



BUSINESS REVIEW

The 2003 unaudited interim net loss of the Group amounted to HK\$46.08 million (2002: net profit of HK\$21.68 million). This was mainly attributable to a loss on disposal of investment properties of HK\$16.63 million and an increase in selling and distribution costs.

Wuhan Lotus Supermarket Chain Store Co., Ltd. (formerly known as “Wuhan Chia Tai Trading Co., Ltd.”) (65% attributable interest)

Wuhan Lotus Supermarket Chain Store Co., Ltd. (“Wuhan Lotus”) is a company set up in the PRC in 2001 by Chia Tai Trading Investment Co. Ltd., a wholly-owned subsidiary of the Company, and a PRC partner.

Last year, Wuhan Lotus started to convert its Club business, which offers the daily necessity products in bulk pack to members only, into non-membership large scale cash-and-carry warehouse stores. The internal renovation was completed and the Club was re-opened as a warehouse store in January 2003. Coupled with another warehouse store which was opened and operated in November 2002, the two stores cover a total floor area of approximately 20,000 square metres (“sq.m.”).

In June 2003, Wuhan Lotus changed its name from “Wuhan Chia Tai Trading Co., Ltd.” to its present name. It is expected to expand its business by utilizing the “Lotus” brand name.

SHV-CPF (PRC) Investment Company Limited (50% attributable interest)

On 11th March, 2003, the Group entered into a conditional share purchase agreement with an independent third party to acquire 48,700,000 shares in SHV-CPF (PRC) Investment Company Limited (“SHV-CPF”), representing 50% of the issued share capital of SHV-CPF at a total consideration of US\$32.22 million (equivalent to HK\$251.29 million), subject to adjustments. The acquisition was approved by the independent shareholders on 29th April, 2003 and was completed on 13th May, 2003.

SHV-CPF is an investment holding company and its only asset is a 90% interest in Chia Tai-Makro (Guangdong) Investment Co. Ltd., which in turn is the holding company of subsidiaries in the PRC which are principally engaged in the business of the supply of food and non-food products through the operation of a total of four cash-and-carry warehouse stores in Guangzhou, Shantou and Nanhai, all in the Guangdong province.

An aggressive pricing strategy was adopted in light of increased competition in order to boost turnover and increase market share. The Directors believe that the aggressive pricing strategy will allow SHV-CPF to expand its market share and further strengthen the Group’s competitiveness, thus leading to further growth in the cash-and-carry warehouse store business.

Freewill Solutions Co., Ltd. (49% attributable interest)

Founded in 1991, Freewill Solutions Co., Ltd. (“Freewill”) is engaged in providing software solutions to Thailand’s financial sector and the Asia Pacific region. The core business of the Bangkok-based Freewill has been split into two: the financial system division and the e-business division.

As for the financial system division, currently more than 75% of the securities brokers in Thailand are using Freewill’s software solution for front and back office operation.



BUSINESS REVIEW (Continued)

Freewill Solutions Co., Ltd. (49% attributable interest) (Continued)

The e-business division, which started operation in 2001 and currently conducts through Pantavanij Co., Ltd. ("Pantavanij"), Freewill's subsidiary, is an e-procurement service provider in Thailand. Apart from the core hosted e-procurement service, Pantavanij has extended its products to offer consulting service and sourcing service and e-marketplace.

Looking forward, Freewill is anticipating to drive further growth through its proposed new projects such as e-Marketplace, web-based enterprise resource planning for small enterprises and multimedia design service.

Shanghai Fortune World Development Co., Ltd.

Shanghai Fortune World (37.5% attributable interest)

Located in the heart of Shanghai Pudong area, Shanghai Fortune World is a large commercial land development project covering 40 hectares of the Lujiazui Finance and Trade Zone. The land is zoned for commercial, retail, entertainment and hotel property development.

The Lujiazui Finance and Trade Zone, where principal office blocks in Pudong are concentrated, has rapidly developed into the most important office area in Shanghai and in the Mainland. With the total sales space for 2002 nearly doubled as that of the previous year, rental for the office blocks in the Lujiazui Finance and Trade Zone was more than 10% higher than the previous year. With the moving into this Zone of the well-known financial institutions gradually, we anticipate that its vital location, sales and rental value will rise further.

As at 30th June, 2003, a total gross floor area of approximately 100,000 sq.m. situated in the prime location of Lujiazui area still remained within the Shanghai Fortune World project. The Company is currently studying a number of plans to develop the land within the Shanghai Fortune World project, in order to maximize returns for shareholders.

Shanghai Fortune Garden (37.5% attributable interest)

The Shanghai Fortune Garden development project comprises four luxury high-rise apartment blocks and two combined commercial/apartment blocks located at no. 1357-1369 Dongfang Road in Pudong.

With the projected opening of the extended underground railway at the end of 2003, the value of the Shanghai Fortune Garden complex, located adjacent to the two new underground railways stations, was increased by 20% compared with last year and is expected to receive a further boost.

As at 30th June, 2003, a total of 540 units in the complex were sold and a total of 27 units were leased. The Company is focusing on selling the remaining 136 units that are currently vacant, as well as the 27 units that are currently leased.

Tianjin Datian Plaza (57% attributable interest)

Located in the central business district of Tianjin, Tianjin Datian Plaza covers a site of 20,007 sq.m. and is designed to be a commercial complex providing 126,000 sq.m. for mixed-use shopping arcade, high-rise office buildings and luxurious apartments.

On 1st July, 2003, the Company entered into a conditional sale and purchase agreement relating to the disposal of its entire 100% equity interest in C.T. Tianjin to a third party for a consideration of RMB70.00 million (equivalent to HK\$65.80 million). C.T. Tianjin owns a 57% interest in a sino-foreign joint venture which has 100% ownership of the Tianjin Datian Plaza project. A deposit of RMB5.00 million (HK\$4.70 million) was received on 7th July, 2003.