

2004/05 INTERIM REPORT

For the six months ended 30 September 2004



SAINT HONORE HOLDINGS LIMITED
聖安娜控股有限公司

(Incorporated in Bermuda with limited liability)

Saint Honoré

CORPORATE INFORMATION

Board of Directors

Executive directors

Mr. Chan Wai Cheung, Glenn,
Chairman

Mr. Shum Wing Hon,
Deputy-chairman

Mrs. Chan Wong Man Li, Carrina,
Managing Director

Mr. Chan Ka Shun, Raymond

Mr. Wong Chung Piu, Billy

Non-executive directors

Mr. Chan Ka Lai, Joseph

Mrs. Chan King Catherine

Independent non-executive directors

Dr. Cheung Wai Lam, William

Dr. Ho Sai Wah, David

Mr. Bingley Wong

Audit Committee

Dr. Cheung Wai Lam, William,
Committee Chairman

Mr. Chan Ka Lai, Joseph

Dr. Ho Sai Wah, David

Mr. Bingley Wong

Company Secretary

Ms. Wong Tsui Yue, Lucy

Authorized Representatives

Mrs. Chan Wong Man Li, Carrina

Ms. Wong Tsui Yue, Lucy

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head Office and Principal Place of Business in Hong Kong

5/F, Express Industrial Building

43 Heung Yip Road

Wong Chuk Hang

Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Bermuda)
Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor
Services Limited

46/F, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

Hong Kong Branch Share Transfer Office

Computershare Hong Kong Investor
Services Limited

Shops 1712-6

17/F, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

Principal Bankers

Dah Sing Bank Limited

DBS Bank (Hong Kong) Limited

Hang Seng Bank Limited

Solicitors

Sidley Austin Brown & Wood

Conyers Dill & Pearman

Auditors

PricewaterhouseCoopers

Stock Code

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Website

<http://www.sthonore.com>



The board of directors (the “Board”) of Saint Honore Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2004 are as follow:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

		Unaudited	
		Six months ended	
		30 September	
		2004	2003
	Note	HK\$'000	HK\$'000
Turnover	2	298,125	279,551
Other revenues	3	27,085	905
Cost of inventories consumed		(94,298)	(84,673)
Staff costs		(89,023)	(85,174)
Operating lease rentals		(26,424)	(24,027)
Depreciation of fixed assets		(14,500)	(15,423)
Other operating expenses		(49,043)	(45,212)
Amortization of intangible assets		(2,300)	(2,300)
Profit before taxation	4	49,622	23,647
Taxation	5	(8,881)	(3,771)
Profit attributable to shareholders		<u>40,741</u>	<u>19,876</u>
Dividend – interim	6	<u>10,578</u>	<u>8,176</u>
Earnings per share	7		
Basic		19.3 cents	10.1 cents
Diluted		<u>19.1 cents</u>	<u>9.9 cents</u>

CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2004

	Note	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Non-current assets			
Trademarks	8	29,900	32,200
Fixed assets	9	169,730	177,543
Rental deposits paid		11,036	10,397
Deferred tax assets		1,616	1,000
		212,282	221,140
Current assets			
Inventories		7,841	8,046
Trade receivables	10	17,904	2,713
Deposits, prepayments and other receivables		14,067	7,621
Taxation recoverable		5	343
Bank balances and cash		170,455	130,958
		210,272	149,681
Current liabilities			
Amount due to the intermediate holding company		775	3,510
Trade payables	11	14,488	10,329
Other payables and accrued charges		62,790	42,169
Taxation payable		9,374	1,306
Cake coupon liabilities – current portion		41,828	43,096
		129,255	100,410
Net current assets		81,017	49,271
Total assets less current liabilities		293,299	270,411
Financed by:			
Share capital	12	21,156	21,132
Reserves		176,747	146,486
Dividend reserve		10,578	19,031
Shareholders' funds		208,481	186,649
Non-current liabilities			
Cake coupon liabilities – non-current portion		77,028	76,163
Rental deposits received		401	401
Provision for long service payments		6,150	6,159
Deferred tax liabilities		1,239	1,039
		84,818	83,762
		293,299	270,411

