



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

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

The interim financial statements should be read in conjunction with the 2005 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, 2005, except as described below.

The following amendments to standards and interpretations which are applicable to the Group and are effective for annual periods beginning on or after 1st January, 2006:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

Management has assessed the impact of the above amendments to standards and interpretations where the adoption of these amendments to standards and interpretations did not result in material impact on the financial statements of the Group and no substantial changes to the Group’s accounting policies.

The following new standards and amendments to standards and interpretations relevant to the Group’s operations have been issued but are not effective for 2006 and have not been early adopted:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. REVENUE AND SEGMENTAL INFORMATION**

Revenue represents the net amounts received and receivable for goods sold by the Group to outsider customers, less returns and allowances and rental income from investment properties for the period and is analysed as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30th June,</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operation</b>		
Sales of goods	<b>1,434,810</b>	743,265
<b>Discontinued operations</b>		
Sales of goods	<b>86,002</b>	126,586
Rental income from investment properties	<b>221</b>	758
	<b>86,223</b>	127,344

**Business segments**

The Group is currently engaged in retail business as the major operating division. The retail business mainly includes the operation of "cash-and-carry" stores. This division is the base on which the Group reports its primary segment information.

The Group was also involved in the business of property investment in residential premises and property development in the PRC, investment holding of an associate which engaged in computer software consultation service, operation of department stores and selling of barbecued meat skewers, which were discontinued during the Period.



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2. REVENUE AND SEGMENTAL INFORMATION (Continued)

#### Business segments (Continued)

An analysis of the Group's revenue and results by business segments is presented below:

For the period ended 30th June, 2006

	Continuing Operation		Discontinued Operations					Total Consolidated HK\$'000
	Retail HK\$'000	Total HK\$'000	Property investment HK\$'000	Property development HK\$'000	Retail HK\$'000	Others HK\$'000	Total HK\$'000	
<b>REVENUE</b>								
External revenue	<u>1,434,810</u>	<u>1,434,810</u>	<u>221</u>	<u>–</u>	<u>86,002</u>	<u>–</u>	<u>86,223</u>	<u>1,521,033</u>
<b>RESULT</b>								
Segment result	<u>(159,478)</u>	<u>(159,478)</u>	<u>(3,219)</u>	<u>–</u>	<u>(6,397)</u>	<u>–</u>	<u>(9,616)</u>	<u>(169,094)</u>
Interest and unallocated gains		5,165					–	5,165
Unallocated expenses		(24,368)				(2,787)	(2,787)	(27,155)
Finance costs		(23,141)				(767)	(767)	(23,908)
Share of result of a jointly controlled entity		–		(278)			(278)	(278)
Share of results of associates	(1,133)	(1,133)			4,257		4,257	3,124
Gain on disposal of subsidiaries and an associate		<u>276,661</u>					<u>–</u>	<u>276,661</u>
Profit/(Loss) before taxation		<b>73,706</b>					<b>(9,191)</b>	<b>64,515</b>
Taxation		<u>–</u>					<u>–</u>	<u>–</u>
Profit/(Loss) for the Period		<u><b>73,706</b></u>					<u><b>(9,191)</b></u>	<u><b>64,515</b></u>

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. REVENUE AND SEGMENTAL INFORMATION (Continued)****Business segments (Continued)**

For the period ended 30th June, 2005 (Restated)

	Continuing Operation		Discontinued Operations					Consolidated HK\$'000
	Retail HK\$'000	Total HK\$'000	Property investment HK\$'000	Property development HK\$'000	Retail HK\$'000	Others HK\$'000	Total HK\$'000	
<b>REVENUE</b>								
External revenue	743,265	743,265	758	–	126,586	–	127,344	870,609
<b>RESULT</b>								
Segment result	(53,642)	(53,642)	(4,921)	–	(17,106)	–	(22,027)	(75,669)
Interest and unallocated gains		4,967				162	162	5,129
Unallocated expenses		(89,583)				(3,248)	(3,248)	(92,831)
Finance costs		(5,546)				(667)	(667)	(6,213)
Share of result of a jointly controlled entity		–		14,342			14,342	14,342
Share of results of associates	(17,161)	(17,161)			927		927	(16,234)
Loss before taxation		(160,965)					(10,511)	(171,476)
Taxation		–					–	–
Loss for the Period		(160,965)					(10,511)	(171,476)

**Geographical segments**

The Group's major operations are located in the People's Republic of China (the "PRC").

