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If you are in any doubt as to any aspect of this Composite Document or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or otherwise transferred all your shares in Saint Honore Holdings Limited, you should at once hand this Composite Document and the accompanying form of acceptance and transfer to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Document should be read in conjunction with the Forms of Acceptance, the contents of which form part of the terms of the Offers contained herein.

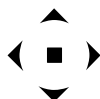
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**SAINT HONORE HOLDINGS LIMITED**  
**聖安娜控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**VOLUNTARY CONDITIONAL CASH OFFERS BY**



**ACCESS  
CAPITAL**

on behalf of

**WELL-POSITIONED CORPORATION**

to acquire all of the issued shares in the capital of,  
and for cancellation of all the outstanding options of,  
**SAINT HONORE HOLDINGS LIMITED**

(other than those already owned by the Offeror or parties acting in concert with it)

Financial advisor to Well-Positioned Corporation



**AMS Corporate Finance Limited**

Independent financial advisor to the Independent Board Committee of  
**Saint Honore Holdings Limited**

**ALTUS CAPITAL LIMITED**

A letter from the Board is set out on pages 6 to 13 of this Composite Document.

A letter from AMS and Access Capital containing, among other things, the details of the terms of the Offers is set out on pages 14 to 25 of this Composite Document.

A letter from the Independent Board Committee, containing its recommendation in respect of the Offers, to the Independent Shareholders and the Optionholders is set out on pages 26 to 27 of this Composite Document.

A letter from Altus Capital, containing its advice to the Independent Board Committee in respect of the Offers, is set out on pages 28 to 45 of this Composite Document.

The procedures for acceptance of the Offers and related information are set out on pages 46 to 51 in Appendix I to this Composite Document and in the Forms of Acceptance. Acceptances of the Share Offer should be received by Computershare Hong Kong Investor Services Limited at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Thursday, 4 March 2004 or such later time and/or date as the Offeror may announce in accordance with the requirements of the Takeovers Code.

12 February 2004

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## EXPECTED TIMETABLE

*Date, 2004*

Despatch date of this Composite Document .....	Thursday, 12 February
Offers open .....	Thursday, 12 February
First Closing Date ( <i>Note 1</i> ) .....	Thursday, 4 March
Latest time for acceptance of the Offers on the First Closing Date .....	4:00 p.m. on Thursday, 4 March
Teletext announcement of the results of the Offers, as at the First Closing Date, through the Stock Exchange .....	By 7:00 p.m. on Thursday, 4 March
Announcement of the results of the Offers, as at the First Closing Date, in the newspapers in Hong Kong .....	Friday, 5 March
Latest time for posting of remittances for the amounts due under the Offers in respect of valid acceptances received on or before the First Closing Date (assuming the Offers are declared unconditional on Thursday, 4 March 2004) ( <i>Note 2</i> ) .....	Monday, 15 March
Latest time and date for acceptance prior to the final closing date of the Offers (assuming the Offers are declared unconditional on Thursday, 4 March 2004) .....	4:00 p.m. on Thursday, 18 March
The final closing date of the Offers (assuming the Offers are declared unconditional on Thursday, 4 March 2004) ( <i>Note 3</i> ) .....	Thursday, 18 March
Latest date by which the Offers can be declared unconditional ( <i>Note 4</i> ) .....	Tuesday, 13 April

*Notes:*

1. Unless the Offers become or are declared unconditional as to acceptances or the Offeror revises or extends the Offers in accordance with the Takeovers Code, the Offers will be closed on Thursday, 4 March 2004.
2. The cash consideration (after deduction of the seller's ad valorem stamp duty) payable to the Shareholders who have accepted the Share Offer will be posted to them by ordinary post at their own risk within 10 days of the later of the date on which the Offers become, or are declared, unconditional and the date of receipt by the Registrar of the valid requisite documents from the accepting Shareholders.
3. Pursuant to the Takeovers Code, where the Offers are declared unconditional, they will remain open for acceptance for not less than 14 days thereafter. The Offeror will make an announcement as and when the Offers become unconditional.
4. Pursuant to the Takeovers Code, the Offers shall not be kept open after the expiry of 60 days from the date of the posting of this Composite Document unless they have previously become unconditional.

