

Interim Report 2008/2009

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HONG KONG CATERING MANAGEMENT LIMITED

Hong Kong Catering Management Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 668



CORPORATE INFORMATION

Board of Directors

Executive directors

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

Independent non-executive directors

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

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

Solicitor

Iu, Lai & Li Solicitors & Notaries

Auditor

PricewaterhouseCoopers

Stock Code

668

Website

<http://www.hkatering.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 2008 as follows:

CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 September 2008

	Note	Unaudited Six months ended 30 September	
		2008 HK\$'000	2007 HK\$'000
Revenue	4	173,513	174,245
Other income	5	2,258	8,370
Cost of inventories consumed		(51,485)	(50,463)
Staff costs		(66,262)	(60,864)
Operating lease rentals		(24,733)	(22,828)
Depreciation of property, plant and equipment		(5,430)	(7,706)
Net (losses)/gains on financial assets at fair value through profit or loss	6	(4,157)	51
Other operating expenses		(43,093)	(38,462)
Operating (loss)/profit	6	(19,389)	2,343
Share of profit of an associated company		1,103	1,045
(Loss)/profit before income tax		(18,286)	3,388
Income tax (expense)/credit	7	(191)	324
(Loss)/profit for the period		(18,477)	3,712
Attributable to:			
Shareholders of the Company		(17,815)	3,545
Minority interests		(662)	167
		(18,477)	3,712
Dividends	8	3,454	3,454
BASIC (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9	(5.2 cents)	1.0 cent

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

CONSOLIDATED INTERIM BALANCE SHEET

At 30 September 2008

	Note	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	57,990	59,473
Leasehold land	10	24,335	24,650
Interest in an associated company		4,500	3,397
Available-for-sale financial assets – non-current portion	11	9,358	24,483
Rental deposits paid – non-current portion		9,557	6,208
Deferred income tax assets		250	250
Total non-current assets		105,990	118,461
Current assets			
Inventories		14,529	11,092
Trade receivables	12	1,006	1,147
Deposits, prepayments and other receivables		7,141	6,082
Available-for-sale financial assets – current portion	11	6,336	8,438
Financial assets at fair value through profit or loss	13	19,022	15,673
Rental deposits paid – current portion		4,919	7,772
Tax recoverable		257	412
Cash and cash equivalents		201,009	229,756
Total current assets		254,219	280,372
Total assets		360,209	398,833
LIABILITIES			
Current liabilities			
Trade payables	14	15,875	14,039
Other payables and accrued charges		36,732	41,612
Tax payable		31	11
Provision for long service payments – current portion		1,484	1,181
Total current liabilities		54,122	56,843

CONSOLIDATED INTERIM BALANCE SHEET

At 30 September 2008

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
	<i>Note</i>	
Non-current liabilities		
Rental deposits received	6	74
Provision for long service payments – non-current portion	1,132	1,264
Deferred income tax liabilities	390	374
Total non-current liabilities	1,528	1,712
Total liabilities	55,650	58,555
Total assets less current liabilities	306,087	341,990
Net current assets	200,097	223,529
Net assets	304,559	340,278
EQUITY		
Capital and reserves attributable to the Company's shareholders		
Share capital	15 34,544	34,544
Reserves	262,433	287,126
Dividend reserve	3,454	13,818
	300,431	335,488
Minority interests	4,128	4,790
Total equity	304,559	340,278

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

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Unaudited Six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000
Net cash used in operating activities	(25,251)	(8,134)
Net cash generated from/(used in) investing activities	10,322	(34,825)
Net cash used in financing activities	(13,818)	(258,029)
Net decrease in cash and cash equivalents	(28,747)	(300,988)
Cash and cash equivalents at 1 April	229,756	549,496
Cash and cash equivalents at 30 September	201,009	248,508

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

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Unaudited							
	Attributable to shareholders of the Company							
	Share capital	Share premium	Investment 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	
At 1 April 2007	34,544	142,700	2,016	164,074	10,363	353,697	5,151	358,848
Profit for the period	-	-	-	3,545	-	3,545	167	3,712
2006/07 final dividend paid	-	-	-	-	(10,363)	(10,363)	-	(10,363)
2007/08 interim dividend declared	-	-	-	(3,454)	3,454	-	-	-
At 30 September 2007	<u>34,544</u>	<u>142,700</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>
At 1 April 2008	34,544	142,700	4,087	140,339	13,818	335,488	4,790	340,278
Revaluation deficit of available-for-sale financial assets	-	-	(3,424)	-	-	(3,424)	-	(3,424)
Loss for the period	-	-	-	(17,815)	-	(17,815)	(662)	(18,477)
2007/08 final dividend paid	-	-	-	-	(13,818)	(13,818)	-	(13,818)
2008/09 interim dividend declared	-	-	-	(3,454)	3,454	-	-	-
At 30 September 2008	<u>34,544</u>	<u>142,700</u>	<u>663</u>	<u>119,070</u>	<u>3,454</u>	<u>300,431</u>	<u>4,128</u>	<u>304,559</u>

The notes on pages 7 to 15 are an integral part of these 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.

