

07

I N T E R I M R E P O R T

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





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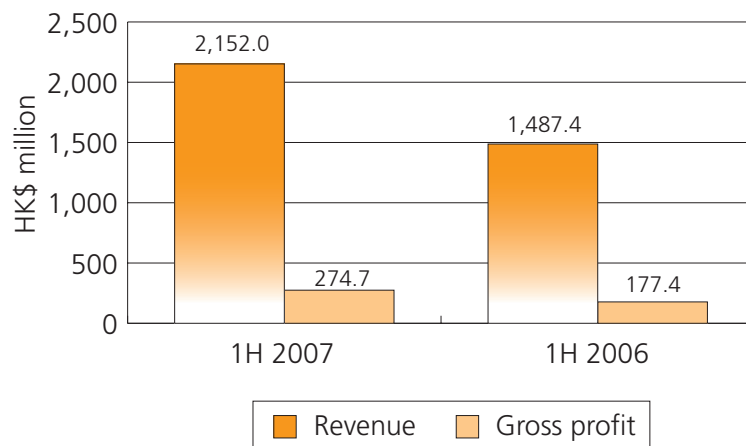
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**FINANCIAL HIGHLIGHTS**

	Unaudited Six months ended 30th June,		Change
	2007 HK\$million	2006 HK\$million (Restated)	
Revenue	2,152.0	1,487.4	44.7%
Gross Profit	274.7	177.4	54.8%
(Loss)/profit for the period	(202.4)	72.1	(380.7)%
Loss for the period (excluding gains from discontinued operations and disposal of subsidiaries and an associate)	(202.4)	(201.0)	(0.7)%
EBITDA (excluding gains from discontinued operations and disposal of subsidiaries and an associate)	(76.8)	(126.2)	39.1%

Highlights

- Strong revenue growth
- Continue to improve shopping experience for our customers
- Restructuring extends presence in Shanghai and Jiangsu province
- Positive outlook for the remainder of the year and beyond

REVENUE VS. GROSS PROFIT



MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Review

Chia Tai Enterprises International Limited (the "Company") and its subsidiaries (collectively known as the "Group") recorded a loss attributable to shareholders for the six months ended 30th June, 2007 (the "Period") of HK\$202.4 million (2006: profit HK\$72.1 million). Excluding the profit recorded on the gains 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 (PRC) Investment Company Limited ("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 gains from discontinued operations and 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 gains from discontinued operations and 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.



MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Review (Continued)

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 rate 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 report, 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.



UNAUDITED CONSOLIDATED RESULTS

The Directors of the Company announces the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June, 2007 together with the comparative figures in 2006, as follows:

Condensed Consolidated Income Statement

	Notes	Unaudited	
		Six months ended 30th June, 2007 HK\$'000	2006 HK\$'000 (Restated)
Continuing operation			
Revenue	2	2,152,019	1,487,371
Cost of sales		(1,877,324)	(1,309,944)
Gross profit		274,695	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		(111,539)	(117,752)
Loss from operations		(161,419)	(148,728)
Finance costs		(42,808)	(23,908)
Share of results of associates		–	3,124
Loss before taxation		(204,227)	(169,512)
Taxation	5	(1,093)	–
Loss for the period from continuing operation	2 & 4	(205,320)	(169,512)
Discontinued operations			
Profit for the period from discontinued operations	2 & 4	–	234,027
(Loss)/profit for the period		(205,320)	64,515
Attributable to:			
Equity holders of the Company		(202,380)	72,146
Minority interests		(2,940)	(7,631)
		(205,320)	64,515
(Loss)/earnings per share			
From continuing and discontinued operations	7		
– Basic		(3.37) HK cents	1.20 HK cents
– Diluted		(3.37) HK cents	1.11 HK cents
From continuing operation			
– Basic and diluted		(3.37) HK cents	(2.71) HK cents



UNAUDITED CONSOLIDATED RESULTS (Continued)

