



Convenience Retail Asia Limited

利亞零售有限公司

(incorporated in the Cayman Islands with limited liability)



A member of the Li & Fung Retailing Group



Third Quarterly Report 2004



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This document, for which the directors of Convenience Retail Asia Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to Convenience Retail Asia Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this document is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

**THIRD QUARTERLY RESULTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2004**

Three Months Ended 30 September		2004	2003
• Group Turnover	+17%	HK\$472,082,000	HK\$404,908,000
• Group Profit	+12%	HK\$20,467,000	HK\$18,238,000
• Earnings Per Share (Basic)	+15%	3.1 cents	2.7 cents
• Earnings Per Share (Diluted)	+11%	3 cents	2.7 cents
Nine Months Ended 30 September		2004	2003
• Group Turnover	+16%	HK\$1,308,549,000	HK\$1,132,111,000
• Group Profit	+12%	HK\$47,326,000	HK\$42,083,000
• Earnings Per Share (Basic)	+13%	7.1 cents	6.3 cents
• Earnings Per Share (Diluted)	+11%	7 cents	6.3 cents
• Interim Dividend Per Share	+25%	1.25 cents	1 cent

HIGHLIGHTS

- ☒ Continual improvement in the Hong Kong retail market contributed to satisfactory growth in turnover and profitability.
- ☒ Number of stores in Hong Kong increased by five to 197 during the quarter.
- ☒ Number of stores in Guangzhou increased by three to 15 during the quarter.
- ☒ Favourable outlook on profitability for the fourth quarter as retail market continues its up trend in Hong Kong.
- ☒ Strong cash position with HK\$534.1 million and no bank borrowings.



CHAIRMAN'S STATEMENT

Financial Overview

It gives me great pleasure to report the unaudited third quarter results of Convenience Retail Asia Limited and its subsidiaries (the "Group") for the period ended 30 September 2004.

For the third quarter of 2004, the Group's turnover reached HK\$472.1 million, an 17% increase compared to the same period last year. The rise in turnover came from both new store sales (non-comparable stores) and satisfactory comparable store sales increases. At the end of the quarter, we operated 197 stores in Hong Kong and 15 stores in Guangzhou compared to 180 stores in Hong Kong and five in Guangzhou at the third quarter of 2003.

Amid favourable economic development and improvement in consumer sentiment in Hong Kong, turnover of comparable store sales in Hong Kong (i.e. stores in existence throughout the first, second and third quarters of 2003 and 2004) increased 5.2% during the third quarter. Comparable store sales in Guangzhou continued to grow rapidly and increased by 15.9% during the third quarter.

Gross margins and other income (excluding interest) as a percentage of turnover reached 32.7% during the third quarter, which was close to the same level for the same period last year.

During the current quarter, store expenses increased by 0.7% to 23.3% of turnover when compared to the same period last year. This was primarily due to an increase in advertising and promotional expenses in Hong Kong and store operating expenses in Guangzhou respectively. Both distribution and administration expenses were well under control, and as a percentage of turnover dropped slightly during the third quarter when compared to the same period last year.

Primarily as a result of the increase in store sales, which was offset to some extent by an increase in store expenses, the Group recorded a net profit of HK\$20.5 million, which represents a 12% increase over the net profit of HK\$18.2 million for the corresponding period in 2003. Earnings per share increased by 0.4 cent to 3.1 cents per share during the quarter.

The Group's financial position continues to be strong with a total cash balance of HK\$534.1 million and no borrowings. The Group had limited foreign exchange exposure in RMB.

For the nine months ended 30 September 2004, the Group recorded a turnover of HK\$1,308.5 million and net profit of HK\$47.3 million, representing an increase of 16% and 12% respectively when compared to the results for the same period last year.



Review of Hong Kong Operations

During the third quarter of 2004, consumer sentiment in Hong Kong remained positive, and the robust retail sales growth of the first six months of 2004 was sustained. This could be attributed to the continued increase in tourist arrivals, especially from the Chinese Mainland; slight improvement in the unemployment rate; and the strong performance of the property and stock markets.

