

CORPORATE INFORMATION

Board of Directors

Executive directors

Mr. Chan Wai Cheung, Glenn, *Chairman*
Mr. Chan Ka Lai, Joseph, *Managing Director*
Mrs. Chan King Catherine
Mr. Chiu Wai
Mr. Lopez Moulet, Carmelo
Ms. Wong Tsui Yue, Lucy

Non-executive director

Mr. Chan Ka Shun, Raymond

Independent non-executive directors

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

Audit Committee

Mr. Gooljarry, Cassam Soliman, *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

Remuneration Committee

Dr. Cheung Wai Lam, William, *Committee Chairman*
Dr. Ho Sai Wah, David
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

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280 Gloucester Road
Causeway Bay, Hong Kong
Tel: (852) 2527 6311
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E-mail: hkcm@hkccatering.com

Share Registrar and 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

Iu, Lai & Li Solicitors & Notaries
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") hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2007 as follows:

CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 September 2007

		Unaudited Six months ended 30 September	
	Note	2007 HK\$'000	2006 HK\$'000
CONTINUING OPERATION			
Turnover	3	174,245	192,100
Other income	4	8,370	6,296
Cost of inventories consumed		(50,463)	(55,423)
Staff costs		(60,864)	(69,308)
Operating lease rentals		(22,828)	(25,235)
Depreciation of property, plant and equipment		(7,706)	(7,639)
Other operating expenses		(38,411)	(43,372)
Operating profit/(loss)	5	2,343	(2,581)
Share of profit of an associated company		1,045	479
Profit/(loss) before income tax		3,388	(2,102)
Income tax credit/(expense)	6	324	(35)
Profit/(loss) for the period from continuing operation		3,712	(2,137)
DISCONTINUED OPERATION			
Profit for the period from discontinued operation	7	–	19,233
Profit for the period		3,712	17,096
Attributable to:			
Shareholders of the Company		3,545	8,919
Minority interests		167	8,177
		3,712	17,096
Dividends	8	3,454	5,176
EARNINGS/(LOSSES) PER SHARE FOR PROFIT/(LOSS) FROM CONTINUING OPERATION ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
– Basic	9	1.0 cent	(0.5 cent)
– Diluted		–	(0.5 cent)
EARNINGS PER SHARE FOR PROFIT FROM DISCONTINUED OPERATION ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
– Basic	9	–	3.2 cents
– Diluted		–	3.2 cents

CONSOLIDATED INTERIM BALANCE SHEET

At 30 September 2007

	Note	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	36,290	29,182
Leasehold land and land use rights	10	24,965	12,695
Interest in an associated company		3,347	3,352
Held-to-maturity financial assets – non-current portion		39,672	27,300
Available-for-sale financial assets		6,900	6,900
Rental deposits paid		12,723	9,862
Deferred income tax assets		1,835	1,000
Total non-current assets		125,732	90,291
Current assets			
Inventories		12,884	13,543
Trade receivables	11	2,042	1,590
Deposits, prepayments and other receivables		7,589	13,423
Held-to-maturity financial assets – current portion		2,476	1,000
Other financial assets at fair value through profit or loss		3,437	1,807
Tax recoverable		–	348
Cash and cash equivalents		248,508	549,496
Total current assets		276,936	581,207
Total assets		402,668	671,498
LIABILITIES			
Current liabilities			
Trade payables	12	14,915	14,795
Other payables and accrued charges		33,252	44,652
Tax payable		148	3
Dividend payable		–	248,716
Total current liabilities		48,315	308,166
Non-current liabilities			
Rental deposits received		106	5
Provision for long service payments		1,670	4,117
Deferred income tax liabilities		380	362
Total non-current liabilities		2,156	4,484
Total liabilities		50,471	312,650

CONSOLIDATED INTERIM BALANCE SHEET

At 30 September 2007

	<i>Note</i>	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Total assets less current liabilities		354,353	363,332
Net current assets		228,621	273,041
Net assets		352,197	358,848
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	13	34,544	34,544
Reserves		308,881	308,790
Dividend reserve		3,454	10,363
		346,879	353,697
Minority interests		5,318	5,151
Total equity		352,197	358,848

