

## BUSINESS REVIEW

The Group recorded profit attributable to the Company's shareholders for the six months ended 30th June, 2006 of HK\$72.1 million (2005: loss HK\$163.0 million). The profit was mainly due to the gain on disposal of subsidiaries and an associate. The improvement in performance was mainly due to effective cost control which lead to a decrease in administrative expenses during the Period.

### Retail

During the Period, the Group continued to specialize its business on operating and developing the large scale cash-and-carry stores in China. The Group continued to open new stores in Northern and Southern regions of the PRC.

As at the date of this report, the Group opened 4 new stores in Beijing City, Henan Province, Shandong Province and Shaanxi Province in the Northern region. Currently, there are 21 stores in total with a sales area of 211,600 square metres.

Moreover, in the Southern region, with the acquisition of 10% interest in Lotus-CPF in 2005 and a further acquisition of 40% interest in Lotus-CPF during the Period, the Group currently owns the entire 100% interest in Lotus-CPF. The Group also accelerates the expansion in Southern China. 3 new stores were opened in Guangdong Province since the beginning of 2006, making a total sales area of 98,910 square metres in the existing 11 stores.

### Disposal of Non-Core Projects

On 9th September, 2005, the Company entered into an agreement with Charoen Pokphand Group Co., Ltd. to dispose its entire 75% interest in a subsidiary – Fortune (Shanghai) Limited at a consideration of US\$52.7 million (equivalent to HK\$411.0 million), the completion took place in March 2006.

On 27th February, 2006, a subsidiary of the Company entered into an agreement with Asia Freewill Co., Ltd., to dispose its entire 49% interest in an associate – Freewill Solutions Co. Ltd. at a consideration of approximately US\$1.5 million (equivalent to approximately HK\$11.4 million), the completion took place in March 2006.

On 2nd June, 2006, the Company entered into an agreement with Great Splendid Investments Limited to dispose its entire 100% interest in a subsidiary – Mass Gain Investments Limited, which holds 100% interest in a PRC subsidiary, Shanghai Chia Tai Department Store Co. Ltd.(上海正大百貨有限公司), at a consideration of HK\$100,000, the completion took place in June 2006.

On 2nd June, 2006, a subsidiary of the Company entered into another agreement with The Barbecue Specialist Limited to dispose its entire 55% interest in a subsidiary – Chia Tai Barbecue Specialist Company Limited at a consideration of approximately HK\$6.8 million, the completion took place in June 2006.

The total gain on disposal for the above subsidiaries and an associate amount to approximately HK\$276.7 million.