Condensed Consolidated Balance Sheet

	Notes	Unaudited 30th June, 2007 HK\$'000	Audited 31st December, 2006 HK\$'000
Non-current assets			
Fixed assets			
– Property, plant and equipment	9	999,728	1,245,424
– Interests in leasehold land held for own use under operating leases		191,163	187,672
		1,190,891	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		4,064	3,920
		1,281,614	1,511,282
Current assets			
Prepaid lease payments for premises		11,625	38,149
Inventories		268,028	458,715
Trade and other receivables	10	169,585	150,415
Pledged bank deposits		99,041	191,124
Cash and cash equivalents		103,000	98,528
		651,279	936,931
Assets classified as held for sale	11	389,660	10,890
		1,040,939	947,821
Current liabilities			
Trade and other payables	12	1,440,652	1,510,612
Short term bank loans	13	20,523	39,600
Consideration payable for acquisition of subsidiaries		152,085	139,995
Obligations under finance leases		2,878	2,146
		1,616,138	1,692,353
Liabilities associated with assets classified as held for sale	11	225,084	–
		1,841,222	1,692,353
Net current liabilities		(800,283)	(744,532)
Total assets less current liabilities		481,331	766,750
Non-current liabilities			
Bank loan	14	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
		761,444	836,129
NET LIABILITIES		(280,113)	(69,379)
CAPITAL AND RESERVES			
Share capital		119,932	119,932
Reserves		(398,246)	(191,828)
Total equity attributable to equity shareholders of the Company		(278,314)	(71,896)
Minority interests		(1,799)	2,517
TOTAL EQUITY		(280,113)	(69,379)



UNAUDITED CONSOLIDATED RESULTS (Continued)

Condensed Consolidated Statement of Changes in Equity

	Unaudited										
	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Revaluation reserve	Share option reserve	Reorganization reserve	Exchange reserve	Reserve fund	Accumulated losses	Total	Minority interests	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2007	119,932	931,688	(8,839)	50,670	105,567	24,315	-	(1,295,229)	(71,896)	2,517	(69,379)
Exchange differences on translation of financial statements of the subsidiaries in the PRC recognized directly in equity	-	-	(323)	-	-	(3,715)	-	-	(4,038)	(1,376)	(5,414)
Net loss for the Period	-	-	-	-	-	-	-	(202,380)	(202,380)	(2,940)	(205,320)
At 30th June, 2007	119,932	931,688	(9,162)	50,670	105,567	20,600	-	(1,497,609)	(278,314)	(1,799)	(280,113)
At 1st January, 2006	119,932	931,688	-	50,670	105,567	6,692	20,716	(981,368)	253,897	86,591	340,488
Exchange differences on translation of financial statements of the subsidiaries in the PRC recognized directly in equity	-	-	-	-	-	(829)	-	-	(829)	-	(829)
Release on disposal of subsidiaries and an associate	-	-	-	-	-	9,442	(20,716)	-	(11,274)	(83,820)	(95,094)
Net profit for the period	-	-	-	-	-	-	-	72,146	72,146	(7,631)	64,515
Arising from acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	10,971	10,971
At 30th June, 2006	119,932	931,688	-	50,670	105,567	15,305	-	(909,222)	313,940	6,111	320,051

Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended 30th June, 2007	2006
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	85,876	(82,730)
Net cash (used in)/generated from investing activities	(753)	250,017
Net cash used in financing activities	(62,660)	(169,200)
Net increase/(decrease) in cash and cash equivalents	22,463	(1,913)
Effect of foreign exchange rate changes	3,558	(1,330)
Cash and cash equivalents at 1st January	98,528	147,071
Cash and cash equivalents at 30th June	124,549	143,828

**UNAUDITED CONSOLIDATED RESULTS (Continued)****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)-Int 8	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:

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

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.