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 September 2007

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Net cash (used in)/generated from operating activities	(8,134)	39,090
Net cash used in investing activities	(34,825)	(39,885)
Net cash used in financing activities	(258,029)	–
Net decrease in cash and cash equivalents	(300,988)	(795)
Cash and cash equivalents at 1 April	549,496	349,704
Cash and cash equivalents at 30 September	248,508	348,909

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

	Unaudited								
	Attributable to shareholders of the Company								
	Share capital	Share premium	Exchange fluctuation reserve	Investment revaluation reserve	Retained earnings	Dividend reserve	Total	Minority interests	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006	32,896	125,278	69	2,176	201,564	26,317	388,300	108,941	497,241
Profit for the period 2005/06 final	-	-	-	-	8,919	-	8,919	8,177	17,096
dividend transferred to dividend payable 2006/07 interim	-	-	-	-	-	(26,317)	(26,317)	(6,672)	(32,989)
dividend declared	-	-	-	-	(5,176)	5,176	-	-	-
At 30 September 2006	<u>32,896</u>	<u>125,278</u>	<u>69</u>	<u>2,176</u>	<u>205,307</u>	<u>5,176</u>	<u>370,902</u>	<u>110,446</u>	<u>481,348</u>
At 1 April 2007	34,544	142,700	-	2,016	164,074	10,363	353,697	5,151	358,848
Profit for the period 2006/07 final	-	-	-	-	3,545	-	3,545	167	3,712
dividend paid 2007/08 interim	-	-	-	-	-	(10,363)	(10,363)	-	(10,363)
dividend declared	-	-	-	-	(3,454)	3,454	-	-	-
At 30 September 2007	<u>34,544</u>	<u>142,700</u>	<u>-</u>	<u>2,016</u>	<u>164,165</u>	<u>3,454</u>	<u>346,879</u>	<u>5,318</u>	<u>352,197</u>

The notes on pages 7 to 15 form an integral part of this condensed interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 27/F, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is engaged in the operation of restaurants after it discontinued the bakery operation upon its disposal of a non-wholly owned subsidiary, Saint Honore Holdings Limited ("SHHL") in February 2007.

The unaudited condensed consolidated interim financial statements were approved for issue by the Board on 17 December 2007.

2. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the 2006/07 annual report.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2007.

The Group has not early applied any new standards, amendments and interpretations ("new HKFRSs") that have been issued by the HKICPA but not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group.

3. Turnover and segment information

Turnover comprises takings and service charges less discounts and credit card commission from the continuing restaurant operation and the discontinued bakery operation:

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Continuing operation	174,245	192,100
Discontinued operation	–	297,087
	174,245	489,187

Since all the Group's assets, liabilities and capital expenditure are located and utilized in Hong Kong, no geographical segment information is provided.

4. Other income

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Continuing operation		
Management fee income	1,147	2,283
Interest income	6,997	3,902
Rental income from other properties	205	111
Dividend income	21	–
	8,370	6,296
Discontinued operation		
Interest income	–	2,408
Rental income from other properties	–	341
	–	2,749
	8,370	9,045

5. Operating profit/(loss)

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

	Unaudited	
	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Continuing operation		
Amortization of prepaid operating lease payments	249	158
Depreciation of property, plant and equipment	7,706	7,639
Impairment loss on held-to-maturity financial assets	752	–
Realized gain on other financial assets		
at fair value through profit or loss	(15)	(331)
Unrealized gain on other financial assets		
at fair value through profit or loss	(36)	(93)
(Gain)/loss on disposal of other plant and equipment	(111)	9
(Reversal of)/provision for long service payments		
included in staff costs	(1,762)	19
Retirement benefit costs included in staff costs	2,851	3,052
Discontinued operation		
Amortization of prepaid operating lease payments	–	857
Depreciation of property, plant and equipment	–	12,928
Loss on disposal of other plant and equipment	–	167
Provision for long service payments		
included in staff costs	–	203
Retirement benefit costs included in staff costs	–	3,615