Overall retail spending in Hong Kong increased by a healthy 12%* for the first eight months, compared to the same period last year. All these favourable market trends were duly reflected in the Group's sales performances.

Consumer Price Indices in July 2004 rose by 0.9% from a year earlier**, the first year-on-year increase after 68 consecutive months of decline beginning in November 1998. These statistics demonstrate that the consumer market is growing on the back of an economic rebound.

However, given keen competition in the market, the Group will make every effort to manage the costs of goods through diversified sourcing and by ensuring that customers are offered the right product mix at attractive prices.

We also will remain diligent in maintaining our high standard in category management. Continued improvement in category management has enabled us to take full advantage of the upbeat consumer mood and outperform the market in several major categories.

Five new stores were opened according to plan during the quarter, bringing the overall store number closer to the target of 210 by year-end.

The highlight of the quarter was the opening of a new Circle K store at the KCRC Hung Hom Terminal. This store provides a great opportunity to capture business from the increasing number of Chinese Mainland visitors as well as offering good exposure for the Circle K brand. The new store, with a unique twin-entrance layout, generated strong daily sales from its first day of business.

* *Provisional statistics of retail sales, August 2004, released by the Census and Statistics Department on 8 October 2004.*

** *Consumer Price Indices for July 2004 released by the Census and Statistics Department on 23 August 2004.*



Review of Guangzhou Operations

Robust demand spurred by rapid economic growth in the Chinese Mainland is expected to help the overall retail sales growth by about 13% year on year in 2004, compared to a 9.1% growth in the previous year.

Consumers' propensity to spend in Guangzhou continued to increase, in line with the overall economic growth momentum. A healthy 12% retail sales growth in Guangzhou was registered from January to August in 2004, keeping pace with the 12.8% increase in disposable income in the same period compared to 2003.***

Stable sales performance for the Group was maintained during July and August. In September sales started to pick up strongly, with students going back to school after the summer holidays. Sales were further spurred by the timely launch of a target-specific student loyalty programme, offering exciting, unique premiums as incentives for repeat purchases.

Due to the implementation of aggressive promotions and continued improvement of product mix, strong sales increases were registered in core categories such as packaged drinks. As a result, comparable store sales increased by 15.9% for the quarter.


The pace of new store openings lagged slightly behind our plan but will speed up in the last quarter with three new leases already committed, taking the total store number to 18. By the end of 2004, there will most likely be about 20 stores in operation.

Business Outlook

Given the positive trends of all the economic indicators in Hong Kong, the Group has every reason to maintain a favourable outlook for good business performance for the rest of the year.

With the management team making every effort to maintain high standards of quality customer service, maximize profitability and control capital expenditure and operating costs, good progress has been made towards meeting the targeted turnover sales and profitability goals for the year.

*** Released by the Comprehensive Statistic Department, Guangzhou Municipal Bureau of Statistics in August 2004.



Encouraged by the robust business results achieved in the first nine months of 2004 and riding on the tide of bullish market sentiments, it is the Group's intention to roll out a more aggressive store-opening programme in Hong Kong without compromising the principal of quality growth.

A more aggressive expansion strategy will also be adopted in Guangzhou as the operation team there prepares to enter other cities within the Pearl River Delta.

Fung Kwok King, Victor

Chairman

Hong Kong, 28 October 2004

Executive Directors:

Yeung Lap Bun, Richard

Li Kwok Ho, Bruno

Non-executive Directors:

Dr. Fung Kwok King, Victor (*Chairman*)

Dr. Fung Kwok Lun, William

Lau Butt Farn

Wong Yuk Nor, Louisa

Independent non-executive Directors:

Dr. Ch'ien Kuo Fung, Raymond

Au Man Chung, Malcolm

Godfrey Ernest Scotchbrook

RESULTS

The Board of Directors (“the Board”) is pleased to announce the unaudited results of the Group for the three months and nine months ended 30 September 2004, together with the comparative unaudited figures for the corresponding period ended 30 September 2003 as follows:

