



## BUSINESS REVIEW

The Group recorded a net loss for the six months ended 30th June, 2004 of HK\$49.8 million (2003: HK\$46.1 million). The loss was mainly attributable to the increase in selling and administrative costs in the holding level as well as the operating level for the current and future expansion of the Lotus supermarket chain stores in the PRC.

### Retail

During the period under review, the retail business of the Group expanded continuously through establishment. In the Northern area of the PRC, 2 Lotus supermarket chain stores have been established and are operated under Beijing Lotus Supermarket Chain Store Co., Ltd. and Tianjin Lotus Supermarket Chain Store Co., Ltd. The new store in Beijing has a total floor area of about 13,800 square metres ("sq.m.") while the total floor area of the other new store in Tianjin is 15,000 sq.m.

During the six months ended 30th June, 2004, the Group operated a total of 5 Lotus supermarket chain stores in Beijing, Tianjin and Taian with a total turnover of RMB376.0 million (equivalent to HK\$353.5 million). Furthermore, Chia Tai-Lotus (Guangdong) Investment Co. Ltd., the Company's 55%-owned associate, operated 4 Lotus supermarket chain stores in Guangzhou, Shantou and Nanhai of Guangdong Province with a total floor area of 88,554 sq.m. and recorded a total turnover of US\$66.7 million (equivalent to HK\$520.3 million).

2 new stores have been opened in the Northern area and 1 in the Guangdong Province since July. The Group will continuously expand and it is anticipated that around 7 more stores will be opened up to the end of this year, of which around 5 new stores will be established in the Northern area and the other 2 new stores will be opened in Guangdong Province of the PRC.

### Department Store

Shanghai Chia Tai Department Store Company Limited ("Chia Tai Department Store") (100% attributable interest)

Chia Tai Department Store was set up in March 2004 and is a wholly-owned subsidiary of the Company. It is principally engaged in the operation of a department store with a floor area of 35,600 sq.m. situated at level 1 to level 4 of Super Brand Mall in Shanghai and will increase to approximately 53,835 sq.m. after renovation.

The turnover for the period under review was RMB35.6 million (equivalent to HK\$33.5 million).

In order to build up the market share in department store business, Chia Tai Department Store will expand its business by introducing high quality products with superior brand names.

### Barbecue Foods

Chia Tai Barbecue Specialist Company Limited ("Chia Tai Barbecue") (55% attributable interest)

Chia Tai Barbecue was established in the last quarter of 2003. Chia Tai Barbecue specializes in running and selling RoboQ barbecue kiosk franchise, together with its roasted meat skewers and supply, grilled by a patented automatic barbecue machine, in major supermarkets and department stores in both Hong Kong and Shenzhen.

As at 30th June, 2004, there were 20 kiosks operated in Hong Kong and 1 kiosk in Shenzhen. Chia Tai Barbecue will focus on exploring the market in Guangdong Province.



## **BUSINESS REVIEW (Continued)**

### **Logistics**

Shanghai Li Tai Logistics Co. Ltd. ("Shanghai Logistics") (100% attributable interest)

Shanghai Logistics is a wholly-owned subsidiary of the Company. Its principal business is engaged in acting as one of the goods distribution centre for all Lotus supermarkets and other retail group companies in order to promote cost efficiency in goods distribution.

### **Computer Software Consultation and E-Procurement Service**

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

Freewill is engaged in providing software solutions to Thailand's financial sector and the Asia Pacific region.

In January 2004, Freewill has increased its shareholding in Pantavanij Co., Ltd. from 90.07% to 91.24%. In February 2004, Freewill acquired 51% equity interests in T-Pay Co. Ltd. which was registered in December 2003. The management of Freewill plans to operate this company in the near future.

### **Property Investment and Development**

*Shanghai Fortune World Development Co., Ltd. (37.5% attributable interest)*

#### **Shanghai Fortune World**

Shanghai Fortune World is located in the heart of Shanghai Pudong area, and 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.

As at 30th June, 2004, 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.

#### **Shanghai Fortune Garden**

Shanghai Fortune Garden development project comprises four luxury high-rise apartment blocks and two-combined office/apartment blocks located in Pudong adjacent to two new underground railways stations, a further boost in its value is expected.

As at 30th June, 2004, a total of 582 units in the complex were sold and a total of 11 units were leased. The Company is focusing on selling the remaining 83 units that are currently vacant, as well as the 11 units that are currently leased.

## **CAPITAL STRUCTURE**

For the period ended 30th June, 2004, there has been no change in the Company's share capital.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the period under review, the Group has collected most of the consideration receivable on disposal of its subsidiaries in 2003 and obtained bank loans of RMB52.0 million (equivalent to HK\$48.9 million). As at 30th June, 2004, its cash and cash equivalents amounted to approximately HK\$219.8 million, representing a 2.7 times increase when compared with the end of 2003.

## **GEARING AND CURRENT RATIOS**

As at 30th June, 2004, the gearing ratio of the Group stood at 0.07 (gearing ratio was calculated by dividing interest-bearing bank loans and other borrowings by shareholders' equity) (31st December, 2003: zero) and the current ratio of the Group was 1.41 (31st December, 2003: 2.82).