



CHIA TAI ENTERPRISES INTERNATIONAL LIMITED

正大企業國際有限公司

(Incorporated in the Cayman Islands with limited liability)

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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

	Notes	Unaudited	
		Six months ended 30th June, 2006 HK\$'000	2005 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
Other income		277,296	156,485
Distribution and store operating costs		7,707	12,764
Administrative expenses		(366,008)	(179,526)
Finance costs		(97,676)	(127,981)
Share of results of associates		(23,141)	(5,546)
Gain on disposal of subsidiaries and an associate	13	(1,133)	(17,161)
Profit/(Loss) before taxation		276,661	–
Taxation	4	73,706	(160,965)
Profit/(Loss) for the period from continuing operation	2 & 3	–	–
Discontinued operations		73,706	(160,965)
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)
Earnings/(Loss) per share	6	64,515	(171,476)
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

UNAUDITED CONSOLIDATED RESULTS (Continued)
Condensed Consolidated Statement of Changes in Equity

	Unaudited									
	Attributable to the Company's shareholders								Minority Interests	Total
	Share capital	Share premium	Share option reserve	Reorganization reserve	Exchange reserve	Reserve fund	Accumulated losses	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January, 2006	119,932	931,688	50,670	105,567	6,692	20,716	(981,368)	253,897	86,591	340,488
Release on disposal of subsidiaries and an associate	-	-	-	-	9,442	(20,716)	-	(11,274)	(83,820)	(95,094)
Arising on acquisition of a subsidiary	-	-	-	-	-	-	-	-	10,971	10,971
Net profit for the Period	-	-	-	-	-	-	72,146	72,146	(7,631)	64,515
Exchange reserve arising from consolidation	-	-	-	-	(829)	-	-	(829)	-	(829)
Balance at 30th June, 2006	<u>119,932</u>	<u>931,688</u>	<u>50,670</u>	<u>105,567</u>	<u>15,305</u>	<u>-</u>	<u>(909,222)</u>	<u>313,940</u>	<u>6,111</u>	<u>320,051</u>
Balance at 1st January, 2005 – as restated	<u>119,932</u>	<u>931,688</u>	<u>-</u>	<u>105,567</u>	<u>(7,255)</u>	<u>20,716</u>	<u>(484,072)</u>	<u>686,576</u>	<u>87,426</u>	<u>774,002</u>
Recognition of share-based payment under the share option scheme	-	-	50,670	-	-	-	-	50,670	-	50,670
Net loss for the six months ended 30th June, 2005	-	-	-	-	-	-	(162,969)	(162,969)	(8,507)	(171,476)
Exchange reserve arising from consolidation	-	-	-	-	(717)	-	-	(717)	-	(717)
Balance at 30th June, 2005 – as restated	<u>119,932</u>	<u>931,688</u>	<u>50,670</u>	<u>105,567</u>	<u>(7,972)</u>	<u>20,716</u>	<u>(647,041)</u>	<u>573,560</u>	<u>78,919</u>	<u>652,479</u>


UNAUDITED CONSOLIDATED RESULTS (Continued)
Condensed Consolidated Balance Sheet

	Notes	Unaudited 30th June, 2006 HK\$'000	Audited 31st December, 2005 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	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
		1,449,720	990,553
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	9	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
		917,388	603,099
Assets classified as held for sale		10,631	313,140
		928,019	916,239
CURRENT LIABILITIES			
Trade and other payables	10	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	11	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
NON-CURRENT LIABILITIES			
Bank borrowing	12	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

UNAUDITED CONSOLIDATED RESULTS (Continued)**Condensed Consolidated Cash Flow Statement**

	Unaudited	
	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Net cash used in operating activities	(82,730)	(46,720)
Net cash from investing activities	250,017	43,560
Net cash used in financing activities	(169,200)	(3,112)
Net decrease in cash and cash equivalents	(1,913)	(6,272)
Effect of foreign exchange rates changes	(1,330)	–
Cash and cash equivalents at beginning of the period	147,071	131,669
Cash and cash equivalents at end of the period	143,828	125,397



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 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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**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, operation of department stores and selling of barbecued meat skewers, which were discontinued during the Period.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. REVENUE AND SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

