

Interim Report 2009 中期報告



Chia Tai Enterprises International Limited
正大企業國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 00121



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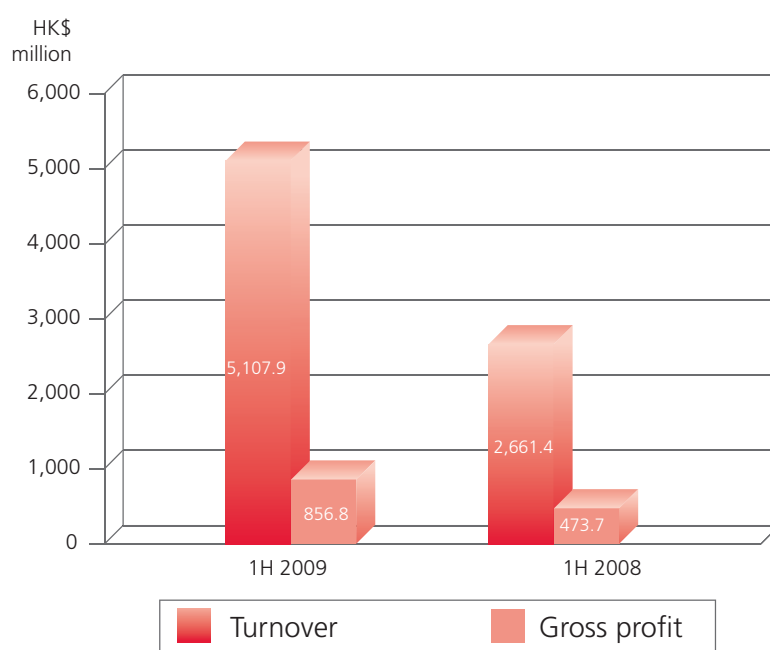
FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30th June,		Change
	2009 HK\$ million	2008 HK\$ million	
Turnover	5,107.9	2,661.4	91.9%
Gross Profit	856.8	473.7	80.9%
Loss for the period	(116.8)	(76.4)	-52.9%
EBITDA	204.8	49.6	312.9%

Highlights

- Strong turnover growth after Restructuring
- Same store sales growth momentum temporarily stalled by global financial crisis
- Operational expenses reduced as a result of more stringent cost control measures
- EBITDA continued to improve
- Positive outlook as economy has been recovering and stabilizing

TURNOVER VS. GROSS PROFIT





MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Review

Chia Tai Enterprises International Limited (the "Company" or "CTEI") and its subsidiaries (collectively known as the "Group") recorded a loss attributable to shareholders for the six months ended 30th June, 2009 (the "Period") of HK\$116.8 million (2008: HK\$75.6 million).

Revenue rose by HK\$2,446.5 million to HK\$5,107.9 million. The increase in revenue was primarily a result of the completion of the Restructuring in October 2008 whereas CTEI acquired 21 performing stores from Shanghai Lotus Supermarket Chain Store Co., Ltd. while disposing 11 non-performing stores to C.P. Holding (BVI) Investment Company Limited. Revenue from the acquired performing stores amounted to approximately HK\$2,922.0 million. Same store sales drop of 2.3% was recorded during the Period.

Gross profit margin which includes income from suppliers dropped slightly from 17.8% to 16.8%, which was due to the general price decrease in food prices such as meat, egg & edible oil and more price-cutting promotional activities were launched to boost sales.

Revenue from leasing of store premises amounted to approximately HK\$121.6 million, or 2.4% of sales (2008: 2.6%). The decrease was a result of the Group's continued rollout of store renovation plan and some consignment areas had to be closed down for renovation.

Distribution and store operating costs was HK\$800.8 million, represented a decrease from 19.0% of sales to 15.7% of sales during the Period. It mainly comprised of utilities, personnel and rental expenses for a total of HK\$568.2 million. This cost improvement was a result of more stringent cost control measures in place including usage of energy-saving equipment. More training was introduced to increase the efficiency of our labour force which helped to reduce the cost further.

