

2004/05

INTERIM REPORT

For the six months ended 30 September 2004



香港飲食管理有限公司
HONG KONG CATERING MANAGEMENT LIMITED





CORPORATE INFORMATION

Board of Directors

Executive directors

Mr. Chan Wai Cheung, Glenn,
Chairman and Managing Director
Mr. Chan Ka Lai, Joseph,
Deputy Managing Director
Mrs. Chan King Catherine
Mr. Chiu Wai
Mr. Shum Wing Hon
Ms. Wong Tsui Yue, Lucy

Independent non-executive directors

Mrs. Fung Yeh Yi Hao, Yvette
Mr. Chan Ip Sing, Evans (alternate to
Mrs. Fung Yeh Yi Hao, Yvette)
Mr. Cassam Soliman Gooljarry
Dr. Kwok Lok Wai, William

Audit Committee

Mr. Cassam Soliman Gooljarry,
Committee Chairman
Mrs. Fung Yeh Yi Hao, Yvette
Mr. Chan Ip Sing, Evans (alternate to
Mrs. Fung Yeh Yi Hao, Yvette)
Dr. Kwok Lok Wai, William

Company Secretary

Ms. Wong Tsui Yue, Lucy

Authorized Representatives

Mr. Chan Wai Cheung, Glenn
Ms. Wong Tsui Yue, Lucy

Registered Office

27/F, World Trade Centre
280 Gloucester Road
Causeway Bay, Hong Kong
Tel: (852) 2527 6311
Fax: (852) 2520 2119
E-mail: hkcm@hkccatering.com

Share Registrar

Computershare Hong Kong Investor
Services Limited
46/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

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

Solicitors

Sidley Austin Brown & Wood

Auditors

PricewaterhouseCoopers

Stock Code

668

Website

<http://www.hkccatering.com>



The board of directors (the "Board") of Hong Kong Catering Management 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
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	2	495,252	467,013
Other revenues	3	52,248	3,135
Cost of inventories consumed		(153,106)	(138,606)
Staff costs		(164,074)	(157,970)
Operating lease rentals		(48,792)	(43,807)
Depreciation of fixed assets		(32,311)	(23,575)
Other operating expenses		(89,505)	(84,425)
Amortization of intangible assets		(2,300)	(2,339)
Operating profit	4	57,412	19,426
Share of net profits of associated companies		788	474
Profit before taxation		58,200	19,900
Taxation	5	(9,158)	(3,570)
Profit after taxation		49,042	16,330
Minority interests		(17,042)	(8,263)
Profit attributable to shareholders		32,000	8,067
Dividend	6		
Interim		3,290	3,178
Special		13,158	–
		16,448	3,178
Earnings per share	7		
Basic		9.7 cents	2.6 cents
Diluted		9.6 cents	2.4 cents



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	265,783	358,236
Investments		6,661	6,885
Rental deposits paid		21,885	20,945
Deferred tax assets		2,456	1,470
		326,685	419,736
Current assets			
Inventories		21,910	19,158
Trade receivables	10	18,671	3,319
Deposits, prepayments and other receivables		18,805	13,130
Taxation recoverable		8	353
Bank balances and cash		358,803	253,811
		418,197	289,771
Current liabilities			
Trade payables	11	32,956	26,223
Other payables and accrued charges		107,347	89,805
Taxation payable		10,412	1,798
Cake coupon liabilities – current portion		41,828	43,097
		192,543	160,923
Net current assets		225,654	128,848
Total assets less current liabilities		552,339	548,584
Financed by:			
Share capital	12	32,896	32,896
Reserves		315,598	324,682
Dividend reserve		16,448	11,514
Shareholders' funds		364,942	369,092
Minority interests		96,930	88,175
Non-current liabilities			
Cake coupon liabilities – non-current portion		77,028	76,162
Rental deposits received		444	1,451
Provision for long service payments		11,136	11,457
Deferred tax liabilities		1,859	2,247
		90,467	91,317
		552,339	548,584



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	31,303	119,225	-	69	157,304	4,695	312,596
Recognition of deferred tax liabilities on adopting SSAP12 (Revised)	-	-	-	-	(1,081)	-	(1,081)
Profit for the period	-	-	-	-	8,067	-	8,067
2002/03 final dividend paid	-	-	-	-	-	(4,695)	(4,695)
2003/04 interim dividend declared	-	-	-	-	(3,178)	3,178	-
At 30 September 2003	31,303	119,225	-	69	161,112	3,178	314,887
At 1 April 2004	32,896	125,278	24,636	69	174,699	11,514	369,092
Write-back of revaluation gain of investment properties on disposal	-	-	(24,636)	-	-	-	(24,636)
Profit for the period	-	-	-	-	32,000	-	32,000
2003/04 final dividend paid	-	-	-	-	-	(11,514)	(11,514)
2004/05 interim dividend declared	-	-	-	-	(3,290)	3,290	-
2004/05 special dividend declared	-	-	-	-	(13,158)	13,158	-
At 30 September 2004	32,896	125,278	-	69	190,251	16,448	364,942



