



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, 2006

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, 2006 (the “Period”) together with the comparative figures in 2005, as follows:

Condensed Consolidated Income Statement

		Unaudited	
		Six months ended 30th June,	
		2006	2005
	Notes	HK\$'000	HK\$'000 (Restated)
Continuing operation			
Revenue	2	1,434,810	743,265
Cost of sales		(1,289,222)	(679,624)
Gross profit		145,588	63,641
Promotion and service income		101,343	81,423
Gross rental income from leasing of shop premises		30,365	11,421
		277,296	156,485
Other income		7,707	12,764
Distribution and store operating costs		(366,008)	(179,526)
Administrative expenses		(97,676)	(127,981)
Finance costs		(23,141)	(5,546)
Share of results of associates		(1,133)	(17,161)
Gain on disposal of subsidiaries and an associate		276,661	–
Profit/(Loss) before taxation		73,706	(160,965)
Taxation	4	–	–

		Unaudited	
		Six months ended 30th June,	
		2006	2005
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Profit/(Loss) for the period from continuing operation	2 & 3	73,706	(160,965)
Discontinued operations			
Loss for the period from discontinued operations	2 & 3	(9,191)	(10,511)
Profit/(Loss) for the period		64,515	(171,476)
Attributable to:			
Equity holders of the Company		72,146	(162,969)
Minority interests		(7,631)	(8,507)
		64,515	(171,476)
Earnings/(Loss) per share	6		
From continuing and discontinued operations			
– Basic		1.20 HK cents	(2.72) HK cents
– Diluted		1.11 HK cents	N/A
From continuing operation			
– Basic		1.34 HK cents	(2.53) HK cents
– Diluted		1.24 HK cents	N/A

Condensed Consolidated Balance Sheet

	<i>Notes</i>	Unaudited 30th June, 2006 HK\$'000	Audited 31st December, 2005 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,240,682	621,665
Prepaid lease payments for land			
– non-current portion		112,703	–
Deposit for acquisition of additional interest in a subsidiary		9,664	–
Goodwill		78,052	–
Prepaid lease payments for premises			
– non-current portion		8,619	–
Interests in associates		–	368,888
		<u>1,449,720</u>	<u>990,553</u>
CURRENT ASSETS			
Prepaid lease payments for land			
– current portion		3,134	–
Prepaid lease payments for premises			
– current portion		11,366	–
Inventories		419,968	310,363
Trade and other receivables	8	200,304	122,164
Amount due from related companies		138	–
Pledged bank deposits		138,650	23,623
Bank balances and cash		143,828	146,949
		<u>917,388</u>	<u>603,099</u>
Assets classified as held for sale		10,631	313,140
		<u>928,019</u>	<u>916,239</u>

		Unaudited 30th June, 2006	Audited 31st December, 2005
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CURRENT LIABILITIES			
Trade and other payables	9	1,118,262	703,747
Income tax payables		794	791
Amounts due to related companies		45,748	39,205
Amount due to a minority shareholder of a subsidiary		–	505
Amount due to an associate		–	97,569
Short-term bank and other borrowings		66,439	428,183
Consideration payable for acquisition of a subsidiary/an associate – due within one year		121,860	103,724
Obligation under finance leases – due within one year		2,348	–
		1,355,451	1,373,724
Liabilities associated with assets classified as held for sale		–	46,382
		1,355,451	1,420,106
NET CURRENT LIABILITIES		(427,432)	(503,867)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,022,288	486,686

	Unaudited 30th June, 2006 <i>Notes</i>	Audited 31st December, 2005 <i>HK\$'000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Bank borrowing	202,800	–
Obligation under finance leases – due after one year	201,614	–
Consideration payable for acquisition of a subsidiary/an associate – due after one year	297,823	146,198
	702,237	146,198
	320,051	340,488
CAPITAL AND RESERVES		
Share capital	119,932	119,932
Reserves	194,008	133,965
Equity attributable to equity holders of the Company	313,940	253,897
Minority interests	6,111	86,591
Total equity	320,051	340,488

Notes:

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 on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The interim financial statements should be read in conjunction with the 2005 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, 2005, except as described below.

The following amendments to standards and interpretations which are applicable to the Group and are effective for annual periods beginning on or after 1st January, 2006:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

Management has assessed the impact of the above amendments to standards and interpretations where the adoption of these amendments to standards and interpretations did not result in material impact on the financial statements of the Group and no substantial changes to the Group's accounting policies.

The following new standards and amendments to standards and interpretations relevant to the Group's operations have been issued but are not effective for 2006 and have not been early adopted:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

2. REVENUE AND SEGMENTAL INFORMATION

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

	Unaudited	
	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Continuing operation		
Sales of goods	1,434,810	743,265
	_____	_____
Discontinued operations		
Sales of goods	86,002	126,586
Rental income from investment properties	221	758
	_____	_____
	86,223	127,344
	_____	_____

Business segments

The Group is currently engaged in retail business as the major operating division. The retail business mainly includes the operation of "cash-and-carry" stores. This division is the base on which the Group reports its primary segment information.