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Share capital	Share premium	Contributed surplus	Exchange fluctuation reserve	Retained earnings	Dividend reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2003	19,623	-	104,929	69	17,021	6,868	148,510
Recognition of deferred tax liabilities on adopting SSAP 12 (Revised)	-	-	-	-	(1,081)	-	(1,081)
Issue of shares upon exercise of share options	79	334	-	-	-	-	413
Profit for the period	-	-	-	-	19,876	-	19,876
2002/03 final dividend paid	-	-	-	-	(3)	(6,868)	(6,871)
2003/04 interim dividend declared	-	-	-	-	(8,176)	8,176	-
At 30 September 2003	<u>19,702</u>	<u>334</u>	<u>104,929</u>	<u>69</u>	<u>27,637</u>	<u>8,176</u>	<u>160,847</u>
At 1 April 2004	21,132	6,454	104,929	69	35,034	19,031	186,649
Issue of shares upon exercise of share options	24	107	-	-	-	-	131
Profit for the period	-	-	-	-	40,741	-	40,741
2003/04 final dividend paid	-	-	-	-	(9)	(19,031)	(19,040)
2004/05 interim dividend declared	-	-	-	-	(10,578)	10,578	-
At 30 September 2004	<u>21,156</u>	<u>6,561</u>	<u>104,929</u>	<u>69</u>	<u>65,188</u>	<u>10,578</u>	<u>208,481</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Unaudited	
	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Net cash inflow from operating activities	38,847	41,935
Net cash inflow/(outflow) from investing activities	19,560	(9,925)
Net cash outflow from financing activities	(18,910)	(6,458)
Increase in cash and cash equivalents	39,497	25,552
Cash and cash equivalents at 1 April	130,958	92,169
Cash and cash equivalents at 30 September	170,455	117,721
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	170,455	117,721

NOTES TO THE ACCOUNTS

1. Basis of preparation and accounting policies

The condensed interim accounts have not been audited by the Company's auditors but have been reviewed by the Company's Audit Committee. They are prepared in accordance with the Statement of Standard Accounting Practice 25, "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"). They should be read in conjunction with the 2004 annual accounts.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2004.

2. Turnover and segment information

An analysis of the Group's turnover and results for the period by business segments is as follows:

	Unaudited Six months ended 30 September 2004			Unaudited Six months ended 30 September 2003		
	Bakery HK\$'000	Eatery HK\$'000	Group HK\$'000	Bakery HK\$'000	Eatery HK\$'000	Group HK\$'000
Turnover	<u>282,903</u>	<u>15,222</u>	<u>298,125</u>	<u>265,405</u>	<u>14,146</u>	<u>279,551</u>
Segment results	<u>21,985</u>	<u>666</u>	<u>22,651</u>	<u>22,578</u>	<u>617</u>	23,195
Unallocated revenue			<u>26,971</u>			<u>452</u>
Profit before taxation			<u>49,622</u>			23,647
Taxation			<u>(8,881)</u>			<u>(3,771)</u>
Profit attributable to shareholders			<u>40,741</u>			<u>19,876</u>
Segment assets	<u>412,826</u>	<u>8,107</u>	<u>420,933</u>	344,861	7,727	352,588
Unallocated assets			<u>1,621</u>			<u>10,814</u>
Total assets			<u>422,554</u>			<u>363,402</u>
Segment liabilities	<u>198,381</u>	<u>5,079</u>	<u>203,460</u>	185,820	6,278	192,098
Unallocated liabilities			<u>10,613</u>			<u>10,457</u>
Total liabilities			<u>214,073</u>			<u>202,555</u>
Capital expenditure	<u>16,613</u>	<u>83</u>	<u>16,696</u>	9,737	656	10,393
Depreciation	<u>13,613</u>	<u>887</u>	<u>14,500</u>	14,289	1,134	15,423
Amortization charge	<u>2,300</u>	<u>-</u>	<u>2,300</u>	2,300	-	2,300

Unallocated revenue included a gain on disposal of a property amounting to HK\$26.1 million.

