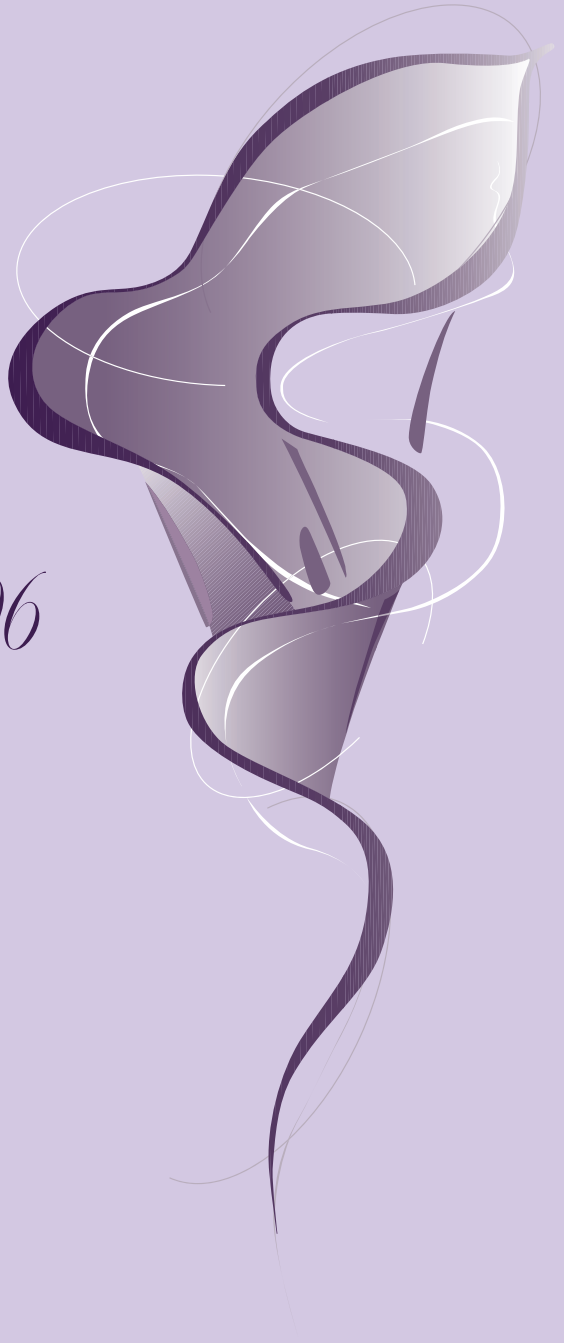




SAINT HONORE HOLDINGS LIMITED
聖安娜控股有限公司
(Incorporated in Bermuda with limited liability)



Interim Report 2005/06



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 the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2005 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

		Unaudited	
		Six months ended	
		30 September	
			(Restated)
	<i>Note</i>	2005	2004
		HK\$'000	HK\$'000
Turnover	3	315,587	298,125
Other revenues	4	1,543	972
Cost of inventories consumed		(105,686)	(94,298)
Staff costs		(90,318)	(89,023)
Operating lease rentals		(27,560)	(27,252)
Depreciation of fixed assets		(13,488)	(13,672)
Other operating expenses		(52,644)	(49,043)
Amortization of intangible assets		(2,300)	(2,300)
(Loss)/gain on disposal of properties		(307)	26,113
Profit before taxation	5	24,827	49,622
Taxation	6	(5,102)	(8,881)
Profit attributable to equity holders of the Company		19,725	40,741
Dividends	7	8,696	10,578
Earnings per share	8		
Basic		9.3 cents	19.3 cents
Diluted		9.2 cents	19.1 cents



CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2005

		Unaudited	Audited (Restated)
	<i>Note</i>	30 September 2005 HK\$'000	31 March 2005 HK\$'000
Non-current assets			
Trademarks	9	25,300	27,600
Fixed assets	10	141,969	134,491
Leasehold land and land use rights	10	75,010	74,398
Deposits for purchase of properties		–	3,576
Held-to-maturity investments		3,881	–
Rental deposits paid		12,098	11,531
Deferred tax assets		939	2,392
		259,197	253,988
Current assets			
Inventories		10,186	10,105
Trade receivables	11	17,350	4,752
Deposits, prepayments and other receivables		16,772	13,715
Taxation recoverable		58	998
Cash and cash equivalents		143,191	129,558
		187,557	159,128
Current liabilities			
Amount due to the intermediate holding company		1,271	4,980
Trade payables	12	23,916	14,550
Other payables and accrued charges		56,232	46,107
Taxation payable		7,222	6,527
Cake coupon liabilities		132,537	116,490
		221,178	188,654
Net current liabilities		(33,621)	(29,526)
Total assets less current liabilities		225,576	224,462