Administrative expenses of HK\$249.4 million mainly included personnel expenses of HK\$160.5 million and professional fee of HK\$22.4 million.

Loss for the Period was HK\$116.8 million, compared to HK\$76.4 million for the corresponding period in 2008. Included in the interest expenses was interest on convertible bonds of HK\$92.3 million (2008: Nil) of which HK\$7.8 million representing coupon interest at 1% per annum on the principal amount of the convertible bonds, which was an actual cash payment and HK\$84.5 million representing additional non-cash interest element arising from the remeasurement of the liability component of the convertible bonds using the effective interest rate method. The convertible bonds were issued in October 2008 upon the completion of the Restructuring. Earnings before interest, taxation, depreciation and amortization ("EBITDA") improved significantly from HK\$49.6 million (1.9% of sales) to HK\$204.8 million (4.0% of sales).

Capital Structure

For the period ended 30th June, 2009, there has been no change in the Company's issued share capital.

Liquidity and Financial Resources

As at the end of the Period, the Group had net current liabilities and net assets of approximately HK\$3,412.0 million and HK\$304.7 million respectively and incurred a loss of HK\$116.8 million for the Period then ended.

As at 30th June, 2009, the Group had short term bank loans of HK\$1,517.4 million (31st December, 2008: HK\$2,033.7 million). The Group had unsecured other loans of HK\$897.8 million (31st December, 2008: HK\$876.8 million) of which HK\$710.6 million (31st December, 2008: HK\$767.6 million) were advanced from related companies. The current portion of unsecured other loans amounted to HK\$897.8 million and HK\$876.8 million at the period ended 30th June, 2009 and the year ended 2008 respectively. The Group had cash and cash equivalents amounting to HK\$307.9 million, representing a 1.04 times of the balance as at the end of 2008.

Gearing and Current Ratios

As at 30th June, 2009, the gearing ratio of the Group stood at 12.98 (gearing ratio was calculated by dividing interest-bearing bank loans, other borrowings and convertible bonds by shareholders' equity) (31st December, 2008: 9.30) and current ratio of the Group was 0.41 (31st December, 2008: 0.43).



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 rates has been relatively small in recent years, and the sales and purchases of the PRC subsidiaries are mainly in RMB which minimizes 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 15,000 employees as at 30th June, 2009. 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

As at the date of this report, the Group operates a total of 44 hypermarkets in China, of which 21 are located in the East region, 13 in the South region and 10 in the North region of China.

The completion of Restructuring opened a new chapter for the Group, enabling it to focus its efforts on development and improvement of the operations of its hypermarket stores. China's economy has been adversely affected by the global economic crisis in particular the end of 2008 and first half of 2009. According to the National Statistic Bureau, China's CPI continued to slide and hitting a record low of -1.6% in February 2009 while food prices dropped 1.9%. Retail sales growth also slowed down from 19% at the beginning of year to 15% in June 2009. Job security has become the biggest concern for customers in China which tends to slow spending large ticket discretionary items.

Despite the adversity, China is one of the first countries to recover due to the speedy fiscal policy of the government to stimulate the economy and the high level of personal savings also helped to maintain consumers' confidence.

The Group continued to focus on its strategy to remain competitive during the Period, including the transforming of our stores into Lifestyle model to provide a one stop shopping format with shopping, leisure and food & beverage offerings. We continued to bring in more well-known tenants to our consignment areas to attract more affluent customers with higher disposing income. As of this date, the transformation of 13 of our 21 stores in the East region have been completed.

Various marketing activities were held to boost sales and further raise Lotus' profile including Happy Girl Meet and Greet, Welcome Expo Energy-saving activity, Kids Drawing Contest, Lotus' 12th Year Anniversary Celebrations, and Thai Food Festival etc. The Group has been reviewing its house brand programme, so far, 59 new house brand products were launched in 2009. We also continued to introduce new products with higher margin.

In order to create a safer and more comfortable working environment, the Group launched an ISO Continuous Improvement Project – 7S in April 2009. The objective was to improve current backroom process and standard, reduce storage space waste, reduce unnecessary shrinkage and damage, thereby increasing the overall working efficiency.

