



## FOREIGN CURRENCY EXPOSURE

As at 30th June, 2004, the Group had RMB92.2 million (equivalent to HK\$86.7 million) in cash.

Most of the Group's monetary assets and liabilities are denominated in Hong Kong dollars, RMB and US dollars and minimal balances in Thai Baht. As the Hong Kong dollar is pegged to US dollar and the fluctuation in the exchange rates between Hong Kong dollar and RMB has been relatively small in recent years, the Group believes it faces minimal foreign currency risk and thus, has not undertaken any hedging activities.

## CONTINGENT LIABILITY

As at 30th June, 2004, the Company provided guarantees for bank loan and bank facility of subsidiaries in the amount of US\$0.6 million (equivalent to HK\$5.0 million) and RMB10.0 million (equivalent to HK\$9.4 million) respectively (2003: nil).

## EMPLOYEES, TRAINING AND REMUNERATION POLICY

Including the Directors, the Group had around 1,970 employees as at 30th June, 2004. 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.

The Company has adopted a share option scheme on 31st May, 2002, which will remain in force for ten years from that date, unless otherwise cancelled or amended.

## STRATEGIC OUTLOOK

With the steady growth in the PRC economy, the purchasing power in the country is improved and the demand for quality goods and services continues to grow. The Directors believe that their strategy to penetrate and expand into the business of distribution of food and non-food products through the operation of Lotus supermarket chain stores which provide quality goods and decent shopping environment to customers would produce fruitful returns to the Group in the long run.

Looking forward, the Group will continue to strive for the development of the business of Lotus supermarket chain stores in the PRC market by increasing its market share, while at the same time, endeavour to implement cost control measures in order to improve the margins of the business.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30th June, 2004, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### Long position in shares of an associated corporation

Name of Director	Name of the associated corporation in which notifiable interest is held	Number of shares held
Mr. Supachai Chearavanont	Freewill Solutions Co., Ltd.	60,000

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

Pursuant to the share option scheme (the "Scheme") adopted by the Company on 31st May, 2002, the Company had on 6th June, 2002 and 10th November, 2003 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 and HK\$0.19 per share respectively, details of which are as follows:

Name of Director	Date of Grant	Exercise price HK\$	Exercisable period	Outstanding as at 30th June,	
				2003	2004
Mr. Soopakij Chearavanont	6th June, 2002	0.07	6th June, 2002 to 5th June, 2012	59,966,144	59,966,144
	10th November, 2003	0.19	10th November, 2003 to 9th November, 2013	–	59,966,144
Mr. Tse Ping	6th June, 2002	0.07	6th June, 2002 to 5th June, 2012	59,966,144	59,966,144
	10th November, 2003	0.19	10th November, 2003 to 9th November, 2013	–	59,966,144
Mr. Narong Chearavanont	6th June, 2002	0.07	6th June, 2002 to 5th June, 2012	59,966,144	59,966,144
	10th November, 2003	0.19	10th November, 2003 to 9th November, 2013	–	59,966,144
Mr. Supachai Chearavanont	6th June, 2002	0.07	6th June, 2002 to 5th June, 2012	59,966,144	59,966,144
	10th November, 2003	0.19	10th November, 2003 to 9th November, 2013	–	59,966,144
Mr. Chatchaval Jiaravanon	6th June, 2002	0.07	6th June, 2002 to 5th June, 2012	59,966,144	59,966,144
	10th November, 2003	0.19	10th November, 2003 to 9th November, 2013	–	59,966,144
Mr. Kachorn Chiaravanont	6th June, 2002	0.07	6th June, 2002 to 5th June, 2012	59,966,144	59,966,144
	10th November, 2003	0.19	10th November, 2003 to 9th November, 2013	–	59,966,144
Mr. Yang Xiaoping	6th June, 2002	0.07	6th June, 2002 to 5th June, 2012	59,966,144	59,966,144
	10th November, 2003	0.19	10th November, 2003 to 9th November, 2013	–	59,966,144
Mr. Robert Ping-Hsien Ho	6th June, 2002	0.07	6th June, 2002 to 5th June, 2012	59,966,144	59,966,144
	10th November, 2003	0.19	10th November, 2003 to 9th November, 2013	–	59,966,144
Total				<u>479,729,152</u>	<u>959,458,304</u>

As at 30th June, 2004, none of the above share options had been exercised.

Save as disclosed above, as at 30th June, 2004, none of the Directors and chief executives of the Company had any interest or short position in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.