	Note	Three months ended 30 September		Nine months ended 30 September	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	472,082	404,908	1,308,549	1,132,111
Cost of sales		<u>(351,365)</u>	<u>(300,737)</u>	<u>(977,804)</u>	<u>(849,955)</u>
Gross profit		120,717	104,171	330,745	282,156
Other revenues	2	36,064	30,698	101,098	86,100
Store expenses		<u>(110,166)</u>	<u>(91,707)</u>	<u>(310,165)</u>	<u>(259,688)</u>
Distribution costs		<u>(7,543)</u>	<u>(6,806)</u>	<u>(21,228)</u>	<u>(18,208)</u>
Administrative expenses		<u>(16,372)</u>	<u>(15,042)</u>	<u>(46,885)</u>	<u>(42,319)</u>
Profit before taxation		22,700	21,314	53,565	48,041
Taxation	3	<u>(3,480)</u>	<u>(4,282)</u>	<u>(10,041)</u>	<u>(9,553)</u>
Profit after taxation		19,220	17,032	43,524	38,488
Minority interests		<u>1,247</u>	<u>1,206</u>	<u>3,802</u>	<u>3,595</u>
Profit attributable to shareholders		<u><u>20,467</u></u>	<u><u>18,238</u></u>	<u><u>47,326</u></u>	<u><u>42,083</u></u>
Dividend	4	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>8,385</u></u>	<u><u>6,685</u></u>
Basic earnings per share	5	<u><u>3.1 cents</u></u>	<u><u>2.7 cents</u></u>	<u><u>7.1 cents</u></u>	<u><u>6.3 cents</u></u>
Diluted earnings per share	5	<u><u>3.0 cents</u></u>	<u><u>2.7 cents</u></u>	<u><u>7.0 cents</u></u>	<u><u>6.3 cents</u></u>

Notes:

1. Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention.

2. Turnover and other revenues

The Group is principally engaged in the operation of a chain of convenience stores. Revenues recognised during the three months and nine months ended 30 September 2004 are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover				
Merchandise sales revenue	472,082	404,908	1,308,549	1,132,111
Other revenues				
Supplier rebate and promotion fees	28,607	25,328	81,680	71,320
Service items income	5,182	3,733	13,898	9,849
Interest income	2,275	1,637	5,520	4,931
	36,064	30,698	101,098	86,100
Total revenues	<u>508,146</u>	<u>435,606</u>	<u>1,409,647</u>	<u>1,218,211</u>

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and the title has passed.

Supplier rebate and promotion fees are recognised in accordance with the terms of agreements with the vendors.

Revenue from provisions of services is recognised when the services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

3. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the three months and nine months ended 30 September 2004 and 2003. No provision for overseas profits tax has been made as the Group has no overseas estimated assessable profit for the three months and nine months ended 30 September 2004 and 2003.

The amount of taxation charged to the consolidated profit and loss account represents:

	Three months ended 30 September		Nine months ended 30 September	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Current taxation – Hong Kong profits tax	4,636	4,812	10,608	7,742
Deferred taxation relating to the origination and reversal of temporary differences	(1,156)	(530)	(567)	2,011
Deferred taxation resulting from an increase in tax rate	–	–	–	(200)
	<u>3,480</u>	<u>4,282</u>	<u>10,041</u>	<u>9,553</u>

4. Dividend

	Three months ended 30 September		Nine months ended 30 September	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Interim dividend, paid, of 1.25 HK cents (2003: 1 HK cent) per share	–	–	8,385	6,685

The Board does not recommend payment of an interim dividend for the three months ended 30 September 2004 (2003: Nil).

Total dividend for the nine months ended 30 September 2004 amounted to HK\$8,385,000 (2003: HK\$6,685,000).

5. Earnings per share

The calculation of the Group's basic and diluted earnings per share for the three months and nine months ended 30 September 2004 is based on the respective unaudited consolidated profit attributable to shareholders of HK\$20,467,000 (2003: HK\$18,238,000) and HK\$47,326,000 (2003: HK\$42,083,000).

The basic earnings per share is based on the weighted average of 670,827,957 (2003: 668,526,848) and 670,264,022 (2003: 668,143,077) shares of HK\$0.10 each (the "Shares") in issue during the three months and nine months ended 30 September 2004 respectively.