The Group continued to focus and invest in developing our people. We reviewed and reset our people management system in order to motivate and retain talents. Bi-weekly training is provided to store managers, they learn about Consignment, Merchandize, Assortment, Accounting, Marketing and Contract & Labour Law etc.

Future Outlook

The Group believes the worst of the financial crisis is behind us and China's economy is on its way to steady recovery. The impact of the government's fiscal policy to boost the economy continued to be felt and we were able to share the growth driven by such policy. As the market continues to consolidate, enhancing our overall competitiveness remains our priority.



UNAUDITED CONSOLIDATED RESULTS

The board of directors (the "Directors") of the Company announces the unaudited condensed consolidated statement of comprehensive income of the Group for the six months ended 30th June, 2009 together with the comparative figures in 2008, as follows:

Condensed Consolidated Statement of Comprehensive Income

	Notes	Unaudited Six months ended 30th June,	
		2009 HK\$'000	2008 HK\$'000
Turnover	2	5,107,903	2,661,417
Cost of sales		(4,251,133)	(2,187,748)
Gross profit		856,770	473,669
Other revenue	4	265,859	108,704
Other income	4	–	17,242
Other expenses		(772)	–
Distribution and store operating costs		(800,759)	(506,354)
Administrative expenses		(249,403)	(108,743)
Profit/(loss) from operation	2 & 5	71,695	(15,482)
Finance costs			
– Interest on convertible bonds	6	(92,258)	–
– Other finance costs		(93,623)	(53,187)
		(185,881)	(53,187)
Loss before taxation		(114,186)	(68,669)
Income tax	7	(2,586)	(7,714)
Loss for the period		(116,772)	(76,383)
Other comprehensive income			
Exchange differences on translation of financial statements of subsidiaries in the People's Republic of China ("PRC")		4,256	9,488
Total comprehensive expenses for the period		(112,516)	(66,895)
Loss attributable to:			
Equity shareholders of the Company		(116,772)	(75,628)
Minority interests		–	(755)
		(116,772)	(76,383)
Total comprehensive expenses attributable to:			
Equity shareholders of the Company		(112,516)	(68,938)
Minority interests		–	2,043
		(112,516)	(66,895)
Loss per share	9		
– Basic and diluted		(1.09) HK cents	(1.26) HK cents



UNAUDITED CONSOLIDATED RESULTS (Continued)
Condensed Consolidated Statement of Financial Position

	Notes	Unaudited 30th June, 2009 HK\$'000	Audited 31st December, 2008 HK\$'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		1,917,414	2,000,442
– Interests in leasehold land held for own use under operating leases		195,194	199,074
		2,112,608	2,199,516
Intangible assets		256,619	260,713
Goodwill		3,083,994	3,083,965
Prepaid lease payments for premises		7,346	6,831
Deferred tax assets		104,766	105,634
		5,565,333	5,656,659
Current assets			
Prepaid lease payments for premises		2,253	5,288
Inventories		574,695	900,969
Trade and other receivables	10	1,017,112	990,812
Income tax recoverable		9,277	9,277
Pledged and restricted bank deposits		435,823	573,651
Cash and cash equivalents		307,945	296,631
		2,347,105	2,776,628
Assets classified as held for sale	11	12,478	12,473
		2,359,583	2,789,101
Current liabilities			
Trade and other payables	12	3,220,845	3,437,670
Bank loans	13	1,517,380	2,033,682
Other loans	14	897,775	876,764
Consideration payable for acquisition of subsidiaries		60,450	60,450
Obligations under finance leases		4,099	4,421
Current taxation		11,531	3,632
Provisions		59,514	71,301
		5,771,594	6,487,920
Net current liabilities		(3,412,011)	(3,698,819)
Total assets less current liabilities		2,153,322	1,957,840
Non-current liabilities			
Bank loans	13	390,000	–
Convertible bonds	15	1,148,420	1,174,928
Consideration payable for acquisition of subsidiaries		30,225	60,450
Obligations under finance leases		228,009	229,740
Deferred tax liabilities		51,967	53,380
		1,848,621	1,518,498
NET ASSETS		304,701	439,342
CAPITAL AND RESERVES			
Share capital		214,064	214,064
Reserves		90,637	225,278
TOTAL EQUITY		304,701	439,342