The Group was also involved in the business of property investment in residential premises and property development in the PRC, investment holding of an associate which engaged in computer software consultation service and operation of department stores, which were discontinued on 9th September, 2005, 27th February, 2006 and 2nd June, 2006 respectively.

An analysis of the Group's revenue and results by business segments is presented below:

For the period ended 30th June, 2006

	Continuing Operation		Discontinued Operations				Consolidated HK\$'000	
	Retail HK\$'000	Total HK\$'000	Property investment HK\$'000	Property development HK\$'000	Retail HK\$'000	Others HK\$'000		Total HK\$'000
REVENUE								
External revenue	<u>1,434,810</u>	<u>1,434,810</u>	<u>221</u>	<u>-</u>	<u>86,002</u>	<u>-</u>	<u>86,223</u>	<u>1,521,033</u>
RESULT								
Segment result	<u>(159,478)</u>	<u>(159,478)</u>	<u>(3,219)</u>	<u>-</u>	<u>(6,397)</u>	<u>-</u>	<u>(9,616)</u>	<u>(169,094)</u>
Interest and unallocated gains		5,165					-	5,165
Unallocated expenses		(24,368)				(2,787)	(2,787)	(27,155)
Finance costs		(23,141)				(767)	(767)	(23,908)
Share of result of a jointly controlled entity		-		(278)			(278)	(278)
Share of results of associates	(1,133)	(1,133)			4,257		4,257	3,124
Gain on disposal of subsidiaries and an associate		276,661					-	276,661
Profit/(Loss) before taxation		<u>73,706</u>					<u>(9,191)</u>	<u>64,515</u>
Taxation		-					-	-
Profit/(Loss) for the Period		<u><u>73,706</u></u>					<u><u>(9,191)</u></u>	<u><u>64,515</u></u>

For the period ended 30th June, 2005 (Restated)

	Continuing Operation		Discontinued Operations					Consolidated HK\$'000
	Retail HK\$'000	Total HK\$'000	Property investment HK\$'000	Property development HK\$'000	Retail HK\$'000	Others HK\$'000	Total HK\$'000	
REVENUE								
External revenue	743,265	743,265	758	-	126,586	-	127,344	870,609
RESULT								
Segment result	(53,642)	(53,642)	(4,921)	-	(17,106)	-	(22,027)	(75,669)
Interest and unallocated gains		4,967				162	162	5,129
Unallocated expenses		(89,583)				(3,248)	(3,248)	(92,831)
Finance costs		(5,546)				(667)	(667)	(6,213)
Share of result of a jointly controlled entity		-		14,342			14,342	14,342
Share of results of associates	(17,161)	(17,161)			927		927	(16,234)
Loss before taxation		(160,965)					(10,511)	(171,476)
Taxation		-					-	-
Loss for the Period		(160,965)					(10,511)	(171,476)

Geographical segments

The Group's major operations are located in the People's Republic of China (the "PRC").

An analysis of the Group's revenue by geographical segments is presented below:

2006

	The PRC, excluding Hong Kong HK\$'000	Hong Kong HK\$'000	Total HK\$'000
REVENUE			
Turnover	1,520,326	707	1,521,033

2005

	The PRC, excluding Hong Kong HK\$'000	Hong Kong HK\$'000	Total HK\$'000
REVENUE			
Turnover	868,854	1,755	870,609

3. DEPRECIATION

During the Period, a depreciation of HK\$50.9 million (2005: HK\$27.6 million) was charged in respect of the Group's property and equipment.

4. TAX

GROUP
Unaudited
Six months ended 30th June,
2006 **2005**
HK\$'000 *HK\$'000*

Company and its subsidiaries:

Income tax provision in other jurisdictions	—	—
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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.

There was no share of tax of a jointly controlled entity for the six months ended 30th June, 2006 (2005: HK\$2,530,000) is included in the loss for the period from discontinued operations of the condensed consolidated income statement.

5. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the Period (2005: nil).

6. EARNINGS/LOSS PER SHARE

(a) Basic earnings/loss per share

From continuing and discontinued operation

The calculation of basic earnings per share was based on the profit from continuing and discontinued operations attributable to the Company's shareholders for the Period of HK\$72.1 million (2005: loss of HK\$163.0 million) and the weighted average of 5,996,614,408 shares (2005: 5,996,614,408 shares) of the Company in issue during the Period.

From continuing operation

The calculation of basic earnings per share was based on the profit from continuing operation attributable to the Company's shareholders for the Period of HK\$80.4 million (2005: loss of HK\$151.5 million) and the weighted average number of 5,996,614,408 shares (2005: 5,996,614,408 shares) of the Company in issue during the Period.

(b) Diluted earnings/loss per share

From continuing and discontinued operation

Diluted earnings per share for the period 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 ended 30th June, 2006 plus potential ordinary shares of 487,596,667 shares deemed to be issued if outstanding share options had been exercised.

From continuing operation

Diluted earnings per share for the period ended 30th June, 2006 was calculated based on the profit from continuing operation attributable to the Company's shareholders of HK\$80.4 million and the weighted average number of ordinary shares in issue of 5,996,614,408 shares during the period ended 30th June, 2006 plus potential ordinary share of 487,596,667 shares deemed to be issued if outstanding share options had been exercised.