## EXPECTED TIMETABLE

Although the Offeror does not intend to extend the Offers, it reserves the right to do so. Acceptance of the Offers shall be subject to the right of withdrawal in compliance with Rule 17 of the Takeovers Code which provides that an acceptor shall be entitled to withdraw his acceptance after 21 days from the First Closing Date, if the Offers have not by then become unconditional as to acceptances or in the circumstances set out in the paragraph headed “Right of Withdrawal” in Appendix I to this Composite Document.

**All time references contained in this Composite Document refer to Hong Kong time.**

## DEFINITIONS

*In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:*

“Access Capital”	Access Capital Limited, a corporation deemed licensed to conduct Types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities and corporate finance, and asset management) under the SFO, the agent to make the Offers on behalf of the Offeror
“acting in concert”	has the meanings ascribed to it in the Takeovers Code but excluding the Non-Relative Directors
“Altus Capital”	Altus Capital Limited, a corporation deemed licensed to conduct Types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities and corporate finance, and asset management) under the SFO, the independent financial adviser to the Independent Board Committee in relation to the Offers
“AMS”	AMS Corporate Finance Limited, a corporation deemed licensed to conduct Types 4, 6 and 9 regulated activities (advising on securities and corporate finance, and asset management) under the SFO, the financial adviser to the Offeror in respect of the Offers
“Announcement”	the announcement dated 2 January 2004 made by the Offeror together with the Company and HKCM regarding, among other things, the terms and conditions of the Offers
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or days on which a tropical cyclone warning signal no.8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	The Companies Act 1981 of Bermuda (as amended)
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)

## DEFINITIONS

“Company”	Saint Honore Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Composite Document”	the composite document issued by or on behalf of the Offeror and the Company to all Shareholders and Optionholders in accordance with the Takeovers Code containing, among other things, details of the Offers, the Forms of Acceptance, and the terms and conditions of the Offers
“Condition”	the condition of the Offers, as set out under the paragraph headed “Conditions of the Offers” in the letter from AMS and Access Capital contained in this Composite Document
“Director(s)”	the directors, including non-executive directors and independent non-executive directors, of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“First Closing Date”	Thursday, 4 March 2004, being 21 days after the date on which this Composite Document is posted (or such later date as the Offeror may, subject to the consent of the Executive, decide)
“Forms of Acceptance”	the accompanying <b>WHITE</b> form of acceptance and transfer of the Shares in respect of the Share Offer and the accompanying <b>PINK</b> form of acceptance and cancellation of the Options in respect of the Option Offer
“Group”	the Company and its subsidiaries
“HKCM”	Hong Kong Catering Management Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange, and a controlling shareholder of the Company holding approximately 56.81% of the total issued share capital of the Company through its wholly-owned subsidiary, Albion Agents Limited, as at the Latest Practicable Date
“HKCM Group”	HKCM and its subsidiaries
“HKCM Offers”	the HKCM Share Offer and the HKCM Option Offer

## DEFINITIONS

“HKCM Option(s)”	the options granted by HKCM under the share option scheme of HKCM adopted on 13 March 2000 each conferring on the grantee thereof the right to subscribe for one new HKCM Share at an exercise price of HK\$0.48
“HKCM Option Offer”	the voluntary conditional cash offer to be made by Access Capital on behalf of the Offeror at the price of HK\$0.29 each for cancellation of all outstanding HKCM Options, other than those already owned by the Offeror or parties acting in concert with it
“HKCM Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of HKCM
“HKCM Share Offer”	the voluntary conditional cash offer to be made by Access Capital on behalf of the Offeror at the price of HK\$0.77 per HKCM Share to acquire all the issued HKCM Shares other than those already owned by the Offeror or parties acting in concert with it
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising Dr. Ho Sai Wah, David and Mr. Bingley Wong who are the independent non-executive Directors, which has been formed to make a recommendation to the Independent Shareholders and the Optionholders in respect of the Offers
“Independent Shareholders”	Shareholders excluding the Offeror and parties acting in concert with it
“Last Trading Date”	29 December 2003, being the last trading day prior to the suspension of trading in the Shares on 30 December 2003, pending the issue of the Announcement
“Latest Practicable Date”	10 February 2004, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information referred to in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