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	Convertible bonds reserve	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, 2009	214,064	1,279,977	(8,839)	50,670	105,567	116,860	329,044	(1,648,001)	439,342	-	439,342
Total comprehensive income for the period	-	-	-	-	-	4,256	-	(116,772)	(112,516)	-	(112,516)
Redemption of convertible bonds	-	-	-	-	-	-	(22,125)	-	(22,125)	-	(22,125)
At 30th June, 2009	214,064	1,279,977	(8,839)	50,670	105,567	121,116	306,919	(1,764,773)	304,701	-	304,701
At 1st January, 2008	119,932	931,688	(8,839)	50,670	105,567	81,476	-	(1,602,558)	(322,064)	2,688	(319,376)
Total comprehensive income for the period	-	-	-	-	-	6,690	-	(75,628)	(68,938)	2,043	(66,895)
Acquisition of minority interests	-	-	-	-	-	-	-	-	-	(214)	(214)
At 30th June, 2008	119,932	931,688	(8,839)	50,670	105,567	88,166	-	(1,678,186)	(391,002)	4,517	(386,485)

Condensed Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
Net cash generated from operating activities	281,389	49,960
Net cash generated from/(used in) investing activities	72,370	(94,780)
Net cash (used in)/generated from financing activities	(342,573)	15,850
Net increase/(decrease) in cash and cash equivalents	11,186	(28,970)
Effect of foreign exchange rate changes	128	13,110
Cash and cash equivalents at 1st January	296,631	203,680
Cash and cash equivalents at 30th June	307,945	187,820



UNAUDITED CONSOLIDATED RESULTS (Continued)

Notes to Condensed Consolidated Financial Statements

1. Accounting Policies

The condensed consolidated interim financial statements are unaudited and 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 (“HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

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 2008 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, 2008.

During the Period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRS”) and interpretations issued by the HKICPA, which are applicable to the Group’s operation and effective for the Group’s financial year beginning 1st January, 2009. The adoption of these standards and interpretations, except for HKAS 1 (Revised) as described below, had no material impact on the results or financial position of the Group for the current or prior accounting periods have been prepared and presented.

HKAS 1 (Revised), “Presentation of Financial Statements” separates owners and non-owners’ changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owners’ changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

The Group has not early adopted the following new and revised standards and interpretations which have been issued but are not yet effective:

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvement to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 18	Transfer of Assets from Customers ⁴

¹ Effective for annual periods beginning on or after 1st July, 2009.

² Amendments that are effective for annual periods beginning on or after 1st July, 2009 or 1st January, 2010, as appropriate.

³ Effective for annual periods beginning on or after 1st January, 2010.

⁴ Effective for transfers on or after 1st July, 2009.

The adoption of the above new and revised standards and interpretations will have no material impact on the financial statements and the accounting policies of the Group.



UNAUDITED CONSOLIDATED RESULTS (Continued)

Notes to Condensed Consolidated Financial Statements (Continued)

2. Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to external customers, less returns and allowances for the period and is analyzed as follows:

	Unaudited	
	Six months ended 30th June,	
	2009 HK\$'000	2008 HK\$'000
Sales of goods	<u>5,107,903</u>	<u>2,661,417</u>

3. Segment Information

In the current period, the Group has applied HKFRS 8, "Operating Segments" issued by the HKICPA, which replaces HKAS 14, "Segment Reporting". It requires segmental information to be disclosed on the same basis as used for internal reporting purposes.

The Group is engaged in retail business of the operation of hypermarket stores in the PRC and all of its sales during the periods are generated in the PRC. Under the requirement of HKFRS 8, the Group has only one business segment for the periods ended 30th June, 2009 and 2008.