An analysis of the Group's revenue by geographical segments is presented below:

**2006**

	The PRC, excluding Hong Kong HK\$'000	Hong Kong HK\$'000	Total HK\$'000
<b>REVENUE</b>			
Turnover	1,520,326	707	1,521,033

**2005**

	The PRC, excluding Hong Kong HK\$'000	Hong Kong HK\$'000	Total HK\$'000
<b>REVENUE</b>			
Turnover	868,854	1,755	870,609



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. DEPRECIATION

During the Period, a depreciation of HK\$50.9 million (2005: HK\$27.6 million) was charged in respect of the Group's property, plant and equipment.

### 4. TAX

	GROUP Unaudited	
	Six months ended 30th June,	
	2006 HK\$'000	2005 HK\$'000
Company and its subsidiaries:		
Income tax provision in other jurisdictions	—	—

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.

There was no share of tax of a jointly controlled entity for the six months ended 30th June, 2006 (2005: HK\$2,530,000) included in the loss for the period from discontinued operations of the condensed consolidated income statement.

### 5. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the Period (2005: nil).

### 6. EARNINGS/LOSS PER SHARE

#### (a) Basic earnings/loss per share

##### *From continuing and discontinued operations*

The calculation of basic earnings per share was based on the profit from continuing and discontinued operations attributable to the Company's shareholders for the Period of HK\$72.1 million (2005: loss of HK\$163.0 million) and the weighted average of 5,996,614,408 shares (2005: 5,996,614,408 shares) of the Company in issue during the Period.

##### *From continuing operation*

The calculation of basic earnings per share was based on the profit from continuing operation attributable to the Company's shareholders for the Period of HK\$80.4 million (2005: loss of HK\$151.5 million) and the weighted average number of 5,996,614,408 shares (2005: 5,996,614,408 shares) of the Company in issue during the Period.

#### (b) Diluted earnings/loss per share

##### *From continuing and discontinued operations*

Diluted earnings per share for the Period was calculated based on the profit from continuing and discontinued operations attributable to the Company's shareholders of HK\$72.1 million and the weighted average number of ordinary shares in issue of 5,996,614,408 shares during the Period plus potential ordinary shares of 487,596,667 shares deemed to be issued if outstanding share options had been exercised.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. EARNINGS/LOSS PER SHARE (Continued)****(b) Diluted earnings/loss per share (Continued)**

*From continuing operation*

Diluted earnings per share for the Period was calculated based on the profit from continuing operation attributable to the Company's shareholders of HK\$80.4 million and the weighted average number of ordinary shares in issue of 5,996,614,408 shares during the Period plus potential ordinary share of 487,596,667 shares deemed to be issued if outstanding share options had been exercised.

During the period ended 30th June, 2005, no diluted loss per share was presented as the exercise of the Company's outstanding share options would result in a decrease in loss per share.

**7. TRANSFER TO/FROM RESERVE**

There was no transfer to/from reserve of the Company in either the current or the prior interim reporting period.

**8. PROPERTY, PLANT AND EQUIPMENT**

During the Period, the Group acquired approximately HK\$694.0 million on property, plant and equipment in order to cope with the expansion of its retail business.

**9. TRADE AND OTHER RECEIVABLES**

Included in trade and other receivables are trade receivables of approximately HK\$18.6 million (2005: HK\$9.9 million) and their aged analysis is as follows:

	<b>GROUP</b>	
	<b>Unaudited 30th June, 2006 HK\$'000</b>	<b>Audited 31st December, 2005 HK\$'000</b>
0 – 30 days	<b>13,984</b>	7,888
31 – 60 days	<b>1,076</b>	805
61 – 90 days	<b>1,981</b>	525
Over 90 days	<b>1,540</b>	709
	<b>18,581</b>	9,927



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$858.1 million (2005: approximately HK\$511.5 million) and their aged analysis is as follows:

	<b>Unaudited</b>	<b>GROUP</b>
	<b>30th June,</b>	<b>Audited</b>
	<b>2006</b>	<b>31st December,</b>
	<b>HK\$'000</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 – 30 days	<b>605,582</b>	409,756
31 – 60 days	<b>84,089</b>	69,088
61 – 90 days	<b>8,096</b>	11,648
Over 90 days	<b>160,287</b>	21,019
	<b>858,054</b>	511,511