2. Turnover and segment information (cont'd)

The geographical analysis of the Group's turnover for the period is as follows:

	Unaudited	
	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong and Macau	279,702	267,584
PRC	14,861	8,688
Other countries	3,562	3,279
	<u>298,125</u>	<u>279,551</u>

No geographical analysis in respect of consolidated results is provided as less than 10% of the consolidated results of the Group is attributable to markets outside Hong Kong and Macau.

3. Other revenues

	Unaudited	
	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Net gain on disposal of a property	26,113	–
Interest income	114	453
Rental income from an investment property	–	452
Rental income from other properties	858	–
	<u>27,085</u>	<u>905</u>

4. Profit before taxation

Profit before taxation is stated after charging/(crediting) the following:

	Unaudited	
	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
(Gain)/loss on disposal of other fixed assets	(20)	343
Provision for long service payments included in staff costs	246	245
Retirement benefit costs included in staff costs	3,558	3,181
	<u>3,558</u>	<u>3,181</u>

5. Taxation

	Unaudited	
	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	2,992	3,185
Overseas taxation	6,305	1,294
Deferred taxation	(416)	(708)
	<hr/>	<hr/>
Taxation charge	8,881	3,771
	<hr/>	<hr/>

Hong Kong profits tax has been provided at the rate of 17.5% (2003:17.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

6. Dividend

	Unaudited	
	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Interim dividend, declared on 9 December 2004, of HK5 cents (2003: HK4 cents) per ordinary share	10,578	8,176
	<hr/>	<hr/>

7. Earnings per share

	Unaudited	
	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Earnings		
Earnings for the purpose of the calculation of basic and diluted earnings per share	40,741	19,876
	2004	2003
Number of shares		
Weighted average number of ordinary shares for the purpose of the calculation of basic earnings per share	211,484,432	196,289,864
Effect of dilutive potential ordinary shares	1,886,711	4,784,874
Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share	213,371,143	201,074,738

8. Trademarks

	Unaudited
	<i>HK\$'000</i>
Net book value, 1 April 2004	32,200
Amortization charge	(2,300)
Net book value, 30 September 2004	<u>29,900</u>
Cost	92,000
Accumulated amortization	(62,100)
Net book value, 30 September 2004	<u>29,900</u>
Cost	92,000
Accumulated amortization	(59,800)
Net book value, 31 March 2004	<u>32,200</u>

9. Fixed assets

	Unaudited <i>HK\$'000</i>
Net book value, 1 April 2004	177,543
Additions	16,696
Disposals	(10,009)
Depreciation	<u>(14,500)</u>
Net book value, 30 September 2004	<u><u>169,730</u></u>

10. Trade receivables

Details of the ageing analysis are as follows:

	Unaudited 30 September 2004 <i>HK\$'000</i>	Audited 31 March 2004 <i>HK\$'000</i>
Current to 30 days	11,681	2,438
31 to 60 days	5,976	152
Over 60 days	<u>247</u>	<u>123</u>
	<u>17,904</u>	<u>2,713</u>

The majority of the Group's sales are conducted by cash or through redemption of cake coupons. Credit sales are made mainly to certain corporate customers who are normally granted with respective credit terms of 30 days and 61 to 120 days. Corporate customers are generally required to pay a deposit in the amount of 10% to 30% of their estimated purchase values.