**CONSOLIDATED BALANCE SHEET (CONT'D)**
AS AT 30 SEPTEMBER 2005

		Unaudited	Audited (Restated)
	<i>Note</i>	30 September 2005 HK\$'000	31 March 2005 HK\$'000
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	21,336	21,156
Reserves		187,754	176,005
Dividend reserve		8,534	19,040
Total equity		217,624	216,201
Non-current liabilities			
Rental deposits received		118	71
Provision for long service payments		6,234	6,199
Deferred tax liabilities		1,600	1,991
		7,952	8,261
		225,576	224,462



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	Dividend reserve HK\$'000	Total equity HK\$'000
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 2003/04 final	-	-	-	-	40,741	-	40,741
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>
At 1 April 2005	21,156	6,561	104,929	69	64,446	19,040	216,201
Issue of shares upon exercise of share options	180	720	-	-	-	-	900
Profit for the period 2004/05 final	-	-	-	-	19,725	-	19,725
dividend paid	-	-	-	-	(162)	(19,040)	(19,202)
2005/06 interim dividend declared	-	-	-	-	(8,534)	8,534	-
At 30 September 2005	<u>21,336</u>	<u>7,281</u>	<u>104,929</u>	<u>69</u>	<u>75,475</u>	<u>8,534</u>	<u>217,624</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Unaudited Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000
Net cash inflow generated from operating activities	54,225	38,847
Net cash (outflow)/inflow from investing activities	(22,290)	19,560
Net cash outflow from financing activities	(18,302)	(18,910)
Net increase in cash and cash equivalents	13,633	39,497
Cash and cash equivalents at 1 April	129,558	130,958
Cash and cash equivalents at 30 September	143,191	170,455



NOTES TO THE ACCOUNTS

1. Basis of preparation and accounting policies

This unaudited condensed consolidated interim accounts have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated interim accounts should be read in conjunction with the 2004/05 annual accounts.

The accounting policies and methods of computation used in the preparation of this condensed consolidated interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and HKAS ("New HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

The changes to the Group's accounting policies and the effect of adopting these New HKFRS are set out in note 2 below.

2. Changes in principal accounting policies

In accounting period commencing 1 April 2005, the Group adopted the New HKFRS below, which are relevant to its operations. The 2004/05 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS-Int15	Operating leases – Incentives
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HKFRS 2	Share-based Payment



2. Changes in principal accounting policies (cont'd)

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 24, 27, 33, 36, 38 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of cake coupon liabilities.
- HKASs 2, 7, 8, 10, 16, 21, 27, 33, 36, 38 and HKAS-Int 15 had no material effect on the Group's policies.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The following is a summary of material changes in principal policies or presentation of accounts as a result of the adoption of the New HKFRS with rationale explained below:

(i) HKAS 1

HKAS 1 has affected the presentation of cake coupon liabilities. In prior years, the estimated value of cake coupons which were expected to be redeemed in the next twelve months was classified as current liabilities on the balance sheet. Upon the adoption of HKAS 1, the whole amount of cake coupon liabilities is classified as current liabilities, as the Group does not have an unconditional right to defer settlement of the cake coupon liability.

(ii) HKAS 17

In prior years, the Group's leasehold land and buildings for own use were accounted for as finance leases and were stated at cost less accumulated depreciation and accumulated impairment losses. Upon the adoption of HKAS 17 on 1 April 2005, the Group's leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest on any buildings situated on the leasehold land could be split reliably from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group. In case the two elements cannot be allocated reliably, the entire lease is classified as a finance lease and carried at cost less accumulated depreciation and accumulated impairment losses. The land premium paid for distinguishable leasehold land is accounted for as an operating lease and amortized on a straight-line basis over its unexpired lease term. The new accounting policy has been applied retrospectively to the extent that results in the reclassification of certain leasehold interest in land previously included in "fixed assets" as "other properties" with the comparatives restated to conform to the current period's presentation. This change has no significant impact on the Group's results and equity.

(iii) HKASs 32 and 39

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy for recognition, measurement, de recognition and disclosure of financial instruments. In accordance with HKAS 39, these investments were classified as held-to-maturity investments and stated in the consolidated balance sheet at amortized cost.