4. Other Revenue and Other Income

	Unaudited	
	Six months ended 30th June,	
	2009 HK\$'000	2008 HK\$'000
Other revenue		
Leasing of store premises	121,589	69,346
Management service fee	35,122	–
Procurement service fee	1,615	–
Interest income	6,470	2,794
Other promotion and service income	101,063	36,564
	<u>265,859</u>	<u>108,704</u>
Other income		
Foreign exchange gain	–	16,597
Profit on disposal of fixed assets	–	645
	<u>–</u>	<u>17,242</u>



UNAUDITED CONSOLIDATED RESULTS (Continued)

Notes to Condensed Consolidated Financial Statements (Continued)

5. Depreciation and Amortization

During the Period, depreciation of HK\$124.9 million (2008: HK\$61.3 million) in respect of the Group's property, plant and equipment, amortization of HK\$4.0 million (2008: HK\$3.8 million) in respect of interests in leasehold land held for own use under operating leases of the Group and amortization of HK\$4.2 million (2008: Nil) in respect of the Group's intangible assets were charged.

6. Interest on Convertible Bonds

Interest on convertible bonds of HK\$92.3 million for the six months ended 30th June, 2009 consisted of HK\$7.8 million representing coupon interest at 1% per annum on the principal amount of the convertible bonds, which was an actual cash payment and HK\$84.5 million representing additional non-cash interest element arising from the remeasurement of the liability component of the convertible bonds using the effective interest rate method.

7. Tax

	Unaudited	
	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
Current tax – PRC		
Provision for the period	3,106	8,134
Deferred tax		
Reversal of temporary differences	(520)	(420)
Taxation charge	<u>2,586</u>	<u>7,714</u>

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

8. Dividend

The Directors do not recommend the payment of any dividend in respect of the Period (2008: Nil).

9. Loss Per Share

The calculation of the basic and diluted loss per share is based on the loss attributable to equity shareholders of the Company for the Period of HK\$116.8 million (2008: HK\$75.6 million) and on the 9,184,414,410 weighted average number of ordinary shares and 1,518,807,075 weighted average number of preference shares (2008: 5,996,614,408 weighted average number of ordinary shares) in issue during the Period.

For the six months ended 30th June, 2009 and 2008, the diluted loss per share is the same as the basic loss per share as all potential ordinary shares are anti-dilutive.



UNAUDITED CONSOLIDATED RESULTS (Continued)

Notes to Condensed Consolidated Financial Statements (Continued)

10. Trade and Other Receivables

	THE GROUP	
	Unaudited 30th June, 2009 HK\$'000	Audited 31st December, 2008 HK\$'000
Trade receivables, other receivables and deposits	252,832	212,040
Amounts due from related companies	764,280	778,772
	1,017,112	990,812

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis:

	THE GROUP	
	Unaudited 30th June, 2009 HK\$'000	Audited 31st December, 2008 HK\$'000
Current to 30 days overdue	27,104	33,015
31 to 60 days overdue	1,500	1,189
61 to 90 days overdue	280	630
Over 90 days	745	5,245
	29,629	40,079

11. Assets Classified as held for Sale

Assets classified as held for sale represent:

	THE GROUP	
	Unaudited 30th June, 2009 HK\$'000	Audited 31st December, 2008 HK\$'000
Land use right (<i>note</i>)	12,478	12,473

Note: During the year ended 31st December, 2004, a subsidiary of Lotus-CPF (PRC) Investment Company Limited entered into an agreement with an independent third party to dispose of a land use right at a consideration of approximately RMB11.0 million (equivalent to approximately HK\$12.5 million (2008: HK\$12.5 million)). Accordingly, the land use right is classified as an asset held for sale and presented separately in the condensed consolidated statement of financial position. As at 31st December, 2008 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.