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	38,158	55,726
Net cash inflow/(outflow) from investing activities	85,766	(34,552)
Net cash outflow from financing activities	(18,932)	(7,962)
Increase in cash and cash equivalents	104,992	13,212
Cash and cash equivalents at 1 April	253,811	202,973
Cash and cash equivalents at 30 September	358,803	216,185
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	358,803	216,185



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

The Group is principally engaged in two main business segments:

- Restaurant operation – operating restaurants of different cuisine
- Bakery operation – manufacturing and selling bakery products and operating eateries which are undertaken by Saint Honore Holdings Limited ("SHHL") and its subsidiaries



2. Turnover and segment information (cont'd)

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		
	Restaurant HK\$'000	Bakery HK\$'000	Group HK\$'000	Restaurant HK\$'000	Bakery HK\$'000	Group HK\$'000
Turnover	199,945	298,125	498,070	190,320	279,551	469,871
Inter-segment sales	–	(2,818)	(2,818)	–	(2,858)	(2,858)
Segment turnover	<u>199,945</u>	<u>295,307</u>	<u>495,252</u>	<u>190,320</u>	<u>276,693</u>	<u>467,013</u>
Segment results	<u>(16,991)</u>	<u>22,651</u>	<u>5,660</u>	<u>(5,617)</u>	<u>23,195</u>	<u>17,578</u>
Unallocated revenue			51,752			1,848
Operating profit			57,412			19,426
Share of net profits of associated companies	788	–	788	474	–	474
Profit before taxation			58,200			19,900
Taxation			(9,158)			(3,570)
Profit after taxation			49,042			16,330
Minority interests			(17,042)			(8,263)
Profit attributable to shareholders			<u>32,000</u>			<u>8,067</u>
Segment assets	319,821	420,933	740,754	242,900	352,588	595,488
Investments in associated companies	1,664	–	1,664	3,725	–	3,725
Unallocated assets			2,464			63,083
Total assets			<u>744,882</u>			<u>662,296</u>
Segment liabilities	68,054	202,685	270,739	72,847	189,785	262,632
Unallocated liabilities			12,271			10,670
Total liabilities			<u>283,010</u>			<u>273,302</u>
Capital expenditure	9,056	16,696	25,752	28,364	10,393	38,757
Depreciation	17,811	14,500	32,311	8,152	15,423	23,575
Amortization charge	–	2,300	2,300	39	2,300	2,339

Unallocated revenue included a gain on disposal of properties amounting to HK\$50.3 million.

No geographical analysis is provided as less than 10% of the Group's turnover and less than 10% of the consolidated results of the Group are 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 properties	50,310	–
Interest income	496	1,287
Rental income from investment properties	584	1,848
Rental income from other properties	858	–
	<u>52,248</u>	<u>3,135</u>

4. Operating profit

Operating profit is stated after charging/(crediting) the following:

	Unaudited Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Loss/(gain) on disposal of other fixed assets	8	(1,061)
Provision for long service payments included in staff costs	552	539
Retirement benefit costs included in staff costs	6,538	6,317
	<u>6,538</u>	<u>6,317</u>

5. Taxation

	Unaudited Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	3,546	3,241
Overseas taxation	6,305	1,294
Deferred taxation	(836)	(1,052)
	<u>9,015</u>	<u>3,483</u>
Share of taxation attributable to associated company	143	87
	<u>9,158</u>	<u>3,570</u>

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 HK1 cent (2003: HK1 cent) per ordinary share	3,290	3,178
Special dividend, declared on 9 December 2004, of HK4 cents (2003: Nil) per ordinary share	13,158	—
	16,448	3,178

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 earnings per share	32,000	8,067
Adjustment to the share of results of a subsidiary based on the dilution of this subsidiary's earnings per share	(236)	(490)
Earnings for the purpose of the calculation of diluted earnings per share	31,764	7,577
	2004	2003

Number of shares

Weighted average number of ordinary shares for the purpose of the calculation of basic earnings per share	328,958,609	313,028,609
Effect of dilutive potential ordinary shares	1,725,758	2,113,012
Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share	330,684,367	315,141,621