The unaudited condensed consolidated interim financial statements were approved for issue by the Board on 15 December 2008.

2. Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2008 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 unaudited condensed consolidated interim financial statements should be read in conjunction with the 2007/08 annual report, which was prepared in accordance with Hong Kong Financial Reporting Standards.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2008.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 April 2008 but are not currently relevant for the Group.

HK(IFRIC) – Int 11, "HKFRS 2 – Group and treasury share transactions"

HK(IFRIC) – Int 12, "Service concession arrangements"

HK(IFRIC) – Int 13, "Customer loyalty programmes", effective for annual periods beginning on or after 1 July 2008.

HK(IFRIC) – Int 14, "HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction"

HK(IFRIC) – Int 15, "Agreements for the construction of real estate", effective for annual periods beginning on or after 1 January 2009.

HK(IFRIC) – Int 16, "Hedges of a net investment in a foreign operation", effective for annual periods beginning on or after 1 October 2008.

HKFRS 2 (Amendment), "Share-based payment", effective for annual periods beginning on or after 1 January 2009.

3. Accounting policies *(continued)*

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2008 and have not been early adopted:

HKFRS 3 (Revised), "Business combinations" and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates" and HKAS 31, "Interests in joint ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKFRS 8, "Operating segments", effective for annual periods beginning on or after 1 January 2009.

HKAS 1 (Revised), "Presentation of financial statements", effective for annual periods beginning on or after 1 January 2009.

HKAS 23 (Revised), "Borrowing costs", effective for annual periods beginning on or after 1 January 2009.

HKAS 32 (Amendment), "Financial instruments: presentation", and consequential amendments to HKAS 1, "Presentation of financial statements", effective for annual periods beginning on or after 1 January 2009.

HKAS 39 and HKFRS 7 (Amendment), "Reclassification of financial assets", effective for annual periods beginning on or after 1 October 2008.

The Group is in the process of making an assessment on the impact of these new/revised standards, amendments and interpretations of HKFRS upon initial application. In the opinion of the directors, the above new/revised standards are not expected to result in substantial changes to the Group's accounting policies or have material impact on the Group's financial statements.

4. Revenue and segment information

Revenue comprises takings and service charges less discounts and credit card commission from the restaurant operation.

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

5. Other income

	Unaudited Six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000
Management fee income	–	1,147
Interest income	2,019	6,997
Rental income from other properties	158	205
Dividend income	81	21
	2,258	8,370

6. Operating (loss)/profit

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

	Unaudited Six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000
Amortization of prepaid operating lease payments	315	249
Impairment loss on held-to-maturity financial assets	–	752
Net losses/(gains) on financial assets at fair value through profit or loss		
Listed equity securities	1,006	(51)
Derivative financial instruments	1,406	–
Financial assets designated as at fair value through profit or loss	1,745	–
	4,157	(51)
Gain on disposal of other plant and equipment	(58)	(111)
Provision for/(reversal of) long service payments, included in staff costs	59	(1,762)
Retirement benefit costs – defined contribution schemes, included in staff costs	2,860	2,851

7. Income tax expense/(credit)

	Unaudited Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	175	493
Deferred income tax charge/(credit)	16	(817)
	<u>191</u>	<u>(324)</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the period.

8. Dividends

	Unaudited Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Interim dividend, declared on 15 December 2008, of HK1.0 cent (2007: HK1.0 cent) per ordinary share	<u>3,454</u>	<u>3,454</u>

9. Basic (losses)/earnings per share

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

	Unaudited	
	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
(Losses)/earnings		
(Loss)/profit for the period attributable to shareholders of the Company as used in the calculation of basic (losses)/earnings per share	(17,815)	3,545
	2008	2007
Number of shares		
Weighted average number of ordinary shares in issue for basic (losses)/earnings per share	345,438,550	345,438,550

No diluted earnings per share was presented as there were no dilutive potential ordinary shares during the period ended 30 September 2008 (2007 : same).