11. Trade payables

Details of the ageing analysis are as follows:

	Unaudited 30 September 2004 <i>HK\$'000</i>	Audited 31 March 2004 <i>HK\$'000</i>
Current to 30 days	8,493	6,409
31 to 60 days	5,286	3,521
Over 60 days	<u>709</u>	<u>399</u>
	<u>14,488</u>	<u>10,329</u>

12. Share capital

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorized		
At 1 April 2004 and 30 September 2004	<u>400,000,000</u>	<u>40,000</u>
Issued and fully paid		
At 1 April 2004	211,317,000	21,132
Issue of shares upon exercise of share options	<u>240,000</u>	<u>24</u>
At 30 September 2004	<u>211,557,000</u>	<u>21,156</u>

13. Commitments

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
(a) Capital commitments for properties, leasehold improvements, furniture, fixtures and equipment		
Contracted but not provided for	6,800	1,000
Approved but not contracted for	<u>44,600</u>	<u>44,000</u>
	<u>51,400</u>	<u>45,000</u>
(b) Commitments under operating leases for land and buildings		
Within one year	41,004	37,683
In the second to fifth year inclusive	35,486	28,882
After the fifth year	<u>2,322</u>	<u>2,335</u>
	<u>78,812</u>	<u>68,900</u>

RESULTS

Consolidated turnover increased by 6.6% to HK\$298.1 million (2003: HK\$279.6 million) while the profit attributable to shareholders increased to HK\$40.7 million (2003: HK\$19.9 million) including the after tax effect of a gain on disposal of a property amounted to HK\$22.0 million.

INTERIM DIVIDEND

The directors have declared an interim dividend of HK5 cents (2003: HK4 cents) per ordinary share for the six months ended 30 September 2004 to the shareholders whose names appear in the register of members of the Company on 7 January 2005. The dividend will be payable on or about 26 January 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 January 2005 to 13 January 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Transfer Office, Computershare Hong Kong Investor Services Limited, at Shops 1712-6, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 7 January 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Consolidated net turnover grew by 6.6% mostly driven by sales of festive products as the economy started to pick up. Festive products which accounted for slightly over 20% of our bakery sales recorded a year-on-year growth of 28% with the PRC market by itself grew 78%. Mooncakes remained to be our best performing festive products following the introduction of the new “Snowy Mooncake” series and our continuous effort to improve on quality. Normal bakery business remains relatively steady.

During the past half year, we inevitably had to pass on to our customers a portion of the cost burden coming from double-digit price increases for our major raw materials by cutting back discounts and promotional offers. Despite that, our gross margin still reduced by 1.3% as compared to the same period last year. Rental expenses increased by 10% partly due to increase in the number of outlets and partly due to the absence of rental concession offered by landlords during the SARS period last year. We have increased our marketing efforts to promote mooncakes and other new products and which inevitably led to increased promotional expenses. The inflation that started since end of last year also pushed up other operating expenses.

Included in other revenues is an exceptional gain of HK\$26.1 million following the completion of the property disposal in Macau in August 2004. This profit will be subject to Macau’s profit tax and an amount of HK\$4.1 million has been provided as additional taxation charge. Part of the sale proceed has been set aside for setting up a new centralized workshop and expanding the sales network to cope with local flourishing business.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Prospect

Hong Kong is returning to an inflationary economy. This latest round of price increase has been largely fueled by escalating property and fuel prices while wage costs are still being kept at bay. Thus local consumer spending is not picking up at the same pace as rising costs. In view of rising property prices and rental costs, we will be prudent in opening new stores in Hong Kong. We will continue to improve on store-by-store basis the performance of existing outlets through cost control, productivity enhancement and product variety improvement. Our newly introduced Chinese bread series have been well received by customers. More shops will be selected for sales of this new product line. Our existing shop renovation plan will continue upon tenancy renewal to give our shops a more trendy and brighter look.

Macau's economy has benefited from the burgeoning gambling and tourist related industries. There has been steady growth recorded from the 2 existing outlets. With the completion of our new factory around end of year 2004, we can expand the retail network there by opening another 4-5 outlets within the next 12 months.

The Group is now operating a total of 4 bakeries in Guangzhou. There is definite plan to open more outlets if appropriate sites can be secured. The presence of those prominent outlets will definitely help the sales and promotion of our festive products such as mooncakes and Chinese New Year puddings.