6. Income tax (credit)/expense

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Continuing operation		
Current income tax		
Hong Kong profits tax	493	151
Deferred income tax credit	(817)	(116)
	<u>(324)</u>	<u>35</u>
Discontinued operation		
Current income tax		
Hong Kong profits tax	–	2,332
Income tax arising from other jurisdictions	–	1,507
Under provision in prior years	–	74
Deferred income tax charge	–	495
	<u>–</u>	<u>4,408</u>
	<u>(324)</u>	<u>4,443</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the period. Income tax arising from other jurisdictions has been calculated on the estimated assessable profits for the period at the rates prevailing in the relevant jurisdictions.

7. Discontinued operation

Since February 2007, the Group has disposed its entire interest in SHHL, and has ceased business of bakery operation. The consolidated operating results associated with the bakery operation for the period ended 30 September 2006 are presented as follows:

	<i>Note</i>	Unaudited Six months ended 30 September 2006 HK\$'000
Turnover	3	297,087
Other income	4	2,749
Cost of inventories consumed		(95,586)
Staff costs		(92,159)
Operating lease rentals		(27,652)
Depreciation of property, plant and equipment		(12,928)
Other operating expenses		(47,870)
Operating profit	5	23,641
Income tax expense	6	(4,408)
Profit for the period		19,233
Attributable to:		
Shareholders of the Company		10,640
Minority interests		8,593
		19,233

8. Dividends

	Unaudited Six months ended 30 September 2007 HK\$'000	2006 HK\$'000
Interim dividend, declared on 17 December 2007, of HK1.0 cent (2006: HK1.5 cents) per ordinary share	3,454	5,176

9. Earnings/(losses) per share

The calculations of basic and diluted earnings/(losses) per share are based on the following:

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Earnings/(losses)		
Continuing operation		
Profit/(loss) from continuing operation for the period attributable to shareholders of the Company as used in the calculation of basic earnings/(losses) per share	3,545	(1,721)
Discontinued operation		
Profit from discontinued operation for the period attributable to shareholders of the Company	–	10,640
Adjustment to share of results of a subsidiary based on the dilution of the subsidiary's earnings per share	–	(24)
	–	10,616
	2007	2006
Number of shares		
Weighted average number of ordinary shares in issue for basic earnings/(losses) per share	345,438,550	328,958,609
Effect of potential dilutive ordinary share (<i>Note</i>)	–	2,150,000
Weighted average number of ordinary shares in issue for diluted earnings/(losses) per share	345,438,550	331,108,609

Note:

The amount represented the weighted average number of shares deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

10. Capital expenditure

	Unaudited Property, plant and equipment HK\$'000	Leasehold land and land use rights HK\$'000
Six months ended 30 September 2006		
Opening net book value, at 1 April 2006	185,247	87,166
Additions	14,266	–
Disposals	(284)	–
Depreciation and amortization	(20,567)	(1,015)
	<u>178,662</u>	<u>86,151</u>
Closing net book value, at 30 September 2006		
Six months ended 30 September 2007		
Opening net book value, at 1 April 2007	29,182	12,695
Additions	14,814	12,519
Disposals	–	–
Depreciation and amortization	(7,706)	(249)
	<u>36,290</u>	<u>24,965</u>
Closing net book value, at 30 September 2007		

11. Trade receivables

Details of the ageing analysis are as follows:

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Current to 30 days	2,005	1,545
31 to 60 days	37	–
Over 60 days	–	45
	<u>2,042</u>	<u>1,590</u>

The Group's sales are mainly conducted in cash or by credit cards. The Group's trade receivables are denominated in HK\$.

12. Trade payables

Details of the ageing analysis are as follows:

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Current to 30 days	11,864	12,807
31 to 60 days	1,254	1,611
Over 60 days	1,797	377
	14,915	14,795

The Group's trade payables are denominated in HK\$.