8. Trademarks

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

9. Fixed assets

	Unaudited <i>HK\$'000</i>
Net book value, 1 April 2004	358,236
Additions	25,752
Disposals	(85,894)
Depreciation	(32,311)
	<hr/>
Net book value, 30 September 2004	265,783

10. Trade receivables

Details of the ageing analysis are as follows:

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 <i>HK\$'000</i>
Current to 30 days	12,448	3,005
31 to 60 days	5,976	191
Over 60 days	247	123
	<hr/>	<hr/>
	18,671	3,319

The majority of the Group's sales are conducted by cash, credit cards or through redemption of cake coupons. Credit sales are made mainly to certain corporate customers of the bakery operation 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 HK\$'000	Audited 31 March 2004 HK\$'000
Current to 30 days	8,493	6,409
31 to 60 days	23,754	19,416
Over 60 days	709	398
	32,956	26,223

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	400,000,000	40,000
Issued and fully paid		
At 1 April 2004 and 30 September 2004	328,958,609	32,896

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	6,876	1,287
Approved but not contracted for	47,386	50,053
	54,262	51,340
(b) Commitments under operating leases for land and buildings		
Within one year	83,293	72,402
In the second to fifth year inclusive	87,637	47,380
After the fifth year	2,322	2,335
	173,252	122,117



RESULTS

Consolidated turnover increased by 6.0% to HK\$495.3 million (2003: HK\$467.0 million) while the profit attributable to shareholders improved substantially by 296.7% to HK\$32.0 million (2003: HK\$8.1 million) as exceptional profits from disposal of properties were recognized in the period.

INTERIM AND SPECIAL DIVIDEND

The directors have declared an ordinary interim dividend of HK1 cent (2003: HK1 cent) plus a special dividend of HK4 cents (2003: Nil) per ordinary share paying out of the exceptional gain from property disposals mentioned above for the six months ended 30 September 2004. The dividends will be payable to the shareholders whose names appear in the register of members of the Company on 7 January 2005. The dividends 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 and special dividends, all transfers of shares accompanied by the relevant share certificates must be lodged with the Transfer Office of the Company's Share Registrar, 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

Restaurant operation

Relaxation of travel restrictions for mainland tourists has fostered a sharp recovery of the local economy and the property market. We took this opportunity to realize the capital gain from our properties and recorded an exceptional gain of HK\$24.2 million from property sale.

Restaurant turnover increased by 5.1%. Our gross margin dropped from 70.2% to 69.2% due to rising material costs. The absence of rent concession and escalating utility charges which had increased by about 13% from the same period last year were also major obstacles that had held back our performance. In addition, we have provided accelerated depreciation on leasehold improvement for a restaurant as there is likelihood that the lease may not be renewed.

The group-wide restaurant renovation project is near to completion. We refurbished a fast-food restaurant and Shanghai Lu Yang Cun Restaurant in this period, during such time business was suspended for about one month. The associated company closed down one more restaurant in August 2004 thereby leaving only one Japanese restaurant still running under this joint-venture. As at 30 September 2004, we were operating 18 restaurants.



MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Business review (cont'd)

Bakery operation

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.

Prospect

The influx of mainland tourists will continue to foster local economic growth. Though our business is not directly benefiting from it, it is still a stimulus to Hong Kong economy as a whole. The Consumer Price Index recently released for October 2004 rose by 0.2% on year to year basis and inflation is set to return. Therefore we foresee an upward trend in commodity prices, soon-to-increase labour costs and also rise in market rent upon lease renewal in the coming months. Nevertheless, we are more confident in passing our cost burden to customers as they are more receptive to reasonable upward price adjustment with improved product and service quality.

In respect of our bakery business, we will be prudent in opening new stores in Hong Kong whereas in Macau, we can expand the retail network there by opening another 4-5 outlets within the next 12 months following the completion of a new factory around end of 2004. We also have definite plan to open new outlets in Guangzhou if appropriate sites can be secured. As our mooncakes have been well received in the PRC market, we will continue to expand our sales channels and product variety to capture a greater share of the huge domestic market in China.



MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Liquidity and capital resources

Upon full receipt of sales proceeds of properties sold, the Group's freehold cash on hand has increased by HK\$105 million to HK\$358.8 million as at 30 September 2004 (31 March 2004: HK\$253.8 million). The Group did not borrow any loan and the gearing is zero. The capital commitment as at 30 September 2004 amounted to HK\$54.3 million most of which relates to expansion of our bakery production plants and bakery retail networks. All these projects will be financed internally.

Pledge of assets

No assets were pledged throughout the period.