UNAUDITED CONSOLIDATED RESULTS (Continued)

Notes to Condensed Consolidated Financial Statements (Continued)

12. Trade and Other Payables

	THE GROUP	
	Unaudited 30th June, 2009 HK\$'000	Audited 31st December, 2008 HK\$'000
Notes payable	358,874	47,632
Creditors and accrued charges	2,646,083	3,200,121
Amounts due to related companies	215,888	189,917
	3,220,845	3,437,670

Included in trade and other payables are trade creditors and notes payable of approximately HK\$2,167.4 million (2008: approximately HK\$2,382.9 million) with the following ageing analysis:

	THE GROUP	
	Unaudited 30th June, 2009 HK\$'000	Audited 31st December, 2008 HK\$'000
Within 30 days of invoice date	2,015,505	1,998,897
31 to 60 days after invoice date	36,728	285,244
61 to 90 days after invoice date	28,265	51,437
More than 90 days after invoice date	86,933	47,285
	2,167,431	2,382,863



UNAUDITED CONSOLIDATED RESULTS (Continued)

Notes to Condensed Consolidated Financial Statements (Continued)

13. Bank Loans

All the Group's bank loans as at 30th June, 2009 and 31st December, 2008 were repayable as follows:

	THE GROUP	
	Unaudited 30th June, 2009 HK\$'000	Audited 31st December, 2008 HK\$'000
Within 1 year	1,517,380	2,033,682
More than 1 year but within 2 years	39,000	–
More than 2 years but within 5 years	351,000	–
	1,907,380	2,033,682

The Group's bank loans are secured/guaranteed as follows:

	THE GROUP	
	Unaudited 30th June, 2009 HK\$'000	Audited 31st December, 2008 HK\$'000
Secured bank loans		
– Secured by assets held by the Group (<i>note (i)</i>)	393,637	527,263
– Secured by assets held by related parties (<i>note (ii)/(vi)</i>)	390,000	390,000
– Secured by letters of credit issued by the ultimate holding company through financial institutions (<i>note (iii)</i>)	228,799	229,622
	1,012,436	1,146,885
Unsecured bank loans		
– Guaranteed by the Company and its subsidiaries (<i>note (iv)</i>)	28,360	28,348
– Guaranteed by a related company (<i>note (v)</i>)	53,317	53,293
– Unsecured bank loans (<i>note (vi)</i>)	813,267	805,156
	1,907,380	2,033,682



UNAUDITED CONSOLIDATED RESULTS (Continued)

Notes to Condensed Consolidated Financial Statements (Continued)

13. Bank Loans (Continued)

Notes:

- (i) As at 30th June, 2009, the Group has drawn down two floating rate bank loans of RMB300.0 million (equivalent to HK\$340.3 million (2008: HK\$340.2 million)) and RMB47.0 million (equivalent to HK\$53.3 million (2008: HK\$53.3 million)) bearing interest at six-month PBOC rate (2008: six-month PBOC rate) per annum and six-month PBOC rate multiplied by 1.1 (2008: six-month PBOC rate multiplied by 1.1) per annum respectively, which are secured by pledged bank deposits totalling RMB247.0 million (equivalent to HK\$280.2 million (2008: HK\$280.1 million)).

As at 31st December, 2008, the Group has drawn down a floating rate bank loan of RMB118.0 million (equivalent to HK\$133.8 million) secured by pledged bank deposit of RMB136.8 million (equivalent to HK\$155.1 million), which was repaid in January 2009.

- (ii) As at 30th June, 2009 and 31st December, 2008, the Company has drawn down a floating rate bank loan of USD50.0 million (equivalent to HK\$390.0 million (2008: HK\$390.0 million)) bearing interest at London Interbank Offered Rate ("LIBOR") plus 4% (2008: LIBOR plus 2.75%) per annum. This loan is secured by the equity interest in a company controlled by various shareholders of the Group's ultimate holding company. This loan is repayable by instalments until fully repaid on 31st March, 2012.

- (iii) As at 30th June, 2009, subsidiaries of the Group have drawn down two floating rate bank loans of USD20.0 million (equivalent to HK\$154.3 million (2008: HK\$155.1 million)) and USD4.8 million (equivalent to HK\$36.3 million (2008: HK\$36.3 million)) bearing interest at six-month PBOC rate multiplied by 1.1 (2008: six-month PBOC rate multiplied by 1.1) per annum and six-month PBOC rate multiplied by 1.15 (2008: six-month PBOC rate multiplied by 1.15) per annum respectively, which are secured by letters of credit issued by the Group's ultimate holding company through financial institutions.