With the encouraging result of the sales of our festive products, the management will allocate more resources to product development and facilities enhancement so as to support a more aggressive sales plan for the next season. Our mooncakes have been well received in the PRC market and we will continue to expand our sales channels and product variety with a view to capture a greater share of the huge domestic market in China.

Liquidity and financial resources

The Group's cash increased steadily and as at 30 September 2004 the freehold cash on hand amounted to HK\$170.5 million (31 March 2004: HK\$131.0 million) with zero gearing. The capital commitment of HK\$51.4 million as at 30 September 2004 are mainly for expanding the production facilities and enhancing the retail networks. All these projects will be financed internally.

Pledge of assets

No assets were pledged throughout the period.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Employees

As at 30 September 2004, the Group had hired about 1,970 (2003: 1,690) full time employees. Employees' remuneration package was determined with references to prevailing market practices and individual performance. Remuneration package includes basic salaries, sales incentives which are only payable to some operational staff, medical and retirement benefit schemes. Discretionary bonus may be granted to eligible employees based on the performance of individual employees and the Group.

Contingent liabilities

The Group had no significant contingent liabilities as at 30 September 2004.

Exposure to fluctuations in exchange rates and related hedges

The Group conducts most of its business transactions in currencies of Hong Kong dollars and Renminbi ("RMB"). To reduce the Group's exposure to the speculation of RMB revaluation around two years ago, we have taken out forward contracts to cover regular payments in this currency. As at 30 September 2004, the Group has committed in RMB forward contracts which amounted to HK\$17.5 million which will expire within this financial year (31 March 2004: HK\$23 million).

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

SHARE OPTIONS

The Company's share option scheme adopted on 25 October 2000 (the "Share Option Scheme") does not fulfil certain requirements as set out in the Listing Rules on share option scheme, as a result the Company would no longer grant any further options under the Share Option Scheme. Details of the movements of share options previously granted under the Share Option Scheme ("Share Options") during the period are as follows:

Participants	Grant date	Exercise period		Exercise price HK\$	Number of Share Options			
		From	To		As at 1 Apr. 2004	Exercised during the period (Note)	Lapsed during the period	As at 30 Sept. 2004
Director								
Chan Ka Shun,	15 Jan. 2001	1 May 2001	31 May 2010	0.50	1,000,000	-	-	1,000,000
Raymond	15 Jan. 2001	1 May 2002	31 May 2010	0.50	1,000,000	-	-	1,000,000
	31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	300,000	-	-	300,000
	31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	300,000	-	-	300,000
				Total	2,600,000	-	-	2,600,000
Continuous contract employees								
	15 Jan. 2001	1 May 2001	31 May 2010	0.50	30,000	(30,000)	-	-
	31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	105,000	(105,000)	-	-
	31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	105,000	(105,000)	-	-
				Total	240,000	(240,000)	-	-
				Grand Total	2,840,000	(240,000)	-	2,600,000

Note: The weighted average closing price of the Company's shares immediately before the dates of exercise was HK\$1.72 per share.

One director of the Company was holding share options ("HKCM Options") previously granted under the share option scheme of Hong Kong Catering Management Limited ("HKCM") and movements of such share options during the period are as follows:

Name of director	Grant date	Exercise period		Exercise price HK\$	Number of HKCM Options at	
		From	To		1 Apr. 2004 and	30 Sept. 2004
Chan Ka Lai, Joesph	30 Aug. 2001	1 Oct. 2001	30 Sept. 2011	0.48		1,000,000
	30 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.48		1,000,000
	30 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.48		1,000,000
						3,000,000

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 September 2004, the following directors and chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