Employees

As at 30 September 2004, the Group had hired about 3,120 (2003: 2,830) 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 13 March 2000 ("HKCM 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 HKCM Scheme. Details of the movements of share options previously granted under HKCM Scheme ("HKCM Options") during the period are as follows:

Participants	Grant date	Exercise period		Exercise price HK\$	Number of HKCM Options			
		From	To		As at	Exercised	Lapsed	As at
					1 Apr. 2004	during the period	during the period	30 Sept. 2004
Director								
Chan Ka Lai, Joseph	30 Aug. 2001	1 Oct. 2001	30 Sept. 2011	0.48	1,000,000	-	-	1,000,000
	30 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.48	1,000,000	-	-	1,000,000
	30 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.48	1,000,000	-	-	1,000,000
				Total	3,000,000	-	-	3,000,000
Continuous contract employees								
	30 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.48	175,000	-	-	175,000
	30 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.48	175,000	-	-	175,000
				Total	350,000	-	-	350,000
				Grand total	3,350,000	-	-	3,350,000

SHHL, a subsidiary of the Company, also adopted its own share option scheme ("SHHL Scheme") on 25 October 2000. This scheme does not fulfil certain requirements of the Listing Rules on share option scheme and therefore no further options can be granted under SHHL Scheme. Details of the movements of share options previously granted under SHHL Scheme ("SHHL Options") during the period are as follows:

Participants	Grant date	Exercise period		Exercise price HK\$	Number of SHHL Options			
		From	To		As at	Exercised	Lapsed	As at
					1 Apr. 2004	during the period (Note)	during the period	30 Sept. 2004
Other directors and continuous contract employees of SHHL								
	15 Jan. 2001	1 May 2001	31 May 2010	0.50	1,030,000	(30,000)	-	1,000,000
	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	405,000	(105,000)	-	300,000
	31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	405,000	(105,000)	-	300,000
				Grand total	2,840,000	(240,000)	-	2,600,000

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



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 <i>(Note a)</i>	Family interest	Trust interest			
The Company	Chan Wai Cheung, Glenn	-	-	183,658,609 <i>(Note b)</i>	-	183,658,609	55.83
	Chan King Catherine	-	183,658,609 <i>(Note b)</i>	-	-	183,658,609	55.83
	Chan Ka Lai, Joseph	1,200,000	-	183,658,609 <i>(Note c)</i>	3,000,000 <i>(Note d)</i>	187,858,609	57.11
	Chiu Wai	112,000	-	-	-	112,000	0.03
	Wong Tsui Yue, Lucy	100,000	-	-	-	100,000	0.03
SHHL	Chan Wai Cheung, Glenn	-	-	146,485,250 <i>(Note e)</i>	-	146,485,250	69.24
	Chan King Catherine	-	146,485,250 <i>(Note f)</i>	-	-	146,485,250	69.24
	Chan Ka Lai, Joseph	182,000	-	146,485,250 <i>(Note c)</i>	-	146,667,250	69.33
	Chiu Wai	28,000	-	-	-	28,000	0.01



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 directly 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. Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine are interested in these shares in the capacity of the founder of the trust and the spouse of founder respectively.
- c. Mr. Chan Ka Lai, Joseph, being the eligible beneficiary of the family trust established by Mr. Chan Wai Cheung, Glenn, is also deemed to be interested in these shares held by Well-Positioned.
- d. These are underlying shares in respect of the share options granted by the Company, the details of which are stated in the section "Share Options". The aforesaid interest is held by Mr. Chan Ka Lai, Joseph as beneficial owner.
- e. Being the founder of the trust, Mr. Chan Wai Cheung, Glenn has trust interest in SHHL held by the following means:

	Number of SHHL shares held
SHHL shares directly held by Well-Positioned as beneficial owner	28,457,152
SHHL shares held by Well-Positioned through its wholly owned subsidiary, Albion Agents Limited	118,028,098
	<hr/> 146,485,250

- f. Mrs. Chan King Catherine, being the spouse of Mr. Chan Wai Cheung, Glenn, is also deemed to be interested in SHHL shares held by Well-Positioned.

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 person, 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 shareholder	Number of ordinary shares held	Capacity	Percentage of shareholding %
Well-Positioned (<i>Note</i>)	183,658,609	Beneficial owner	55.83

Note: The 183,658,609 shares are held by Well-Positioned, a wholly owned subsidiary held by a trust established by Mr. Chan Wai Cheung, Glenn for the benefits of family members of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine.

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 independent 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 3 independent 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 and Managing Director

Hong Kong, 9 December 2004