2. Changes in principal accounting policies (cont'd)

(iv) HKFRS 2

The Group adopted the transitional provisions of HKFRS 2 which applies to grants of shares, share options or other equity instruments that were granted after 7 November 2002 and had not yet vested at the effective date of the HKFRS 2, the accounting periods commencing on or after 1 January 2005. As the unexercised share options of the Group were granted before 7 November 2002 and were fully vested before our accounting period commencing 1 April 2005, there is no impact of adopting HKFRS 2 on the balance sheet and profit and loss account.

The following is a summary of effect of adopting the New HKFRS on major items in the condensed consolidated accounts:

	Increase/(decrease) Effect of adopting HKASs 16 and 17 HK\$'000
At 30 September 2005	
Non-current assets	
Fixed assets	(75,010)
Leasehold land and land use rights	75,010
	<hr/>
Effect on non-current assets	-
	<hr/>
For six months ended 30 September 2005	
Operating expenses	
Operating lease rentals	851
Depreciation of fixed assets	(851)
	<hr/>
Effect on operating profit	-
	<hr/>



2. Changes in principal accounting policies (cont'd)

	Increase/(decrease) Effect of adopting HKASs 16 and 17 HK\$'000
<hr/>	
At 31 March 2005	
Non-current assets	
Fixed assets	(74,398)
Leasehold land and land use rights	<u>74,398</u>
Effect on non-current assets	<u>—</u>
For six months ended 30 September 2004	
Operating expenses	
Operating lease rentals	828
Depreciation of fixed assets	<u>(828)</u>
Effect on operating profit	<u>—</u>



3. Turnover and segment information

For management purpose, the Group is currently organized into 2 main business segments – bakery and eatery.

- Bakery – manufacturing and retailing of bakery products
- Eatery – operating eateries

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

	Unaudited Six months ended 30 September 2005			Unaudited (Restated) Six months ended 30 September 2004		
	Bakery HK\$'000	Eatery HK\$'000	Group HK\$'000	Bakery HK\$'000	Eatery HK\$'000	Group HK\$'000
Turnover	301,682	13,905	315,587	282,903	15,222	298,125
Segment results	24,827	(539)	24,288	48,098	666	48,764
Unallocated revenue			539			858
Profit before taxation			24,827			49,622
Taxation			(5,102)			(8,881)
Profit attributable to equity holders of the Company			19,725			40,741

Segment results of bakery business included a net loss on disposal of a self-occupied property amounting to HK\$0.3 million (2004: net gain of HK\$26.1 million).

4. Other revenues

	Unaudited Six months ended 30 September	
	2005 HK\$'000	(Restated) 2004 HK\$'000
Interest income	1,004	114
Rental income from other properties	539	858
	1,543	972



5. Profit before taxation

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

	Unaudited Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000
Amortization of prepaid rent on leasehold land and land use rights included in operating lease rental	851	828
Loss/(gain) on disposal of other fixed assets	253	(20)
Provision for long service payments included in staff costs	191	246
Retirement benefit costs included in staff costs	3,670	3,558

6. Taxation

	Unaudited Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000
Current taxation		
Hong Kong profits tax	1,835	2,992
Overseas taxation	2,205	6,305
Deferred taxation	1,062	(416)
Taxation charge	5,102	8,881

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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.

7. Dividends

	Unaudited Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000
Under-provision of dividend in previous year	162	–
Interim dividend, declared on 12 December 2005, of HK4 cents (2004: HK5 cents) per ordinary share	8,534	10,578
	8,696	10,578



8. Earnings per share

	Unaudited Six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
Earnings		
Earnings for the calculation of basic and diluted earnings per share	19,725	40,741
Number of shares	2005	2004
Weighted average number of ordinary shares for the calculation of basic earnings per share	212,117,656	211,484,432
Effect of dilutive potential ordinary shares	1,644,731	1,886,711
Weighted average number of ordinary shares for the calculation of diluted earnings per share	213,762,387	213,371,143

9. Trademarks

	Unaudited HK\$'000
Net book value, 1 April 2005	27,600
Amortization charge	(2,300)
Net book value, 30 September 2005	25,300
Cost	92,000
Accumulated amortization	(66,700)
Net book value, 30 September 2005	25,300
Cost	92,000
Accumulated amortization	(64,400)
Net book value, 31 March 2005	27,600