10. Capital expenditure

	Unaudited	
	Property, plant and equipment	Leasehold land
	HK\$'000	HK\$'000
Six months ended 30 September 2007		
Opening net book value, at 1 April 2007	29,182	12,695
Additions	14,814	12,519
Depreciation and amortization	(7,706)	(249)
Closing net book value, at 30 September 2007	36,290	24,965
Six months ended 30 September 2008		
Opening net book value, at 1 April 2008	59,473	24,650
Additions	3,947	-
Depreciation and amortization	(5,430)	(315)
Closing net book value, at 30 September 2008	57,990	24,335

There was disposal of fully depreciated property, plant and equipment at sales proceeds of HK\$58,000 (2007 : HK\$111,000).

11. Available-for-sales financial assets

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Non-current portion	9,358	24,483
Current portion	6,336	8,438
	15,694	32,921

All available-for-sale financial assets are unlisted debt securities. The fair value of unlisted securities is determined by reference to published price quotations in an open market.

12. Trade receivables

Details of the ageing analysis are as follows:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Current to 30 days	1,004	1,115
31 to 60 days	2	31
Over 60 days	–	1
	1,006	1,147

The Group's sales are mainly conducted in cash or by credit cards. The Group's trade receivables are either repayable within one month or on demand and denominated in HK\$. The fair value of the Group's trade receivables is approximately the same as the carrying value. The trade receivables included in the above ageing are considered not impaired as they are aged within the credit period granted and there is no recent history of default.

13. Financial assets at fair value through profit or loss

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Listed equity securities, Hong Kong	3,974	2,921
Derivative financial instruments	–	3,758
Financial assets designated as at fair value through profit or loss	15,048	8,994
	19,022	15,673

The fair values of all financial assets at fair value through profit or loss are based on their current bid prices in an open market.

14. Trade payables

Details of the ageing analysis are as follows:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Current to 30 days	13,861	12,951
31 to 60 days	976	564
Over 60 days	1,038	524
	15,875	14,039

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

15. Share capital

	Amount HK\$'000
At 1 April 2008 and 30 September 2008	
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

16. Commitments

(a) Capital commitments

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

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Contracted but not provided for	281	157
Approved but not contracted for	44,816	17,572
	45,097	17,729

Included in capital commitments approved but not contracted for was HK\$32 million set aside for the purchase of an office premises. The sale and purchase commitment was subsequently executed on 5 November 2008 (*Note 18*).

(b) Operating lease commitments

At 30 September 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Within one year	41,615	41,190
After one year and within five years	120,314	89,566
Over five years	19,539	10,871
	181,468	141,627

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.

16. Commitments *(continued)*

(c) Future operating lease arrangements

At 30 September 2008, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Within one year	18	130
After one year and within five years	—	3
	18	133

17. Related-party transactions

The Group is controlled by Well-Positioned Corporation ("Well-Positioned"), a company incorporated in British Virgin Islands, which owns 62.57% of the Company's shares at 30 September 2008. The remaining 37.43% of the shares are widely held.

18. Subsequent event

At the extraordinary general meeting held on 9 December 2008, independent shareholders rectified the sale and purchase agreement date 5 November 2008 (the "Agreement") entered with Tipau Hong Kong Limited (the "Vendor") which is beneficially wholly owned by Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine, both of them are executive directors and substantial shareholders of the Company. Under the Agreement, the Company had agreed to purchase and accept the assignment of, the entire issued share capital of Custom Fit Investments Ltd ("Custom Fit"), a wholly owned subsidiary of the Vendor and the entire amount of the shareholder's loan owing by Custom Fit to the Vendor on the date of completion of the Agreement at the consideration of HK\$37,104,000. Custom Fit indirectly holds an office premises.

RESULTS

The revenue of the Group decreased by approximately 0.4% to HK\$173.5 million (2007: HK\$174.2 million) while loss attributable to shareholders of the Company amounted to HK\$17.8 million as compared to a profit of HK\$3.5 million from the last corresponding period.

INTERIM DIVIDEND

The Board declared an interim dividend of HK1.0 cent (2007: HK1.0 cent) per ordinary share for the period ended 30 September 2008. The dividend will be payable to the shareholders whose names appear in the register of members of the Company on 8 January 2009. The dividend will be payable on or about 16 January 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 January 2009 (Monday) to 8 January 2009 (Thursday), 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 2 January 2009 (Friday).

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

Business review

Our shop opening pace was slowed down by skyrocketed retail rental during the first half of the fiscal year. We postponed shop opening schedule as management was of the view that the rental market for retail outlets was not far from its peak and we deliberately restrained ourselves from making lease commitments at the height of this market cycle. We only opened one EC Eatery in this interim period with a small area of about 1,700 sq. ft.