As at 30th June, 2009, the Company has drawn down a floating rate bank loan of USD4.9 million (equivalent to HK\$38.2 million (2008: HK\$38.2 million)) bearing interest at six-month LIBOR plus 1% (2008: six-month LIBOR plus 1%) per annum, which is secured by a letter of credit issued by the Group's ultimate holding company through financial institution.

- (iv) As at 30th June, 2009, the Group has drawn down a fixed rate bank loan of RMB25.0 million (equivalent to HK\$28.4 million (2008: HK\$28.3 million)) bearing interest at 6.417% (2008: 6.417%) per annum, which is co-guaranteed by the Company and one of its subsidiaries.
- (v) As at 30th June, 2009, the Group has drawn down a floating rate bank loan of RMB47.0 million (equivalent to HK\$53.3 million (2008: HK\$53.3 million)) bearing interest at six-month PBOC rate plus 10% (2008: PBOC rate plus 10%) per annum. This loan is guaranteed by a fellow subsidiary controlled by the Group's ultimate holding company.
- (vi) The Group's ultimate holding company and the Company have issued letters of undertaking for these loans to the respective lending banks.



UNAUDITED CONSOLIDATED RESULTS (Continued)
Notes to Condensed Consolidated Financial Statements (Continued)

14. Other Loans

	THE GROUP	
	Unaudited 30th June, 2009 HK\$'000	Audited 31st December, 2008 HK\$'000
Loan from third party (note (i))	187,200	109,200
Loans from related companies (note (ii))	710,575	767,564
	897,775	876,764
Repayable within 1 year	897,775	876,764

Notes:

- (i) As at 30th June, 2009, loans of HK\$187.2 million (2008: HK\$109.2 million) borrowed from independent third parties were unsecured, bearing interest ranging from 3.33% to 3.52% (2008: 5.34% to 7.14%) per annum.
- (ii) Unsecured loans from related companies, being subsidiaries of the Group's ultimate holding company comprise the following:
- (a) RMB527.0 million (equivalent to HK\$597.9 million (2008: HK\$643.0 million)), which bear fixed interest at 5.98% to 7.60% (2008: 5.58% to 7.88%) per annum.
 - (b) USD6.0 million (equivalent to HK\$46.6 million) and USD2.5 million (equivalent to HK\$19.5 million) (2008: Nil), which bear fixed interest at 6.5% and 6% per annum respectively.
 - (c) USD6.0 million (equivalent to HK\$46.6 million (2008: HK\$78.0 million and HK\$46.6 million)), which bears interest at three-month LIBOR plus 1.5% (2008: LIBOR plus 6% and three-month LIBOR plus 1.5% respectively) per annum.

15. Convertible Bonds

No conversion of the convertible bonds has occurred up to 30th June, 2009. On 23rd January, 2009, the Company entered into a redemption agreement with The China Retail Fund, LDC to redeem convertible bonds in the principal amount of HK\$156.4 million at a redemption price representing a discount of 15% (equivalent to HK\$132.9 million) to the principal amount. The redemption was completed on 30th January, 2009.

16. Commitments

	THE GROUP	
	Unaudited 30th June, 2009 HK\$'000	Audited 31st December, 2008 HK\$'000
Capital Commitments:		
Contracted for	25,864	54,222
Authorized but not contracted for	–	14,540
	25,864	68,762



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 expired on 31st March, 2009. The loan has been renewed and extended to 31st March, 2012.

