

Chairman's Statement

On behalf of the Board, I hereby present to our shareholders the annual results of Chia Tai Enterprises International Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December, 2006.

RESULTS

The Group's audited turnover for the year ended 31st December, 2006 was HK\$3,482,835,000 (2005: HK\$1,852,753,000), representing an increase of 88 percent over the corresponding period in 2005.

The Group recorded a net loss attributable to equity shareholders of the Company for the year of HK\$334,577,000 as compared to the 2005 net loss of HK\$497,296,000. Basic loss per share from continuing and discontinued operations for the year was HK\$0.0558 as compared to 2005 basic loss per share of HK\$0.0829.

OVERVIEW

2006 was a year of growth and challenge for the Group.

The Group continued its further penetration into the retail business through the development and opening of new stores in its core geographic concentration areas of the north and south People's Republic of China ("PRC"). In 2006, through its operating subsidiaries, the Group opened seven new Lotus hypermarket stores in total, comprising four in the northern region of PRC and three in Guangdong Province. The addition of these seven stores increased the Group's total PRC store count to thirty-two, comprised of twenty-one stores in the north and eleven stores in the south.

The Group also continued its further expansion of shareholding in existing retail investments. On 10th March, 2006, it completed the acquisition of an additional 10% of Lotus-CPF (PRC) Investment Company Limited ("Lotus-CPF"). Furthermore, on 27th February, 2006, the Group announced the acquisition of the remaining 40% of Lotus-CPF. This acquisition was completed on 30th May, 2006 when Lotus-CPF became a wholly-owned subsidiary of the Group.

To finance this expansion, the Company entered into a term loan facility agreement with a Thai commercial bank in May, 2006, whereby it was granted a facility of US\$50 million to finance further investments in retail business. This facility will expire on 31st March, 2009.

On 12th July, 2006, the Company was notified by Ramon Limited, a former controlling shareholder of the Company, that it has transferred its entire shareholding interest in the Company comprised of 3,700,519,019 shares, representing approximately 61.71% of the existing issued share capital of the Company, to C.P. Holding (BVI) Investment Company Limited ("CP BVI"). Both Ramon Limited and CP BVI are owned by senior members of the Chearavanont Family. The purpose of the transfer is to consolidate the shareholding of the Chearavanont Family under one investment holding vehicle. Following such transfer, CP BVI becomes a new controlling shareholder of the Company.



Chairman's Statement

OVERVIEW (Continued)

During the year under review, the Group also continued its disposal of non-core businesses. These disposals included the disposal of its entire 75% interest in Fortune (Shanghai) Limited, an investment holding company with 50% interest in a PRC property development company; the disposal of its entire 100% interest in 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); the disposal of its entire 55% interest in Chia Tai Barbecue Specialist Company Limited; and the disposal of its entire 49% interest in an associate, Freewill Solutions Co., Ltd. The disposal of Fortune (Shanghai) Limited, which owned the Shanghai Fortune World development project, resulted in a net gain on disposal of approximately HK\$227,268,000, and this was recognized after the completion of transaction in March, 2006.

PROSPECTS

Projected continuous and steady economic growth, a stable interest rate environment, rising disposable income and favourable demographics, will continue to underpin rapid growth in China's consumer market. In addition, rapidly changing consumer preference for modern trade retail shopping outlets positions the Group well to capitalize on this trend. The Directors are confident that our hypermarkets operations have solid potential, and under capable management, will undergo successful financial turnaround. The Directors are also confident that the Group, having established considerable scale and expertise in Mainland China, can cope with the challenges ahead and capitalize on the continuous economic boom in the PRC.

The Group will focus on improving competitiveness and operating efficiencies through on-going strengthening and integration of our procurement system, strategic partnership with our suppliers as well as standardization of store management. We will continue to pursue our regional expansion strategy to achieve economies of scale. We will also continue to develop our own house-branded products and adopt more effective cost control measures in order to improve our operating efficiencies.

Looking forward, while the Directors acknowledge the challenges from an increasingly competitive environment, we believe that with our excellent asset base, strong and capable management, and considerable expertise in PRC-based operations, 2007 will result in successful financial turnaround.

ACKNOWLEDGEMENT

I would like to express gratitude to our shareholders for their continued support of the Group and to the Directors and staff of the Group for their contribution, professionalism, commitment and dedicated services in the past year.

Soopakij Chearavanont
Chairman

20th April, 2007