**10. Capital expenditure**

	Unaudited	
	Fixed assets	Leasehold land and land use rights
	HK\$'000	HK\$'000
Net book value, 1 April 2005		
– as previously reported	208,889	–
– prior year adjustments on interests in leasehold land and land use rights	(74,398)	74,398
– as restated	134,491	74,398
Additions	22,006	2,247
Disposals	(1,040)	(784)
Depreciation and amortization	(13,488)	(851)
Net book value, 30 September 2005	<u>141,969</u>	<u>75,010</u>

11. Trade receivables

Details of the ageing analysis are as follows:

	Unaudited	Audited
	30 September 2005	31 March 2005
	HK\$'000	HK\$'000
Current to 30 days	12,992	3,382
31 to 60 days	3,070	202
Over 60 days	1,288	1,168
	<u>17,350</u>	<u>4,752</u>

The majority of the Group's sales are conducted in cash or through redemption of cake coupons. Credit sales are mainly to certain corporate customers for purchases of normal bakery products and cake coupons or festive products and they are normally granted respectively with credit terms of 30 days or 61 to 120 days. Overseas corporate customers are generally requested to pay advanced deposits in the amount of 20% to 30% to their estimated purchase values.

The increase in trade receivables from the March balance merely reflects the seasonality trend with the September balance normally includes unsettled accounts from sales of festive products.



12. Trade payables

Details of the ageing analysis are as follows:

	Unaudited	Audited
	30 September	31 March
	2005	2005
	HK\$'000	HK\$'000
Current to 30 days	11,832	11,138
31 to 60 days	7,108	1,673
Over 60 days	4,976	1,739
	23,916	14,550

The increase in trade payables from the March balance is for the similar reason as mentioned in note 11 for trade receivables.

13. Share capital

	Number of	Amount
	ordinary shares	HK\$'000
Ordinary shares of HK\$0.10 each		
Authorized		
At 1 April 2005 and 30 September 2005	<u>400,000,000</u>	<u>40,000</u>
Issued and fully paid		
At 1 April 2005	211,557,000	21,156
Issue of shares upon exercise of share options	<u>1,800,000</u>	<u>180</u>
At 30 September 2005	<u>213,357,000</u>	<u>21,336</u>



14. Commitments

	Unaudited	Audited
	30 September	31 March
	2005	2005
	HK\$'000	HK\$'000
(a) Capital commitments for properties, leasehold improvements, furniture, fixtures and equipment		
Contracted but not provided for	1,661	4,387
Approved but not contracted for	15,845	27,100
	17,506	31,487
(b) Commitments under operating leases for land and buildings		
Within one year	43,295	40,591
In the second to fifth year inclusive	40,577	33,693
After the fifth year	2,690	2,289
	86,562	76,573

15. Related party transactions

During the period, the Group had the following significant related party transactions with the Company's intermediate holding company, Hong Kong Catering Management Limited ("HKCM") and its subsidiaries other than the Group (the "HKCM Group"):

	Unaudited	
	Six months ended	
	30 September	
	2005	2004
	HK\$'000	HK\$'000
Sales of bakery and related products (Note a)	3,592	2,818
Rental expenses in respect of land and buildings (Note b)	92	87
Management fees paid (Note c)	2,174	2,143
Commission expenses for distribution of festive products coupons (Note d)	237	176



15. Related party transactions (cont'd)

Notes:

- a. Sales of bakery and related products were charged at prices and terms determined by reference to those charged to independent customers of the Group.
- b. Rental expenses were reimbursed at costs in respect of certain leased premises on the basis of area occupied and relevant rent as percentage of the monthly gross turnover, whichever is higher.
- c. Pursuant to the administration agreement entered into between Bread Boutique Limited ("BBL"), a wholly-owned subsidiary of the Company, and HKCM, HKCM was engaged to provide management and administration services to BBL on a cost sharing basis.
- d. The Group has enlisted the HKCM Group to distribute its festive products coupons at the latter's outlets for a commission.



RESULTS

Consolidated turnover increased by 5.9% to HK\$315.6 million (2004: HK\$298.1 million) while the profit attributable to equity holders of the Company decreased to HK\$19.7 million (2004: HK\$40.7 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 HK4 cents (2004: HK5 cents) per ordinary share for the six months ended 30 September 2005. The dividend will be payable to the shareholders whose names appear in the register of members of the Company on 6 January 2006. The dividend will be payable on or about 25 January 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 9 January 2006 to 12 January 2006, 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 6 January 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

As the economy of Hong Kong has exhibited a positive recovery, our consolidated turnover increased by 5.9% while our profit before taxation increased by 6.9% when discounting the effect on gain/(loss) from disposal of properties. The turnover of our core cake and bread business recorded a moderate growth rate of 6.4% mainly due to the double-digit business growth in Macau and PRC markets. Our festive products turnover grew by 7.6% boosted by the growth in Macau and PRC markets. The booming economy inevitably led to price inflation of our raw materials with the increase close to double-digit against last year. Despite the efforts of the management to streamline production processes, our gross profit margin was eroded by 1.9% as a result.