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				Total Consolidated HK\$'000	
	Retail HK\$'000	Total HK\$'000	Property investment HK\$'000	Property development HK\$'000	Retail HK\$'000	Others HK\$'000		
REVENUE								
External revenue	1,434,810	1,434,810	221	-	86,002	-	86,223	1,521,033
RESULT								
Segment result	(159,478)	(159,478)	(3,219)	-	(6,397)	-	(9,616)	(169,094)
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		73,706					(9,191)	64,515
Taxation		-					-	-
Profit/(Loss) for the Period		73,706					(9,191)	64,515

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2. REVENUE AND SEGMENTAL INFORMATION (Continued)****Business segments (Continued)**

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



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, plant 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	—	—

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) 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 operations

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 operations

Diluted earnings per share for the Period 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**6. EARNINGS/LOSS PER SHARE (Continued)****(b) Diluted earnings/loss per share (Continued)**

From continuing operation

Diluted earnings per share for the Period 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 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 was 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. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired approximately HK\$694.0 million on property, plant and equipment in order to cope with the expansion of its retail business.

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$18.6 million (2005: HK\$9.9 million) and their aged analysis is as follows:

	Unaudited	GROUP
	30th June,	Audited
	2006	31st December,
	HK\$'000	2005
		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



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$858.1 million (2005: approximately HK\$511.5 million) and their aged analysis is as follows:

	GROUP	
	Unaudited 30th June, 2006 HK\$'000	Audited 31st December, 2005 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
	<u>858,054</u>	<u>511,511</u>

11. SHORT-TERM BANK AND OTHER BORROWINGS

	GROUP	
	Unaudited 30th June, 2006 HK\$'000	Audited 31st December, 2005 HK\$'000
Secured bank loan	–	343,200
Unsecured bank loans	4,800	14,400
	<u>4,800</u>	357,600
Other borrowings	61,639	70,583
	<u>66,439</u>	<u>428,183</u>

The above amounts bear interest at prevailing market rates and are repayable in 2006 and 2007.

Bank loans include HK\$4.8 million (2005: HK\$14.4 million) fixed-rate borrowings which carry interest of 6.14% per annum (2005: 5.76% to 6.14% per annum). In respect of another bank loan of HK\$343.2 million as at 31st December, 2005, it was settled in March 2006.

The other borrowings of approximately HK\$61.6 million (2005: approximately HK\$70.6 million) from independent third parties carry interest ranging from 5% per annum to three-month London Interbank Offered Rate ("LIBOR") (2005: one-month LIBOR to three-month LIBOR).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**12. BANK BORROWING**

During the Period, the Group obtained a new banking facility of US\$50.0 million (equivalent to HK\$390.0 million) which will expire on 31st March, 2009. As at the end of the Period, US\$26.0 million (equivalent to HK\$202.8 million) has been drawdown by the Group. The bank loan bears interest at three-month LIBOR plus 2.75% per annum.

13. DISPOSAL OF SUBSIDIARIES AND AN ASSOCIATE

During the Period, the Group disposed 3 subsidiaries, namely Fortune (Shanghai) Limited, Mass Gain Investments Limited and Chia Tai Barbecue Specialist Company Limited, which carried on business in property investment in residential premise and property development, operation of department stores, and selling of barbecued meat skewers respectively.

The Group also disposed an associate – Freewill Solutions Co. Ltd., which carried on business in computer software consultation service.

The results of above discontinued operations for the Period have been included in the Group's results and the details have been disclosed in Note 2.

The net assets of the above disposed subsidiaries and an associate at the respective dates of disposal were as follows:

	Unaudited HK\$'000
Net assets disposed of	152,629
Gain on disposal	276,661
	<hr/>
Total consideration	429,290
	<hr/> <hr/>
Satisfied by:	
Cash	422,540
Consideration receivables	6,750
	<hr/>
	429,290
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration	422,540
Bank balances and cash disposed of	(4,145)
	<hr/>
	418,395
	<hr/> <hr/>



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. ACQUISITION OF A SUBSIDIARY

During the Period, the acquisition of 10% and a further 40% interest in Lotus-CPF (PRC) Investment Company Limited (“Lotus-CPF”) was completed, the total considerations for the two acquisitions were US\$39.8 million (equivalent to approximately HK\$310.1 million).

The following summarizes the effects of the acquisitions:

	Unaudited HK\$'000
Net assets acquired	289,422
Goodwill arising on acquisition	20,628
	<hr/>
Total consideration	310,050
	<hr/> <hr/>
Satisfied by:	
Cash	92,430
Consideration payables	217,620
	<hr/>
	310,050
	<hr/> <hr/>
Net cash inflow arising on acquisition:	
Cash consideration	(92,430)
Bank balances and cash acquired	156,971
	<hr/>
	64,541
	<hr/> <hr/>

During the Period, Lotus-CPF contributed HK\$754.9 million to the Group’s turnover and generated operation loss of HK\$29.1 million attributable to the Group.