During the period ended 30th June, 2005, no diluted loss per share is presented as the exercise of the Company's outstanding share options would result in a decrease in loss per share.

7. TRANSFER TO/FROM RESERVE

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

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$18,581,000 (2005: HK\$9,927,000) and their aged analysis is as follows:

	GROUP	
	Unaudited	Audited
	30th June,	31st December,
	2006	2005
	HK\$'000	HK\$'000
0 – 30 days	13,984	7,888
31 – 60 days	1,076	805
61 – 90 days	1,981	525
Over 90 days	1,540	709
	18,581	9,927

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$858,054,000 (2005: HK\$511,511,000) and their aged analysis is as follows:

	GROUP	
	Unaudited	Audited
	30th June,	31st December,
	2006	2005
	HK\$'000	HK\$'000
0 – 30 days	605,582	409,756
31 – 60 days	84,089	69,088
61 – 90 days	8,096	11,648
Over 90 days	160,287	21,019
	858,054	511,511

BUSINESS REVIEW

The Group recorded profit attributable to the Company's shareholders for the six months ended 30th June, 2006 of HK\$72.1 million (2005: loss HK\$163.0 million). The profit was mainly due to the gain on disposal of subsidiaries and an associate. The improvement in performance was mainly due to effective cost control which lead to a decrease in administrative expenses during the Period.

Retail

During the Period, the Group continues to specialize its business on operating and developing the large scale cash-and-carry stores in China. The Group continued to open new stores in Northern and Southern regions of the PRC.

As at the date of this announcement, the Group opened 4 new stores in Beijing City, Henan Province, Shandong Province and Shaanxi Province in the Northern region. Currently, there are 21 stores in total with a sales area of 211,600 square metres.

Moreover, in the Southern region, with the acquisition of 10% interest in Lotus-CPF (PRC) Investment Company Limited ("Lotus-CPF") in 2005 and a further acquisition of 40% interest in Lotus-CPF during the Period, the Group currently owns the entire 100% interest in Lotus-CPF. The Group also accelerates the expansion in Southern China. 3 new stores were opened in Guangdong Province since the beginning of 2006 making a total sales area of 98,910 square metres in the existing 11 stores.

Disposal of Non-Core Projects

On 9th September, 2005, the Company entered into an agreement with Charoen Pokphand Group Co., Ltd. to dispose its entire 75% interest of a subsidiary – Fortune (Shanghai) Limited at a consideration of US\$52,700,000 (equivalent to HK\$411,000,000), the completion took place in March 2006.

On 27th February, 2006, a subsidiary of the Company entered into an agreement with Asia Freewill Co., Ltd., to dispose its entire 49% interest of an associate – Freewill Solutions Co. Ltd. at a consideration of US\$1,459,000 (equivalent to HK\$11,380,000), the completion took place in March 2006.

On 2nd June, 2006, the Company entered into an agreement with Great Splendid Investments Limited to dispose its entire 100% interest of 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, the completion took place in June 2006.

On 2nd June, 2006, a subsidiary of the Company entered into another agreement with The Barbecue Specialist Limited to dispose its entire 55% interest of a subsidiary – Chia Tai Barbecue Specialist Company Limited at a consideration of HK\$6,750,000, the completion took place in June 2006.

The total gain on disposal for the above subsidiaries and an associate amounts to HK\$276.7 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Structure

For the period ended 30th June, 2006, there has been no change in the Company's share capital.

Liquidity and Financial Resources

During the Period, the Group has short-term bank and other borrowings of HK\$66.4 million (2005: HK\$428.2 million), the Group has obtained new banking facilities of US\$50.0 million (equivalent to HK\$390.0 million) of which US\$26.0 million (equivalent to approximately HK\$202.8 million) has been drawdown during the Period. As at the end of the Period, its cash and cash equivalents amounted to approximately HK\$143.8 million, representing a 0.98 time of the balance as at the end of 2005.

Gearing and Current Ratios

As at 30th June, 2006, the gearing ratio of the Group stood at 0.86 (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 increased from 0.65 to 0.68.

Foreign Currency Exposure

As at 30th June, 2006, the Group had RMB144.6 million (equivalent to HK\$138.8 million) in cash and cash equivalent.

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 and RMB has been relatively small in recent years, the Group believes it faces minimal foreign currency risk and thus, has not undertaken any hedging activities.

Employees, Training and Remuneration Policy

Including the Directors, the Group had around 12,000 employees as at 30th June, 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.

STRATEGIC OUTLOOK

With continuous steady economic growth, rising disposable income and favourable demographics, China's consumer market is promising. The Directors are confident that our supermarket operation has solid potential and would be able to provide fruitful returns in the long term. The Directors are also confident that the Group, having established considerable scale and expertise in Mainland China, can cope with the challenges ahead and capitalise on the continuous economic boom in the PRC.

Looking forward, apart from focusing on the existing businesses, the Directors will continue to seek new investment opportunities which are expected to provide significant growth in the future. The Directors will also endeavour to improve the operating efficiencies of the Group.

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, 15th September, 2006

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.