During the period, we have closed 4 bakery outlets in Hong Kong upon lease expiries that were either not profitable or the indicated new rentals were not affordable. On the other hand, we have opened 5 new ones at strategic locations. Our Tsim Sha Tsui EC Eatery was closed down at lease expiry as the landlord had decided on a tenant mix change. The Group will continue to look for suitable sites to open new eatery outlets with more varieties of sumptuous gourmet.



Prospect

Looking ahead, the coming period will post more challenges to us as rising interest rate and high oil price will inevitably affect local consumption power. Market rental and staff wages will continue to add cost pressure. Price and product range are still the prime factors in the buying decision of our customers. As there is not much room to increase price, we can only combat the raw material cost issue. We have set up a purchasing task force in China to source for new and substituting raw materials locally so as to safeguard our profit margin from further erosion. The Group will strive to optimize the efficiency of our business processes. To this end, we have commissioned a consultancy project to assess our existing capabilities and major business processes with an aim to streamline our supply chain and the ultimate objective of sharpening our business competitive edge.

The retail recovery has brought along an influx of new bakery chains in the past two years and intensified the already highly competitive environment. In view of this, the Group needs to adopt a range of different strategies including the launch and promotion of different product varieties. To capture the fad of the recent uprising coffee drinking habit, we have recently introduced a new coffee concept “Premio d’ Italia” at our Man Yee outlet and will extend this new product line to other outlets at commercial zone. “Premio d’ Italia” is the top of the line product of Canterbury Coffee Incorporation, the largest specialty coffee roaster of Western Canada.

As Hong Kong bakery market is already very saturated, Macau and PRC will be our major source of growth. We have opened 2 new outlets in Macau during the first half of the financial year with 2 to 3 more coming along to capture the growing market there. This also will maximize the production efficiency of our recently established central workshop in Macau. The China retail market continues to look robust with a middle-class group swelling and household income increasing. Apart from the organic growth of adding outlets, we will consider buying our way to tap the huge consumer market by acquiring or joint venture with existing local companies.

Liquidity and financial resources

The Group’s cash increased steadily and as at 30 September 2005 the freehold cash on hand amounted to HK\$143.2 million (31 March 2005: HK\$129.6 million) with zero gearing. The capital commitments of HK\$17.5 million as at 30 September 2005 are mainly for the expansion of production facilities and also for enhancing the retail networks, especially in Macau and PRC. All these projects will be financed internally.



Pledge of assets

No assets were pledged throughout the period.

Employees

At 30 September 2005, the Group hired 1,950 (31 March 2005: 1,970) full time employees of which 786 (31 March 2005: 720) staff were based in PRC and Macau. 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 the Group and individual employees.

Contingent liabilities

The Group had no significant contingent liabilities as at 30 September 2005.

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 hedge the Group's exposure to RMB revaluation, we have taken out forward contracts to cover regular payments in this currency. At 30 September 2005, the Group has committed in deliverable RMB forward contracts which amounted to HK\$23.0 million (31 March 2005: Nil).

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") on share option scheme, as a result the Share Option Scheme became invalid and no further share option can be granted 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:

Name of director	Grant date	Exercise period		Exercise price HK\$	Number of Share Options		
		From	To		At 1 Apr. 2005	Exercised during the period (Note)	At 30 Sept. 2005
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	(800,000)	200,000
	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
				Grand total	<u>2,600,000</u>	<u>(1,800,000)</u>	<u>800,000</u>

Note: There were 1,800,000 Share Options exercised on 5 August 2005 and the closing price of the Company’s shares immediately before the date of exercise was HK\$2.60 per share.