UNAUDITED CONSOLIDATED RESULTS (Continued)

Notes to Condensed Consolidated Financial Statements (Continued)

2. REVENUE AND SEGMENTAL INFORMATION (Continued)

Business segments (Continued)

Segment information about these businesses is presented below:

For the period ended 30th June, 2007

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

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

	Continuing operation		Discontinued operations			Consolidated HK\$'000
	Retail HK\$'000	Total HK\$'000	Property investment HK\$'000	Property development HK\$'000	Total HK\$'000	
REVENUE						
External revenue	1,487,371	1,487,371	221	–	221	1,487,592
RESULT						
Segment result	(165,875)	(165,875)	(3,219)	–	(3,219)	(169,094)
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		(169,512)			234,027	64,515

Geographical segments

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

**UNAUDITED CONSOLIDATED RESULTS (Continued)****Notes to Condensed Consolidated Financial Statements (Continued)****3. OTHER REVENUE AND OTHER NET (LOSS)/INCOME**

	Unaudited	
	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
		(Restated)
Other revenue		
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
	163,265	104,558
Other net (loss)/income		
Gain on disposal of subsidiaries and an associate	–	39,137
(Loss)/gain on disposal of fixed assets	(1,170)	110
	(1,170)	39,247

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
Current tax – PRC		
Income tax provision	1,592	–
Deferred tax		
Reversal of temporary differences	(499)	–
	1,093	–

No provision for Hong Kong profits tax has been made as the Group has no assessable profits which were earned in or derived from Hong Kong during the Period. Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the areas in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

6. DIVIDEND

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



UNAUDITED CONSOLIDATED RESULTS (Continued)

Notes to Condensed Consolidated Financial Statements (Continued)

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. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired HK\$35.8 million (2006: HK\$806.1 million including the property, plant and equipment of HK\$554.2 million arising from the acquisition of subsidiaries) on property, plant and equipment in order to cope with the expansion of its retail business.

10. TRADE AND OTHER RECEIVABLES

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

**UNAUDITED CONSOLIDATED RESULTS (Continued)****Notes to Condensed Consolidated Financial Statements (Continued)****10. TRADE AND OTHER RECEIVABLES (Continued)**

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:

	Unaudited 30th June, 2007 HK\$'000	GROUP Audited 31st December, 2006 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
	7,932	5,122

11. 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 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:

	Unaudited 30th June, 2007 HK\$'000	GROUP Audited 31st December, 2006 HK\$'000
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	–
Total assets classified as held for sale	389,660	10,890
Trade and other payables	225,084	–
Liabilities associated with assets classified as held for sale	225,084	–



UNAUDITED CONSOLIDATED RESULTS (Continued)

Notes to Condensed Consolidated Financial Statements (Continued)

12. TRADE AND OTHER PAYABLES

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

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:

	GROUP	
	Unaudited 30th June, 2007 HK\$'000	Audited 31st December, 2006 HK\$'000
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
	<u>715,280</u>	<u>956,895</u>

13. SHORT TERM BANK LOANS

	GROUP	
	Unaudited 30th June, 2007 HK\$'000	Audited 31st December, 2006 HK\$'000
Unsecured bank loans	20,523	39,600

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

Short term bank loans include HK\$20.5 million (2006: HK\$39.6 million) fixed-rate borrowings which carry interest of 6.73% per annum (2006: 6.73% per annum).

14. BANK LOAN

In 2006, the Company obtained a 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, the entire amount had been drawdown by the Company. The bank loan bears interest at three-month LIBOR plus 2.75% per annum.

**UNAUDITED CONSOLIDATED RESULTS (Continued)****Notes to Condensed Consolidated Financial Statements (Continued)****15. COMMITMENTS**

	Unaudited 30th June, 2007 HK\$'000	GROUP Audited 31st December, 2006 HK\$'000
Capital Commitments:		
Authorized but not contracted for in respect of development project of additional plant and equipment for the expansion of hypermarkets	41,923	68,612
Contracted but not provided for in respect of development project of additional plant and equipment for the expansion of hypermarkets	21,158	31,752
	63,081	100,364

16. 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 Shares") 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.

