turnover of RMB2,087 million (equivalent to HK\$2,066 million) off a total sales area of 211,574 square metres, or an increment of 28% and 21% respectively compared to 2005.

In Southern region of the PRC, upon completion of the acquisition of an additional 10% of Lotus-CPF (PRC) Investment Company Limited ("Lotus-CPF") in March, 2006, and together with the 50% interest in Lotus-CPF already held, the Company became the controlling shareholder of Lotus-CPF. Further, in February, 2006, the Company announced the acquisition of the remaining 40% interest in Lotus-CPF from a connected party, upon the completion of the transaction in May, 2006, Lotus-CPF became a wholly-owned subsidiary of the Company.

With the opening of 3 more new stores in 2006, the Group now operates a total of 11 Lotus supermarket chain stores in Guangzhou (2 stores), Shantou (2 stores), Jiangmen (1 store), Jieyang (1 store), Chaozhou (1 store) and Foshan (4 stores) in the Guangdong Province. These southern stores generated total turnover of RMB1,343 million (equivalent to HK\$1,330 million) attributable to the Group's turnover, during the year off a total sales area of 103,476 square metres.

The Group intends to continue enhancing its retail business by renovating existing stores, and by opening new stores in the northern and southern regions of the PRC, subject to the availability of the resources.

Disposal of Non-Core Projects

In September, 2005, the Company entered into an agreement with Charoen Pokphand Group Co., Ltd. to dispose its entire 75% interest in a subsidiary, Fortune (Shanghai) Limited at a consideration of US\$52.7 million (equivalent to approximately HK\$411.0 million), and completion took place in March, 2006.

In February, 2006, a wholly-owned subsidiary of the Company entered into an agreement with Asia Freewill Co., Ltd. to dispose its entire 49% interest in an associate, Freewill Solutions Co. Ltd. at a consideration of approximately US\$1.5 million (equivalent to approximately HK\$11.4 million), and completion took place in March, 2006.

In June, 2006, the Company entered into an agreement with Great Splendid Investments Limited to dispose its entire 100% interest in a subsidiary, Mass Gain Investments Limited, which holds 100% interest in a PRC subsidiary, Shanghai Chia Tai Department Store Co. Ltd. (上海正大百貨有限公司) at a consideration of HK\$100,000, and completion took place in June, 2006.

In June, 2006, a wholly-owned subsidiary of the Company entered into an agreement with The Barbecue Specialist Limited to dispose its entire 55% interest in a subsidiary, Chia Tai Barbecue Specialist Company Limited at a consideration of approximately HK\$6.8 million, and completion took place in June, 2006.

The total gain on disposal for the above subsidiaries and an associate amount to approximately HK\$266 million.

CAPITAL STRUCTURE

For the year ended 31st December, 2006, there has been no change in the Company's share capital.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2006, the Group had net current liabilities and net liabilities of approximately HK\$745 million and HK\$69 million respectively and incurred a loss from continuing operation of HK\$571 million for the year then ended.

In view of these circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and have taken positive measures to improve the performance of the retail business going forward.

During the year under review, the Group obtained a long term loan facility of HK\$390 million to replace short term loans in order to improve the liquidity position. The longer term nature of this financing provides a solid base of liquidity for the Group. The Directors are also considering other bank and non-bank sources of financing for future funding requirements. In addition to financing methods for liquidity management, management will implement further cost control measures to reduce operating costs and to improve liquidity generated from operations.

GEARING AND CURRENT RATIOS

As at 31st December, 2006, the gearing ratio of the Group stood at -6.90 (gearing ratio was calculated by dividing interest-bearing bank loans and other borrowings by shareholders' equity) (31st December, 2005: 1.69) and the current ratio of the Group decreased from 0.64 to 0.56.

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 between Hong Kong dollar 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.

CONTINGENT LIABILITIES

As at the balance sheet date, the Company has issued two guarantees to an independent third party in respect of lease arrangements with its subsidiaries which expire in 2025 and a co-guarantee to a bank in respect of a bank loan granted to its subsidiary which expires in August, 2009 or upon repayment of the loan, if earlier. As at the balance sheet date, the Directors do not consider it probable that claims will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued is 55% of future minimum lease payments of the two lease agreements entered into by the subsidiaries of RMB55 million and the outstanding amount of the bank loan to its subsidiary of HK\$19,800,000.

CHARGES ON ASSETS

The Company has repaid the loan in full in March, 2006 in respect of the banking facility of US\$44 million signed on 9th September, 2005, for which the Group had a charge over 112,500 shares of Fortune (Shanghai) Limited, a former subsidiary of the Company.

A share charge has been entered into between Union Growth Investments Limited (“Union Growth”), a wholly-owned subsidiary of the Company, and C.P. Merchandising Co. Ltd. (“CPM”) on 30th May, 2006 whereby Union Growth has agreed to pledge 38,960,000 registered shares of Lotus-CPF to CPM as security for the due and punctual performance of its obligation under a Share Sale and Purchase Agreement dated 27th February, 2006 made between Union Growth and CPM, in relation to the acquisition of the remaining 40% of Lotus-CPF.

EMPLOYEES, TRAINING AND REMUNERATION POLICY

The Group had around 12,100 employees as at 31st December, 2006. 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.

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. The Directors further believe that the Group can cope with the challenges ahead and capitalize on the economic boom in the PRC.

Looking forward, the Group will focus on understanding and fulfilling the changing needs of our customers by offering the right product mix and overall shopping experience. Enhancing our strong brand image and building customer loyalty will be a key part of the strategy to create long-term value for the Group. The Directors, working with management, will endeavour to improve the operating efficiencies of the Group, and this should result in a financial turnaround in the coming year.

REVIEW OF ANNUAL RESULTS

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 financial statements for the year ended 31st December, 2006.

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 year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Directors are pleased to announce that the principal place of business of the Company will be changed to 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong with effect from 20th April, 2007.

By Order of the Board
Soopakij Chearavanont
Chairman

Hong Kong, 20th April, 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. James Harold Haworth, Mr. Michael Ross, 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. Supachai Chearavanont and Mr. Kachorn Chiaravanont and three independent non-executive directors, namely Mr. Viroj Sangsnit, Mr. Chokchai Kotikula and Mr. Cheng Yuk Wo.