One director of the Company was holding share options previously granted under the share option scheme of HKCM (“HKCM Options”) and there was no movement of HKCM Options during the period and HKCM Options outstanding as at 30 September 2005 had the following terms:

Name of director	Grant date	Exercise period		Exercise price HK\$	Number of HKCM Options
		From	To		At 1 Apr. 2005 and 30 Sept. 2005
Chan Ka Lai,	30 Aug. 2001	1 Oct. 2001	30 Sept. 2011	0.48	1,000,000
Joeph	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
					<u>3,000,000</u>



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

At 30 September 2005, 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 of Hong Kong Limited (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 Issuers (the "Model Code") 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	-	-	155,223,250 (Note b)	-	155,223,250	72.75
	Chan King Catherine	-	155,223,250 (Note b)	-	-	155,223,250	72.75
	Chan Ka Lai, Joseph	182,000	-	155,223,250 (Note c)	-	155,405,250	72.84
	Chan Ka Shun, Raymond	162,500	-	155,223,250 (Note c)	800,000 (Note d)	156,185,750	73.20
	Chan Wong Man Li, Carrina	206,000	-	-	-	206,000	0.10
HKCM	Chan Wai Cheung, Glenn	-	-	186,224,609 (Note e)	-	186,224,609	56.61
	Chan King Catherine	-	186,224,609 (Note e)	-	-	186,224,609	56.61
	Chan Ka Lai, Joseph	1,200,000	-	186,224,609 (Note c)	3,000,000 (Note f)	190,424,609	57.89
	Chan Ka Shun, Raymond	650,000	-	186,224,609 (Note c)	-	186,874,609	56.81



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
Shares directly held by Well-Positioned as beneficial owner	37,195,152
Shares held by Well-Positioned through HKCM's wholly owned subsidiary, Albion Agents Limited (“Albion”)	118,028,098
	155,223,250

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 these shares held by Well-Positioned.
- (d) These are underlying shares in respect of share options granted under the Share Option Scheme. The aforesaid interests are 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 share options granted under the share option scheme of HKCM adopted on 13 March 2000. The aforesaid interest is held by Mr. Chan Ka Lai, Joseph as beneficial owner.

Save as disclosed above, at 30 September 2005, 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 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 to be notified to the Company and the Stock Exchange.



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

At 30 September 2005, 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 require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were 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	55.32
HKCM (note 1)	118,028,098	55.32
Well-Positioned (note 2)	155,223,250	72.75
DJE Investment S.A. (note 3)	12,900,000	6.05

Notes:

1. 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.
2. By virtue of Well-Positioned's interest in the shares of HKCM, Well-Positioned is deemed to be interested in 118,028,098 shares held by HKCM through its wholly owned subsidiary, Albion. Together with its interest in 37,195,152 shares directly held as beneficial owner, Well-Positioned has a total interest of 155,223,250 shares in the Company.
3. DJE Investment S.A. is 81% controlled by Dr. Jens Ehrhardt Kapital AG which in turn is 83.5% controlled by Dr. Jens Alfred Karl Ehrhardt.



COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period, the Company was in compliance with the code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules except the followings:

1. The non-executive directors (“NEDs”) and independent non-executive directors (“INEDs”) are not appointed with specific term as required by code provision A.4.1, but their appointments are determinable by either party with at least one month written notice in advance. The Board considers the one-month notice period for termination of NEDs’ and INEDs’ contracts provided adequate protection to either party and would not impose undue pressure of possible compensation liable by the Group for the termination. Besides, NEDs and INEDs are also subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company.
2. A special resolution was passed in the annual general meeting held on 8 September 2005 to amend the Bye-laws whereby all directors including the Chairman and Managing Director of the Company who were previously exempted are now subject to retirement by rotation and re-election.
3. The Board is in the opinion that establishment of a remuneration committee as required by code provision B.1.1 is not justified after due consideration of the size of the Group and the associated costs involved.
4. In July 2005, the Audit Committee rectified the terms of reference according to the requirements as set out in the code provision C.3.3. The terms of reference of the Audit Committee will be posted on the Company’s website by the end of the year as required by code provision C.3.4.
5. The disclosure requirements as set out in the CG Code in relation to Corporate Governance Report (the “CG Report”) will be fulfilled when CG Report is to be issued and included in the 2005/06 annual report.



CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct on terms no less exacting than the required standards of the Model Code as set out in Appendix 10 of the Listing Rules. The directors confirmed that they had complied with the required standards of the Model Code and its code of conduct throughout the six months ended 30 September 2005.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed with the management the Group's unaudited interim accounts for the six months ended 30 September 2005 and has also discussed the internal control, the accounting principles and practices adopted by the Group.

On behalf of the Board
Chan Wai Cheung, Glenn
Chairman

Hong Kong, 12 December 2005