17. COMPARATIVE FIGURES

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



DISCLOSURE OF INTERESTS

Disclosure Pursuant to Rule 13.18 of the Listing Rules

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

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

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

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

As at 30th June, 2007, the interests and short positions of the Directors and chief executives of the Company in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

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

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

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

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

Name of Directors	Date of Grant	Exercisable Period	Exercise Price HK\$	Number of Share Options					As at 30th June, 2007
				As at 1st January, 2007	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
Mr. Soopakij Chearavanont	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Narong Chearavanont	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Tse Ping	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144

**DISCLOSURE OF INTERESTS (Continued)****Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares or Debentures (Continued)***(ii) Directors' interests in share options granted by the Company (Continued)*

Name of Directors	Date of Grant	Exercisable Period	Exercise Price HK\$	Number of Share Options					As at 30th June, 2007
				As at 1st January, 2007	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
Mr. Yang Xiaoping	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Umroong Sanphasitvong	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Robert Ping-Hsien Ho	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Meth Jiaravanont	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Chatchaval Jiaravanon	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Supachai Chearavanont	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Mr. Kachorn Chiaravanont	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	59,966,144	-	-	-	-	59,966,144
Total:				<u>1,679,052,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,679,052,032</u>

Save as disclosed above, as at 30th June, 2007, 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.



DISCLOSURE OF INTERESTS (Continued)

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

As at 30th June, 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

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

Notes:

- (1) The percentages shown are based on the total number of shares in issue as at 30th June, 2007.
- (2) Worth Access had declared an interest in the same 8,407,126,096 shares in which CPH had declared an interest by virtue of Worth Access' shareholding in CPH whilst Charoen Pokphand Holding also declared an interest in such number of shares by virtue of its shareholding in Worth Access. CPG had declared an interest in the same 8,407,126,096 shares by virtue of its shareholding in Charoen Pokphand Holding.
- (3) C.P. Seven Eleven's interest included the interest of LDIL, its wholly-owned subsidiary.
- (4) CRM had declared an interest in the same 1,612,055,458 shares in which CRF had declared an interest as CRF is accustomed to act in accordance with the directions of CRM whilst CUR also declared an interest in such number of shares by virtue of its shareholding in CRM. AIG Global had declared an interest in the same 1,612,055,458 shares by virtue of its shareholding in CRM whilst AIG also declared an interest in the same number of shares by virtue of its shareholding in AIG Global.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 30th June, 2007.

**DISCLOSURE OF INTERESTS (Continued)****Share Option Scheme**

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

Outstanding Share Options

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

Category of Participant	Date of Grant	Exercisable Period	Exercise Price HK\$	Number of Share Options					As at 30th June, 2007
				As at 1st January, 2007	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
Directors	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	539,695,296	-	-	-	-	539,695,296
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	539,695,296	-	-	-	-	539,695,296
	24th May, 2005	24th May, 2005 to 23rd May, 2015	0.11	599,661,440	-	-	-	-	599,661,440
Total for Directors:				1,679,052,032	-	-	-	-	1,679,052,032
Senior Executive	6th June, 2002	6th June, 2002 to 5th June, 2012	0.07	59,966,144	-	-	-	-	59,966,144
	10th November, 2003	10th November, 2003 to 9th November, 2013	0.19	59,966,144	-	-	-	-	59,966,144
Total for Senior Executive:				119,932,288	-	-	-	-	119,932,288
Total:				1,798,984,320	-	-	-	-	1,798,984,320



DISCLOSURE OF INTERESTS (Continued)

Arrangement to Purchase Shares or Debentures

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

Directors' Interests in Contracts of Significance

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

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Company has complied with all code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the Period.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company for the six months ended 30th June, 2007.

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 report, 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.



CORPORATE INFORMATION

Executive Directors

Mr. Soopakij Chearavanont (*Chairman*)
Mr. Narong Chearavanont (*Vice Chairman*)
Mr. Tse Ping (*Vice Chairman*)
Mr. Yang Xiaoping
(*Vice Chairman & Executive Vice President*)
Mr. James Harold Haworth
(*Chief Executive Officer & President*)
Mr. Michael Ross (*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

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Company Secretary

Ms. Choi Yi Mei

Qualified Accountant

Mr. Siu Hin Leung

Authorised Representatives

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

Registered Office

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

Principal Place of Business

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

Auditors

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

Principal Bankers

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

Legal Advisors

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

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

Share Registrars

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

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

Share Listing

The Stock Exchange of Hong Kong Limited
Stock Code: 121

Company Website

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