The diluted earnings per share is based on the weighted average number of 670,827,957 (2003: 668,526,848) and 670,264,022 (2003: 668,143,077) Shares in issue during the three months and nine months ended 30 September 2004 plus the respective weighted average of 2,509,550 (2003: 3,686,230) and 3,567,123 (2003: 3,371,795) Shares deemed to be issued at no consideration if all outstanding options had been exercised.

6. Loss attributable to shareholders from Chinese Mainland operations

Loss attributable to shareholders from Chinese Mainland operations for the three months and nine months ended 30 September 2004 amounted to HK\$2,403,000 (2003: HK\$2,247,000) and HK\$7,202,000 (2003: HK\$6,543,000) respectively.

7. Reserves

Movements in reserves of the Group during the three months and nine months ended 30 September 2004 were as follows:

	Three months ended 30 September						2003 Total HK\$'000
	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	
At 1 July, as previously reported	116,401	177,087	13,433	78	35,441	342,440	310,859
Effect of change in accounting policy – long service payment liabilities	–	–	–	–	–	–	(7,200)
At 1 July, as restated	116,401	177,087	13,433	78	35,441	342,440	303,659
Issue of shares	192	–	–	–	–	192	164
Exchange differences	–	–	–	(26)	–	(26)	–
Profit for the period attributable to shareholders	–	–	–	–	20,467	20,467	18,238
Dividend	–	–	–	–	(8,385)	(8,385)	(6,685)
At 30 September	<u>116,593</u>	<u>177,087</u>	<u>13,433</u>	<u>52</u>	<u>47,523</u>	<u>354,688</u>	<u>315,376</u>

	Nine months ended 30 September						2003 Total HK\$'000
	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	
At 1 January, as previously reported	115,076	177,087	13,433	43	28,688	334,327	283,691
Effect of changes in accounting policies – deferred tax – long service payment liabilities	–	–	–	–	–	–	2,139
At 1 January, as restated	115,076	177,087	13,433	43	28,688	334,327	278,630
Issue of shares	1,517	–	–	–	–	1,517	1,172
Exchange differences	–	–	–	9	–	9	176
Profit for the period attributable to shareholders	–	–	–	–	47,326	47,326	42,083
Dividend	–	–	–	–	(28,491)	(28,491)	(6,685)
At 30 September	<u>116,593</u>	<u>177,087</u>	<u>13,433</u>	<u>52</u>	<u>47,523</u>	<u>354,688</u>	<u>315,376</u>

COMPETING INTERESTS

During the period under review, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed or might compete with the business of the Group.

INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND CERTAIN MAJOR ASSOCIATED CORPORATIONS

As at 30 September 2004, the interests and short positions of each of the Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and certain of its major associated corporations* (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as required to be recorded in the register maintained by the Company pursuant to section 352 of SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors under the GEM Listing Rules, were as follows:

The Company

Long positions in Shares and the underlying Shares of equity derivatives

Name of Directors	Number of		Nature of interests/ Holding capacity	Approximate percentage of interests
	(i) Shares	(ii) underlying Shares		
Dr. Fung Kwok King, Victor	373,692,000	–	Corporate (Note 1)	55.70%
Dr. Fung Kwok Lun, William	373,692,000	–	Corporate (Note 1)	55.70%
Mr. Yeung Lap Bun, Richard	17,896,000	1,300,000 (Note 2)	Personal/ beneficiary	2.86%
Mr. Li Kwok Ho, Bruno	2,676,000	250,000 (Note 3)	Personal/ beneficiary	0.43%
Mr. Lau Butt Farn	2,390,000	–	Personal/ beneficiary	0.36%
Ms. Wong Yuk Nor, Louisa	1,338,000	250,000 (Note 4)	Personal/ beneficiary	0.23%
Dr. Ch'ien Kuo Fung, Raymond	1,000,000	–	Personal/ beneficiary	0.14%