We are in the final stage of scaling down our portfolio of traditional mega-sized Chinese restaurants. In early September, we closed our Chiu Chow restaurant of more than 14,000 sq. ft. at Lok Fu Shopping Centre upon lease termination and the leases for the remaining 4 shops in the same arcade were extended to end of February 2009, after the Lunar New Year to coincide with the landlord's massive revamp of this shopping centre. Our combined sales area has shrunk while turnover of our Lok Fu shops was adversely affected by large scale heavy-duty renovation work in the nearby vicinity. Consequently, our revenue dropped by 0.4% from HK\$174.2 million to HK\$173.5 million despite an increase in the number of shops from 20 to 24 when compared with the last interim results date.

Food costs surged by double-digit increment compelled management to exercise great cost consciousness in managing our supplies and use of food ingredients. We also have to be very tactful in passing these costs to our customers. We managed to contain our margin erosion to only around 0.7%, a drop from 71.0% last year to 70.3% this year. We have yet to optimize the production capacity with a more aggressive expansion pace for our shop network before our Central Logistic Centre ("CLC") can add value to improve our profit margin. The acute labour shortage in the local employment market earlier on has significantly pushed up salary and wages across the board. Total staff costs increased by 8.9%. As a result, our restaurant business incurred a loss of HK\$13.6 million for the six months period as compared to a profit of HK\$3.5 million last year.

The bankruptcy of Lehman Brothers in mid September 2008 triggered the meltdown of the financial markets worldwide unwinding a sharp deflation in the value of real estates, equities, commodities and currencies alike. We have charged a further loss of HK\$4.2 million to our operating results when we marked our financial instruments to their market values as of 30 September 2008.

Prospect

The global financial turmoil has continued to worsen since September 2008 and rocked worldwide markets causing havocs in economies spanning across all continents. The negative wealth effect of declined asset value, uncertainty in employment and fear of the onset of a recession quickly clouded market sentiment with much pessimism causing a sharp retraction in consumer spending. The economy of Hong Kong is expected to weaken with unemployment on the rise, the Board does not foresee a significant turn-around in the business performance of the Group and further loss provision of HK\$6.1 million is required to revalue the investment in financial instruments when they were marked to their market values as of 30 November 2008. The Group is expected to incur a bigger loss for the full year ending 31 March 2009.

We expect landlords will come to term shortly after the festive season that the retail market is unlikely to have an imminent recovery and are more prepared to negotiate rent downward. We can then recharge our shop expansion plan to search for suitable premises so as to optimize the capacity of our CLC in the long run.

With strong cash holding and prevailing low interest rate, the Group acquired an office premises for relocation of our head office which lease is expiring in March 2009. We expect to achieve an annual savings on rental of about HK\$3 million.

Liquidity and capital resources

At 30 September 2008, the Group had freely-held cash of about HK\$201.0 million (31 March 2008: HK\$229.8 million) with zero gearing. Approved capital commitments at 30 September 2008 are estimated to be about HK\$45.1 million, which are mainly for acquiring an office premises through acquisition of a subsidiary, new shops opening and renovation of existing shops. These projects will be financed internally and there is no immediate need for external fund raising.

Employees and remuneration policies

At 30 September 2008, the Group had a total of 847 (31 March 2008: 907) 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. The Company also encourages the employees to enhance their capability and provides trainings to improve staff development to assure opportunity for individual growth of 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 in Hong Kong dollars and there were no financial instruments held for hedging purposes.

Contingent liabilities

The Group had no significant contingent liabilities at 30 September 2008.

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 2008, 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 (Note a)	Family interest	Trust interest		
Chan Wai Cheung, Glenn	-	-	216,134,089 (Note b)	216,134,089	62.57
Chan King Catherine	-	216,134,089 (Note b)	-	216,134,089	62.57
Chan Ka Lai, Joseph	4,451,096	16,000 (Note c)	216,134,089 (Note d)	220,601,185	63.86
Chan Ka Shun, Raymond	650,000	-	216,134,089 (Note d)	216,784,089	62.76
Chiu Wai	112,000	-	-	112,000	0.03
Wong Tsui Yue, Lucy	100,000	-	-	100,000	0.03

Notes:

- a. These shares are held by the directors as beneficial owners.
- b. 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.
- c. These shares are held by the spouse of Mr. Chan Ka Lai, Joseph who is deemed to be interested in these shares.
- d. 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 2008, 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 2008, 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 (Note a)	Beneficial owner	216,134,089	62.57
DJE Investment S.A. (Note b)	Beneficial owner	27,738,715	8.03

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 2008, 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.

Throughout the six months period ended 30 September 2008, the Company 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 the code provision A.4.1. 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.

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 2008.

AUDIT COMMITTEE

The Company’s Audit Committee has reviewed the Group’s unaudited condensed consolidated interim financial statements for the period ended 30 September 2008 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, 15 December 2008