15. COMMITMENTS

	GROUP	
	Unaudited 30th June, 2006 HK\$'000	Audited 31st December, 2005 HK\$'000
Capital Commitments:		
Authorised but not contracted for in respect of development project of additional plant and machinery for the expansion of “cash-and-carry” stores	385,611	283,972
Contracted but not provided for in respect of development project of additional plant and machinery for the expansion of “cash-and-carry” stores	142,383	51,328
	<hr/>	<hr/>
	527,994	335,300
	<hr/> <hr/>	<hr/> <hr/>

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 continued 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 report, 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 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 in a subsidiary – Fortune (Shanghai) Limited at a consideration of US\$52.7 million (equivalent to HK\$411.0 million), 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 in an associate – Freewill Solutions Co. Ltd. at a consideration of approximately US\$1.5 million (equivalent to approximately HK\$11.4 million), 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 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, 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 in a subsidiary – Chia Tai Barbecue Specialist Company Limited at a consideration of approximately HK\$6.8 million, the completion took place in June 2006.

The total gain on disposal for the above subsidiaries and an associate amount to approximately 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 capitalize 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.

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 (the “Bank”) 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. Dhanin Chearavanont and Mr. Sumet Jiaravanon (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 per cent.

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, 2006, 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 were as follows:

Long position in underlying shares of the Company

Pursuant to the share option scheme (the “Scheme”) adopted by the Company on 31st May, 2002, 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 Director	Date of grant	Exercise price HK\$	Exercisable period	Outstanding at beginning and at end of Period
Mr. Soopakij Chearavanont	6th June, 2002	0.07	6th June, 2002 to 5th June, 2012	59,966,144
	10th November, 2003	0.19	10th November, 2003 to 9th November, 2013	59,966,144
	24th May, 2005	0.11	24th May, 2005 to 23rd May, 2015	59,966,144
Mr. Narong Chearavanont	6th June, 2002	0.07	6th June, 2002 to 5th June, 2012	59,966,144
	10th November, 2003	0.19	10th November, 2003 to 9th November, 2013	59,966,144
	24th May, 2005	0.11	24th May, 2005 to 23rd May, 2015	59,966,144


DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES (Continued)
Long position in underlying shares of the Company (Continued)

Name of Director	Date of grant	Exercise price HK\$	Exercisable period	Outstanding at beginning and at end of Period
Mr. Tse Ping	6th June, 2002	0.07	6th June, 2002 to 5th June, 2012	59,966,144
	10th November, 2003	0.19	10th November, 2003 to 9th November, 2013	59,966,144
	24th May, 2005	0.11	24th May, 2005 to 23rd May, 2015	59,966,144
Mr. Yang Xiaoping	6th June, 2002	0.07	6th June, 2002 to 5th June, 2012	59,966,144
	10th November, 2003	0.19	10th November, 2003 to 9th November, 2013	59,966,144
	24th May, 2005	0.11	24th May, 2005 to 23rd May, 2015	59,966,144
Mr. Umroong Sanphasitvong	6th June, 2002	0.07	6th June, 2002 to 5th June, 2012	59,966,144
	10th November, 2003	0.19	10th November, 2003 to 9th November, 2013	59,966,144
	24th May, 2005	0.11	24th May, 2005 to 23rd May, 2015	59,966,144
Mr. Robert Ping-Hsien Ho	6th June, 2002	0.07	6th June, 2002 to 5th June, 2012	59,966,144
	10th November, 2003	0.19	10th November, 2003 to 9th November, 2013	59,966,144
	24th May, 2005	0.11	24th May, 2005 to 23rd May, 2015	59,966,144
Mr. Meth Jiaravanont	24th May, 2005	0.11	24th May, 2005 to 23rd May, 2015	59,966,144
Mr. Chatchaval Jiaravanon	6th June, 2002	0.07	6th June, 2002 to 5th June, 2012	59,966,144
	10th November, 2003	0.19	10th November, 2003 to 9th November, 2013	59,966,144
	24th May, 2005	0.11	24th May, 2005 to 23rd May, 2015	59,966,144

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES (Continued)

Long position in underlying shares of the Company (Continued)