Major associated corporations

Long positions in shares and the underlying shares of equity derivatives

Name of Directors	Name of associated corporations	Class of shares	Number of		Nature of interests/ Holding capacity	Approximate percentage of interests
			(i) shares	(ii) underlying shares		
Dr. Fung Kwok King, Victor	Li & Fung (Gemini) Limited	Ordinary shares	5,222,807	–	Corporate (Note 5)	
			602,631	–	Corporate (Notes 1 & 6)	84.80%
	Li & Fung (Distribution) Limited	Full voting ordinary shares	6,800,000	–	Corporate (Note 7)	
			–	130,000 (Note 8)	Personal/ beneficiary	
		–	160,000 (Note 9)	Personal/ beneficiary	70.55%	
Dr. Fung Kwok Lun, William	Li & Fung (Gemini) Limited	Ordinary shares	5,222,807	–	Corporate (Note 5)	76.02%
			Li & Fung (Distribution) Limited	Full voting ordinary shares	6,800,000	–
Mr. Lau Butt Farn	Li & Fung (Distribution) Limited	Full voting ordinary shares	–	32,500 (Note 8)	Personal/ beneficiary	
					32,500 (Note 10)	Personal/ beneficiary

- * *Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William, by virtue of their interests in King Lun Holdings Limited ("King Lun") and the Company are deemed to be interested in the shares and underlying shares of certain associated corporations of the Company under SFO. A waiver from full compliance from Rule 18.69 of the GEM Listing Rules for the disclosure of Directors' interests in the shares and underlying shares of the associated corporations has been granted by the Stock Exchange on 26 October 2004. Accordingly, the companies under the section headed "Interests and Short Positions of Directors in the shares, underlying shares and debentures of the Company and certain major associated corporations" are only the major associated corporations of the Company and are not intended to be exhaustive.*

Notes:

1. King Lun through its indirect wholly owned subsidiary, Li & Fung (Retailing) Limited ("LFR") (a wholly owned subsidiary of Li & Fung (1937) Limited ("LF (1937)")) held 373,692,000 Shares in the Company. 1,332,840 shares in King Lun, representing 50% of its issued share capital, are owned by J.P. Morgan Trust Company (Jersey) Limited, the trustee of a trust established for the benefit of the family members of Dr. Fung Kwok King, Victor. The remaining 50% of King Lun is owned by Dr. Fung Kwok Lun, William.
2. On 24 May 2002, Mr. Yeung Lap Bun, Richard was granted share options to subscribe for 1,300,000 Shares pursuant to the Share Option Scheme of the Company. The options are exercisable at a subscription price of HK\$2.785 per Share during the period from 24 May 2003 to 23 May 2007. No relevant share options have been exercised.
3. On 24 May 2002, Mr. Li Kwok Ho, Bruno was granted share options to subscribe for 250,000 Shares pursuant to the Share Option Scheme of the Company. The options are exercisable at a subscription price of HK\$2.785 per Share during the period from 24 May 2003 to 23 May 2007. No relevant share options have been exercised.
4. On 24 May 2002, Ms. Wong Yuk Nor, Louisa was granted share options to subscribe for 250,000 Shares pursuant to the Share Option Scheme of the Company. The options are exercisable at a subscription price of HK\$2.785 per Share during the period from 24 May 2003 to 23 May 2007. No relevant share options have been exercised.
5. King Lun through its wholly owned subsidiary, LF (1937) held 5,222,807 shares in Li & Fung (Gemini) Limited ("LFG"). Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun and LF (1937) as set out in note (1) above.
6. 602,631 shares in LFG are owned by a company which is held by J.P. Morgan Trust Company (Jersey) Limited.
7. LFG holds 6,800,000 full voting ordinary shares in Li & Fung (Distribution) Limited ("LFD"). Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun and LF (1937) and indirect interests in LFG as set out in notes (1) and (5) above.
8. Dr. Fung Kwok King, Victor and Mr. Lau Butt Farn were respectively granted share options on 6 January 1999 and 13 December 1999 to subscribe for 130,000 and 32,500 full voting ordinary shares of US\$0.01 each in LFD ("LFD Shares"). All these share options were fully vested in Dr. Fung Kwok King, Victor and Mr. Lau Butt Farn. The share options are exercisable at US\$1 per LFD Share within 21 business days after the earliest of (a) the date of issuance of a notice for an initial public offering of LFD Shares, (b) the date of issuance of a notice of the sale of all or substantially all of the business or shares of LFD and (c) 31 December 2006.