13. Share capital

	Amount HK\$'000
At 1 April 2007 and 30 September 2007	
Authorized:	
400,000,000 ordinary shares of HK\$0.10 each	40,000
Issued and fully paid:	
345,438,550 ordinary shares of HK\$0.10 each	34,544

14. Comparatives

As a result of the disposal of SHHL, which was reported as a discontinued operation in the financial statements in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", certain comparative figures have been adjusted or reclassified to conform with the current period's presentation.

15. Commitments

(a) Capital commitments

Capital expenditure for property, plant and equipment at the balance sheet date but not yet incurred is as follows:

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Contracted but not provided for	1,117	–
Approved but not contracted for	39,298	55,800
	40,415	55,800

(b) Operating lease commitments

At 30 September 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Within one year	40,505	37,445
After one year and within five years	77,706	22,404
Over five years	15,933	–
	134,144	59,849

The actual payments in respect of certain operating leases are calculated at the higher of the minimum commitments as noted above and the amounts determined based on a percentage of the sales of the related outlets.

(c) Future operating lease arrangements

At 30 September 2007, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Within one year	342	–
After one year and within five years	18	–
	360	–

16. Related-party transactions

The Group is controlled by Well-Positioned Corporation (“Well-Positioned”), a company incorporated in British Virgin Islands, which owns 59.74% of the Company’s shares. The remaining 40.26% of the shares are widely held.

RESULTS

Consolidated turnover of the continuing restaurant business decreased by approximately 9.3% to HK\$174.2 million (2006: HK\$192.1 million) while we've turned around the business into a profit of HK\$3.7 million as compared to a loss of HK\$2.1 million last year. The Group's profit attributable to shareholders nevertheless decreased by 60.3% to HK\$3.5 million (2006: HK\$8.9 million) as the bakery operation ceased to contribute profit upon disposal of our entire stake in SHHL.

INTERIM DIVIDEND

The Board declared an interim dividend of HK1.0 cent (2006: HK1.5 cents) per ordinary share for the period ended 30 September 2007. The dividend will be payable to the shareholders whose names appear in the register of members of the Company on 10 January 2008. The dividend will be payable on or about 23 January 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 January 2008 to 10 January 2008, 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 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 4:30 p.m. on 4 January 2008.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

Business review

The Group refocused our resources in the restaurant business following the disposal of the bakery business. We've revamped our restaurant portfolio by phasing out those traditional store lines with low profit margin and switching into either boutique outlets with a greater degree of operational flexibility or high-end European/specialty restaurants so as to enable us to brace ourselves for the skyrocketing retail rental. During the interim period, we closed the Cantonese restaurant and the fastfood outlet at Telford Plaza respectively in April and August 2007 as the renewal rent was no longer financially viable to sustain shops in their existing mode. Revenue in the first half of the fiscal year inevitably shrank as there was no revenue contribution from these closed shops while our new shops were not opened until September 2007. Since then, we've opened 3 boutique outlets at the Citygate Food Court, Tung Chung and a high-end Mediterranean restaurant at Metroplaza, Kwai Fong. These outlets are expected to contribute a positive cash flow in the fourth quarter of the fiscal year.

Despite soaring food cost, we've striven to maintain a steady gross profit of 71.0% with a slight decrease from 71.1% for the same period last year. The closure of the two large shops led to savings in operating expenses by 10.8% which was partially offset by a slight increase in depreciation by 0.9% because of additional amortization made since July 2007 for the newly acquired premises designated to develop into our Central Logistic Centre ("CLC"). Furthermore, we have reversed excessive provision for long service payments by HK\$1.8 million as the Mandatory Provident Funds returned satisfactory investment yield which has in turn reduced our exposure.

Prospect

With the return of inflation, our food costs will continue with its upward trend, but we foresee consumers will be more receptive to price increase with the economy is still on its upward cyclical swing.