Name of Director	Date of grant	Exercise price HK\$	Exercisable period	Outstanding at beginning and at end of Period
Mr. Supachai Chearavanont	6th June, 2002	0.07	6th June, 2002 to 5th June, 2012	59,966,144
	10th November, 2003	0.19	10th November, 2003 to 9th November, 2013	59,966,144
	24th May, 2005	0.11	24th May, 2005 to 23rd May, 2015	59,966,144
Mr. Kachorn Chiaravanont	6th June, 2002	0.07	6th June, 2002 to 5th June, 2012	59,966,144
	10th November, 2003	0.19	10th November, 2003 to 9th November, 2013	59,966,144
	24th May, 2005	0.11	24th May, 2005 to 23rd May, 2015	59,966,144
Total				<u>1,679,052,032</u>

As at 30th June, 2006, none of the above share options had been exercised.

Save as disclosed above, as at 30th June, 2006, none of the Directors and chief executives of the Company had any interest or short position 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 for Securities Transactions by Directors of Listed Companies.

PERSONS WHO HAVE AN INTEREST OR SHOT POSITION WHICH IS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE AND SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2006, 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.

Long position in shares

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of issued share capital
Ramon Limited	Beneficial owner (Note 1)	3,700,519,019	61.71%
Mr. Dhanin Chearavanont	Held by controlled corporation (Note 1)	3,700,519,019	61.71%
A.D. Enterprise Limited	Beneficial owner (Note 2)	508,130,081	8.47%
Ms. Thipavan Hongkietkajohn	Held by controlled corporation (Note 2)	508,130,081	8.47%
Ms. Unnapa Lertamornkitti	Held by controlled corporation (Note 2)	508,130,081	8.47%

Notes:

- (1) 3,700,519,019 shares were beneficially owned by Ramon Limited, in which 50.86% of its share capital is beneficially held by Mr. Dhanin Chearavanont.
- (2) 508,130,081 shares were beneficially owned by A.D. Enterprise Limited, in which its entire share capital is beneficially held as to 50% by Ms. Thipavan Hongkietkajohn and Ms. Unnapa Lertamornkitti respectively.

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, 2006.



SHARE OPTION SCHEME

Details of the Directors' interest in the Scheme are set out in the sub-section headed "Long position in underlying shares of 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:

Number of share options outstanding at beginning and at end of Period	Date of grant	Grantees	Exercise price per share HK\$	Exercisable period
539,695,296	6th June, 2002	Directors	0.07	6th June, 2002 to 5th June, 2012
59,966,144	6th June, 2002	Employees	0.07	6th June, 2002 to 5th June, 2012
539,695,296	10th November, 2003	Directors	0.19	10th November, 2003 to 9th November, 2013
59,966,144	10th November, 2003	Employees	0.19	10th November, 2003 to 9th November, 2013
599,661,440	24th May, 2005	Directors	0.11	24th May, 2005 to 23rd May, 2015

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.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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, 2006.

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 report, 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.



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Soopakij Chearavanont
(Chairman)

Mr. Narong Chearavanont
(Vice Chairman)

Mr. Tse Ping (Vice Chairman)

Mr. James Harold Haworth
(Chief Executive Officer & President)

Mr. Michael Ross
(Executive Vice President)

Mr. Yang Xiaoping
(Executive Vice President)

Mr. Li Wen Hai
(Executive Vice President)

Mr. Umroong Sanphasitvong

Mr. Robert Ping-Hsien Ho

Mr. Meth Jiaravanont

Mr. Nopadol Chiaravanont

Mr. Chatchaval Jiaravanon

Mr. Supachai Chearavanont

Mr. Kachorn Chiaravanont

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INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Viroj Sangsnit

Mr. Chokchai Kotikula

Mr. Cheng Yuk Wo

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AUDIT COMMITTEE

Mr. Cheng Yuk Wo

Mr. Viroj Sangsnit

Mr. Chokchai Kotikula

REMUNERATION COMMITTEE

Mr. Soopakij Chearavanont

Mr. Robert Ping-Hsien Ho

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 309
Grand Cayman
Cayman Islands
British West Indies

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PRINCIPAL PLACE OF BUSINESS

53rd Floor
Bank of China Tower
1 Garden Road
Hong Kong

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 309
Grand Cayman
Cayman Islands
British West Indies

.....

SHARE REGISTRARS

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

Cayman Islands
Maples and Calder
P.O. Box 309
Grand Cayman
Cayman Islands
British West Indies

.....

SHARE LISTING

The Stock Exchange of Hong Kong
Limited
Stock Code: 121