### 11. SHORT-TERM BANK AND OTHER BORROWINGS

	<b>Unaudited</b>	<b>GROUP</b>
	<b>30th June,</b>	<b>Audited</b>
	<b>2006</b>	<b>31st December,</b>
	<b>HK\$'000</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Secured bank loan	–	343,200
Unsecured bank loans	<b>4,800</b>	14,400
	<b>4,800</b>	357,600
Other borrowings	<b>61,639</b>	70,583
	<b>66,439</b>	428,183

The above amounts bear interest at prevailing market rates and are repayable in 2006 and 2007.

Bank loans include HK\$4.8 million (2005: HK\$14.4 million) fixed-rate borrowings which carry interest of 6.14% per annum (2005: 5.76% to 6.14% per annum). In respect of another bank loan of HK\$343.2 million as at 31st December, 2005, it was settled in March 2006.

The other borrowings of approximately HK\$61.6 million (2005: approximately HK\$70.6 million) from independent third parties carry interest ranging from 5% per annum to three-month London Interbank Offered Rate ("LIBOR") (2005: one-month LIBOR to three-month LIBOR).

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****12. BANK BORROWING**

During the Period, the Group obtained a new banking facility of US\$50.0 million (equivalent to HK\$390.0 million) which will expire on 31st March, 2009. As at the end of the Period, US\$26.0 million (equivalent to HK\$202.8 million) has been drawdown by the Group. The bank loan bears interest at three-month LIBOR plus 2.75% per annum.

**13. DISPOSAL OF SUBSIDIARIES AND AN ASSOCIATE**

During the Period, the Group disposed 3 subsidiaries, namely Fortune (Shanghai) Limited, Mass Gain Investments Limited and Chia Tai Barbecue Specialist Company Limited, which carried on business in property investment in residential premise and property development, operation of department stores, and selling of barbecued meat skewers respectively.

The Group also disposed an associate – Freewill Solutions Co. Ltd., which carried on business in computer software consultation service.

The results of above discontinued operations for the Period have been included in the Group's results and the details have been disclosed in Note 2.

The net assets of the above disposed subsidiaries and an associate at the respective dates of disposal were as follows:

	<b>Unaudited HK\$'000</b>
Net assets disposed of	152,629
Gain on disposal	276,661
	<hr/>
Total consideration	429,290
	<hr/>
<b>Satisfied by:</b>	
Cash	422,540
Consideration receivables	6,750
	<hr/>
	429,290
	<hr/>
<b>Net cash inflow arising on disposal:</b>	
Cash consideration	422,540
Bank balances and cash disposed of	(4,145)
	<hr/>
	418,395
	<hr/>





## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 14. ACQUISITION OF A SUBSIDIARY

During the Period, the acquisition of 10% and a further 40% interest in Lotus-CPF (PRC) Investment Company Limited ("Lotus-CPF") was completed, the total considerations for the two acquisitions were US\$39.8 million (equivalent to approximately HK\$310.1 million).

The following summarizes the effects of the acquisitions:

	<b>Unaudited HK\$'000</b>
Net assets acquired	289,422
Goodwill arising on acquisition	20,628
	<hr/>
Total consideration	310,050
	<hr/>
<b>Satisfied by:</b>	
Cash	92,430
Consideration payables	217,620
	<hr/>
	310,050
	<hr/>
<b>Net cash inflow arising on acquisition:</b>	
Cash consideration	(92,430)
Bank balances and cash acquired	156,971
	<hr/>
	64,541
	<hr/>

During the Period, Lotus-CPF contributed HK\$754.9 million to the Group's turnover and generated operation loss of HK\$29.1 million attributable to the Group.

### 15. COMMITMENTS

	GROUP	
	Unaudited 30th June, 2006 HK\$'000	Audited 31st December, 2005 HK\$'000
Capital Commitments:		
Authorised but not contracted for in respect of development project of additional plant and machinery for the expansion of “cash-and-carry” stores	385,611	283,972
Contracted but not provided for in respect of development project of additional plant and machinery for the expansion of “cash-and-carry” stores	142,383	51,328
	527,994	335,300