9. On 6 January 1999, Dr. Fung Kwok King, Victor was granted share options to subscribe for 16,000 LFD Shares for each full percentage point by which certain LFD investors' fully diluted aggregate estimated internal rate of return on a public share offer by LFD, or on a sale of all or substantially all of its business or shares, exceeds 30% per annum, subject to a maximum of 160,000 LFD Shares. The share options are exercisable at US\$1 per LFD Share within 21 business days after the date of issuance of a notice of public offer or sale (whichever is earlier) as described in note (8) above.
10. On 12 December 2002, Mr. Lau Butt Farn was granted share options to subscribe for 3,250 LFD Shares for each full percentage point by which certain LFD investors' fully diluted aggregate estimated internal rate of return on a public share offer by LFD, or on a sale of all or substantially all of its business or shares, exceeds 30% per annum, subject to a maximum of 32,500 LFD Shares. The share options are exercisable at US\$1 per LFD Share within 21 business days after the date of issuance of a notice of public offer or sale (whichever is earlier) as described in note (8) above.

Save as disclosed above, as at 30 September 2004, none of the Directors, chief executives and their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2004, the interests and short positions of the substantial shareholders in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of SFO were as follows:

Long positions in Shares

Name	Number of Shares	Nature of interests/ Holding capacity	Approximate percentage of interests
King Lun Holdings Limited	373,692,000	Corporate (Note 1)	55.70%
Commonwealth Bank of Australia	60,336,000	Corporate (Note 2)	8.99%
Overlook Investments (BVI) Limited	34,272,000	Other (Note 3)	5.11%

Notes :

1. These shares are held by Li & Fung (Retailing) Limited (“LFR”). King Lun Holdings Limited (“King Lun”) indirectly owns 100% interests in LFR through its wholly owned subsidiary, Li & Fung (1937) Limited (“LF (1937)”). All of King Lun, LFR and LF (1937) are taken to be interested in the shares. Please refer to Note (1) in the above section headed “Interests and Short Positions of Directors in the shares, underlying shares and debentures of the Company and certain major associated corporations”.
2. These shares are indirectly held by Commonwealth Bank of Australia through a chain of 100% owned companies, namely Colonial Ltd, Colonial Holding Company Limited (formerly known as Colonial Holding Company Pty Ltd), Colonial Holding Company (No. 2) Pty Limited, The Colonial Mutual Life Assurance Society Ltd, Colonial First State Group Ltd, First State Investment (UK Holdings) Limited, SI Holdings Limited, First State Investment Management (UK) Limited, First State Investment Managers (Asia) Ltd, First State Investments (Bermuda) Ltd, First State (Hong Kong) LLC and First State Investments (Hong Kong) Limited.
3. These shares are held by Overlook Investments (BVI) Limited, as general partner for Overlook Investments L.P., the general partner of The Overlook Partners Fund L.P. Overlook Investments (BVI) Limited is jointly owned by Richard Hurd Lawrence, Jr. and Dee Macleod Lawrence, all of whom are taken to be interested in such shares under SFO.

Save as disclosed above, as at 30 September 2004, the Company had not been notified of any substantial shareholders’ interests or short positions which are required to be kept under section 336 of SFO.

AUDIT COMMITTEE

The Company established an audit committee on 6 January 2001 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises four members, namely Dr. Ch’ien Kuo Fung, Raymond, Mr. Au Man Chung, Malcolm, Mr. Godfrey Ernest Scotchbrook (being the independent non-executive Directors) and Mr. Lau Butt Farn (being a non-executive Director). The chairman of the audit committee is Dr. Ch’ien Kuo Fung, Raymond.

The audit committee has reviewed with management this unaudited quarterly report for the period ended 30 September 2004.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period.