We've restrained our expansion so as to keep pace with the fit-out work of the CLC. We've only committed two premises at New Territories for the opening of the second and third EC Eatery outlets, our new concept boutique restaurant offering fusion cuisine. We've also committed premises for a Mexican restaurant in Lan Kwai Fong. Fit-out work of three shops is at its full swing and they should hopefully be opened for the peak season business over the festive period in December and January.

Our CLC which is established to support our future expansion, is expected to soft open in early 2008. Its production capacity should be more than sufficient to sustain the Group's growth for the coming few years.

Liquidity and capital resources

At 30 September 2007, the Group had freely-held cash on hand which amounted to about HK\$248.5 million (31 March 2007: HK\$549.5 million) with zero gearing. Approved capital commitments at 30 September 2007 are estimated to be about HK\$40.4 million, which are mainly for the establishment of a CLC and opening of new shops. These projects will be financed internally and there is no immediate need for external fund raising.

Employees and remuneration policies

At 30 September 2007, the Group had a total of 878 (31 March 2007: 1,029) full time employees. Employees' remuneration package was determined with reference 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.

Pledge of assets

No assets were pledged throughout the period.

Exposure to fluctuations in exchange rates and related hedges

The Group conducted its business transactions for the continuing operation in Hong Kong dollars and there was no financial instrument held for hedging purposes.

Contingent liabilities

The Group had no significant contingent liabilities at 30 September 2007.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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

At 30 September 2007, 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 (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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange:

Name of director	Number of ordinary shares held			Total number of shares interested or deemed to be interested (long position)	Percentage of shareholding in the Company %
	Personal interest <i>(Note a)</i>	Family interest	Trust interest		
Chan Wai Cheung, Glenn	–	–	206,360,089 <i>(Note b)</i>	206,360,089	59.74
Chan King Catherine	–	206,360,089 <i>(Note b)</i>	–	206,360,089	59.74
Chan Ka Lai, Joseph	4,271,097	16,000 <i>(Note c)</i>	206,360,089 <i>(Note d)</i>	210,647,186	60.98
Chan Ka Shun, Raymond	650,000	–	206,360,089 <i>(Note d)</i>	207,010,089	59.93
Chiu Wai	112,000	–	–	112,000	0.03
Wong Tsui Yue, Lucy	100,000	–	–	100,000	0.03

Notes:

- These shares are held by the directors as beneficial owners.
- These shares are directly held by 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.
- These shares are held by the spouse of Mr. Chan Ka Lai, Joseph who is deemed to be interested in these shares.
- 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.

Save as disclosed above, at 30 September 2007, 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 2007, 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 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	Capacity	Number of ordinary shares held	Percentage of shareholding in the Company %
Well-Positioned (<i>Note a</i>)	Beneficial owner	206,360,089	59.74
DJE Investment S.A. (<i>Note b</i>)	Beneficial owner	26,738,715	7.74

Notes:

- a. Well-Positioned is a wholly owned subsidiary held by a trust established by Mr. Chan Wai Cheung, Glenn for the benefit of the family members of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine.
- b. DJE Investment S.A. is 81% controlled by Dr. Jens Ehrhardt Kapital AG which in turn is 68.5% controlled by Dr. Jens Alfred Karl Ehrhardt.

Save as disclosed above, at 30 September 2007, the directors and the chief executives of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares which would require to be disclosed 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and believes that they are essential to the development of the Group and safeguard the interests of shareholders.

The Company throughout the period has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except for code provisions A.4.1 and B.1.1.

1. The 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 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, INEDs are also subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.
2. In October 2007, the Board has approved the establishment of a remuneration committee as required by code provision B.1.1. All committee members are INEDs with Dr. Cheung Wai Lam, William as chairman of the committee.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the directors. Having made specific enquiry of the directors, the Company confirmed that they all have complied with the required standard as set out in the Model Code during the period ended 30 September 2007.

AUDIT COMMITTEE

The Company’s Audit Committee has reviewed the Group’s unaudited condensed consolidated interim financial statements for the period ended 30 September 2007 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, 17 December 2007