Name of company	Name of director	Number of ordinary shares held			Number of underlying ordinary shares held under equity derivatives	Total number of shares interested or deemed to be interested (long position)	Percentage of shareholding %
		Personal interest (Note a)	Family interest	Trust interest			
The Company	Chan Wai Cheung, Glenn	-	-	146,485,250 (Note b)	-	146,485,250	69.24
	Chan King Catherine	-	146,485,250 (Note b)	-	-	146,485,250	69.24
	Chan Ka Lai, Joseph	182,000	-	146,485,250 (Note c)	-	146,667,250	69.33
	Chan Ka Shun, Raymond	162,500	-	146,485,250 (Note c)	2,600,000 (Note d)	149,247,750	70.55
	Chan Wong Man Li, Carrina	206,000	-	-	-	206,000	0.10
HKCM	Chan Wai Cheung, Glenn	-	-	183,658,609 (Note e)	-	183,658,609	55.83
	Chan King Catherine	-	183,658,609 (Note e)	-	-	183,658,609	55.83
	Chan Ka Lai, Joseph	1,200,000	-	183,658,609 (Note c)	3,000,000 (Note f)	187,858,609	57.11
	Chan Ka Shun, Raymond	650,000	-	183,658,609 (Note c)	-	184,308,609	56.03

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (cont'd)

Notes:

- a. These shares are held by the directors as beneficial owners.
- b. These shares are held by Well-Positioned Corporation ("Well-Positioned"), a company beneficially owned by a trust established for the benefit of the family members of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine in the following manner:

	Number of ordinary shares held
Company's shares directly held by Well-Positioned as beneficial owner	28,457,152
Company's shares held by Well-Positioned through its wholly owned subsidiary, Albion Agents Limited ("Albion")	<u>118,028,098</u>
	<u><u>146,485,250</u></u>

Mr. Chan Wai Cheung, Glenn is interested in these shares in the capacity as founder of the trust and Mrs. Chan King Catherine, being the spouse of Mr. Chan Wai Cheung, Glenn, is also deemed to be interested in these shares.

- c. Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond, being the eligible beneficiaries of the family trust established by Mr. Chan Wai Cheung, Glenn, are also deemed to be interested in the shares held by Well-Positioned.
- d. These are underlying shares in respect of Share Options granted by the Company. The aforesaid interest is held by Mr. Chan Ka Shun, Raymond as beneficial owner.
- e. These shares are held by Well-Positioned and being the founder of the trust, Mr. Chan Wai Cheung, Glenn has the trust interest in HKCM. Mrs. Chan King Catherine, being the spouse of Mr. Chan Wai Cheung, Glenn, is also deemed to be interested in these shares.
- f. These are underlying shares in respect of the share options granted by the intermediate holding company, HKCM. The aforesaid interest is held by Mr. Chan Ka Lai, Joseph as beneficial owner.

Save as disclosed above, as at 30 September 2004, none of the directors or chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them was taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2004, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the directors or chief executives of the Company, the following persons, other than directors or chief executives of the Company, had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

Name of substantial shareholders	Number of ordinary shares held	Percentage of shareholding %
Albion	118,028,098	55.79
HKCM (<i>Note a</i>)	118,028,098	55.79
Well-Positioned (<i>Note b</i>)	146,485,250	69.24

Notes:

- (a) Albion is wholly owned by HKCM, hence HKCM has a deemed interest in 118,028,098 shares by virtue of its interest in the shares of Albion.
- (b) It includes the interest held by HKCM through its wholly owned subsidiary, Albion, so Well-Positioned also has a deemed interest in 118,028,098 shares by virtue of its interest in the shares of HKCM. Together with the interest in 28,457,152 shares directly held by Well-Positioned as beneficial owner, Well-Positioned has a total interest of 146,485,250 shares in the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the period, the Company was in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules except in relation to guideline No. 7 that the service contracts of non-executive directors were renewed with no specific tenure, but they are determinable by either party with at least one month written notice in advance.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the Code and comprises 4 non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters. It has also reviewed the Group's unaudited interim accounts for the six months ended 30 September 2004.

On behalf of the Board
Chan Wai Cheung, Glenn
Chairman

Hong Kong, 9 December 2004