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, 2009, 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, 2009
				As at 1st January, 2009	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



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, 2009
				As at 1st January, 2009	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
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
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



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, 2009
				As at 1st January, 2009	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
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. Suphachai 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, 2009, none of the Directors and chief executives of the Company had any interest or short positions 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, 2009, 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	91.54%
Worth Access Trading Limited ("Worth Access")	(2)	8,407,126,096	91.54%
Charoen Pokphand Holding Company Limited ("Charoen Pokphand Holding")	(2)	8,407,126,096	91.54%
Charoen Pokphand Group Company Limited ("CPG")	(2)	8,407,126,096	91.54%
CP ALL Public Company Limited ("CP ALL")	(3)	2,686,029,234	29.25%
Lotus Distribution Investment Limited ("LDIL")	(3)	2,650,205,781	28.86%
The China Retail Fund, LDC ("CRF")	(4)	1,211,081,100	13.19%
China Retail Management LDC ("CRM")	(4)	1,211,081,100	13.19%
China United Resource Co. Ltd. ("CUR")	(4)	1,211,081,100	13.19%
AIG Global Investment Corp. (Asia) Limited ("AIG Global")	(4)	1,211,081,100	13.19%
American International Assurance Company, Limited ("AIA")	(4)	1,211,081,100	13.19%
American International Group, Inc. ("AIG")	(4)	1,211,081,100	13.19%
United States Treasury	(4)	1,211,081,100	13.19%
Jill M. Considine	(4)	1,211,081,100	13.19%
Chester B. Feldberg	(4)	1,211,081,100	13.19%
Douglas L. Foshee	(4)	1,211,081,100	13.19%

Notes:

- (1) The percentages shown are based on the total number of shares in issue as at 30th June, 2009.
- (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) CP ALL's interest included the interest of LDIL, its wholly-owned subsidiary.
- (4) CRM had declared an interest in the same 1,211,081,100 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 1,211,081,100 shares by virtue of its shareholding in CRM whilst AIA also declared an interest in the same number of shares by virtue of its shareholding in AIG Global. AIG had declared an interest in the same 1,211,081,100 shares by virtue of its shareholding in AIA. According to the Credit Agreement between AIG and Federal Reserve Bank of New York, AIG has issued a trust for the sole benefit of the United States Treasury and Jill M. Considine, Chester B. Feldberg and Douglas L. Foshee acted as the trustees for the trust. They all declared an interest in the same 1,211,081,100 shares.

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, 2009.



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, 2009
				As at 1st January, 2009	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

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 the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with the required standards as set out in the Model Code for the six months ended 30th June, 2009.

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

James H. Haworth

Chairman

Hong Kong, 16th September, 2009

As at the date of this report, the board of the Company comprises fifteen executive directors, namely, Mr. James H. Haworth, Mr. Soopakij Chearavanont, Mr. Michael Ross, Mr. Narong Chearavanont, Mr. Tse Ping, Mr. Yang Xiaoping, Mr. Li Wen Hai, Mr. Zheng Mengyin, Mr. Umroong Sanphasitvong, Mr. Robert Ping-Hsien Ho, Mr. Meth Jiaravanont, Mr. Nopadol Chiaravanont, Mr. Chatchaval Jiaravanon, Mr. Suphachai 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. James Harold Haworth (*Chairman*)
Mr. Soopakij Chearavanont
(*Chief Executive Officer & Executive Vice Chairman*)
Mr. Michael Ross
(*Executive Vice Chairman & Executive Vice President*)
Mr. Narong Chearavanont (*Vice Chairman*)
Mr. Tse Ping (*Vice Chairman*)
Mr. Yang Xiaoping
(*Vice Chairman & Executive Vice President*)
Mr. Li Wen Hai
(*Vice Chairman & Executive Vice President*)
Mr. Zheng Mengyin (*Vice Chairman*)
Mr. Umroong Sanphasitvong
Mr. Robert Ping-Hsien Ho
Mr. Meth Jiaravanont
Mr. Nopadol Chiaravanont
Mr. Chatchaval Jiaravanon
Mr. Suphachai 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

Authorized Representatives

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

Registered Office

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
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

Standard Chartered Bank (Hong Kong) Limited
Siam City Bank Public Company Limited
Bank of America, N.A.

Legal Advisors

Hong Kong
Morrison & Foerster
33rd Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Cayman Islands
Maples and Calder
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Share Registrars

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

Cayman Islands
Maples Corporate Services Limited
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Cayman Islands

Share Listing

The Stock Exchange of Hong Kong Limited
Stock Code: 00121

Company Website

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



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