

## CHAIRMAN'S STATEMENT

I am pleased to present to our shareholders, the annual results of Chia Tai Enterprises International Limited and its subsidiaries (together the "Group") for the year ended 31st December, 2004.

### RESULTS

The Group's audited turnover for the year ended 31st December, 2004 was HK\$1,061,295,000 (2003: HK\$318,238,000), representing an increase of 2.33 times over the corresponding period in 2003.

The Group recorded a net loss attributable to shareholders for the year of HK\$141,142,000 (2003: net profit of HK\$65,551,000). Basic loss per share for the year was HK\$0.0235 (2003: basic earnings per share of HK\$0.0109).

### OVERVIEW

The year 2004 was a year of continuing business expansion for the Company.

The Group continuously adopted the strategy of diversifying into the potentially lucrative retail industry by further investment in large scale cash-and-carry warehouse store business in the People's Republic of China (the "PRC"). Other than the establishment of Beijing Lotus Supermarket Chain Store Co., Ltd., Tianjin Lotus Supermarket Chain Store Co., Ltd. and Taian Lotus Supermarket Chain Store Co., Ltd. with 3 stores operating in the Northern region of the PRC in the year 2003, the Group has further established Xian Lotus Supermarket Chain Store Co., Ltd. and Zhengzhou Lotus Supermarket Chain Store Co., Ltd. in the year 2004. The Group has also opened 9 new Lotus supermarket chain stores in 2004 of which 7 were located in the Northern region of the PRC and 2 in Guangdong Province.

Chia Tai Department Store, a wholly-owned subsidiary of the Company, which was set up in March 2004, operated a department store in Shanghai. The Group continues to implement its concepts of the provision of high quality products accommodated by a decent and comfortable environment and believes that this is the right track to follow. The Group will strive for co-operation with superior brand names and to gradually penetrate into the market.

## CHAIRMAN'S STATEMENT

### OVERVIEW (Continued)

Apart from the development of the core business, Shanghai's property market is developing progressively. In order to maximize returns for shareholders, the Group is examining a number of development plans for the Group's further development of its prime real estate in Shanghai, the PRC.

### PROSPECTS

The Group's business is located in South-East Asia with a strong focus in the PRC and 2004 saw a year of concentration and consolidation for the Group. We continue to penetrate into the retail business through the development and opening of new stores in different areas of the PRC, in order to expand our market share within the industry, with a view to facilitate the Group in enjoying economy of scale and improving the operational efficiencies, in the long run. With the extensive network well established by the Group, coupled by the high quality products and services provided, the Directors have the confident that the business of the large scale cash-and-carry warehouse stores in the PRC has solid base to develop, and, would, in the long term, be able to generate returns to the Group.

Looking forward, apart from focusing on the existing businesses, the Group will explore the potential resources available and will continue to expand its retail business.

### ACKNOWLEDGEMENT

I would like to express our gratitude to shareholders for their continued support to the Group and to the Directors and staff members of the Group for their commitments and dedicated services in past years.

**Soopakij Chearavanont**

*Chairman*

24th March, 2005