## DEFINITIONS

“Mr. Chan”	Mr. Chan Wai Cheung, Glenn, the Chairman of the Company, the Chairman and the Managing Director of HKCM and the deemed controlling shareholder of the Company and HKCM, the founder of the discretionary trust which beneficially and wholly owns the Offeror, a director of the Offeror and the spouse of Mrs. Chan
“Mr. & Mrs. Chan”	Mr. Chan and Mrs. Chan
“Mrs. Chan”	Mrs. Chan King Catherine, a director of the Company, HKCM and the Offeror and the spouse of Mr. Chan
“Non-Relative Directors”	directors of the Company or HKCM who are not family members of the Mr. & Mrs. Chan and, pursuant to a ruling by the Executive, are not parties acting in concert with the Offeror in respect of the Company and HKCM for the purposes of the Takeovers Code (namely, Ms. Wong Man Li, Carrina and Mr. Wong Chung Piu, Billy, who are Directors, and Mr. Chiu Wai, Mr. Ng Sai Hung and Ms. Wong Tsui Yue, Lucy, who are directors of HKCM, and Mr. Shum Wing Hon who is a director of both the Company and HKCM)
“Offeror”	Well-Positioned Corporation, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is owned by a discretionary trust established by Mr. Chan as the founder for the benefit of the family members of Mr. & Mrs. Chan
“Offers”	the Share Offer and the Option Offer
“Option(s)”	the option(s) granted by the Company under the share option scheme of the Company adopted on 25 October 2000 each conferring on the grantee thereof the right to subscribe for one new Share at an exercise price of HK\$0.50 or HK\$0.55
“Option Offer”	the voluntary conditional offer to be made by Access Capital on behalf of the Offeror at the Option Offer Price for cancellation of all outstanding Options
“Option Offer Price”	the amount of HK\$0.59 in cash payable by the Offeror to the Optionholders for cancellation of each Option (which is exercisable at HK\$0.50 for each new Share) accepted under the Option Offer, or the amount of HK\$0.54 in cash payable by the Offeror to the Optionholders for cancellation of each Option (which is exercisable at HK\$0.55 for each new Share) accepted under the Option Offer



## DEFINITIONS

“Optionholder(s)”	holder(s) of the Options
“Overseas Shareholder(s)”	Shareholder(s) whose registered address(es) appear(s) on the register of members of the Company is(are) outside Hong Kong
“Registrar”	Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of the Shares
“Share Offer”	the voluntary conditional offer to be made by Access Capital on behalf of the Offeror at the Share Offer Price to acquire all the issued Shares other than those already owned by the Offeror or parties acting in concert with it
“Share Offer Price”	the amount of HK\$1.09 in cash payable by the Offeror to the Independent Shareholders for each Share accepted under the Share Offer
“SSAP”	the Statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	have the same meaning ascribed to it in Section 2 of the Companies Ordinance
“Takeovers Code”	the Code on Takeovers and Mergers
“Unconditional Date”	the date on which the Offers become or are declared unconditional
“HK\$” and “HK cent(s)”	Hong Kong dollar(s) and Hong Kong cent(s), the lawful currency of Hong Kong
“%”	per cent.

## LETTER FROM THE BOARD



### SAINT HONORE HOLDINGS LIMITED

聖安娜控股有限公司

*(Incorporated in Bermuda with limited liability)*

*Executive Directors:*

Mr. Chan Wai Cheung, Glenn (*Chairman*)  
Mr. Shum Wing Hon (*Deputy-chairman*)  
Ms. 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

*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

12 February 2004

*To the Shareholders and the Optionholders*

Dear Sir or Madam,

### VOLUNTARY CONDITIONAL CASH OFFERS

#### INTRODUCTION

On 29 December 2003, the Board received a notification from the Offeror setting out the terms of a voluntary conditional cash offer to acquire all the issued Shares (other than those already owned by the Offeror or parties acting in concert with it) and a voluntary conditional cash offer for cancellation of all outstanding Options (other than those already owned by the Offeror or parties acting in concert with it). The Share Offer is made at the price of HK\$1.09 per Share. The Option Offer is made at HK\$0.59 to the Optionholders for cancellation of each Option (which is exercisable at HK\$0.50 for each new Share) accepted under the Option Offer or HK\$0.54 to the Optionholders for cancellation of each Option (which is exercisable at HK\$0.55 for each new Share) accepted under the Option Offer.

Details of the Offers were announced by the Offeror on 2 January 2004 in the Announcement and are further set out in the joint letter from AMS and Access Capital contained in this Composite Document as well as in Appendix I to this Composite Document and the Forms of Acceptance.

## LETTER FROM THE BOARD

The Offeror is a company beneficially owned by a discretionary trust established by Mr. Chan as the founder for the benefit of the family members of Mr. & Mrs. Chan, both Directors. Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond, both being Directors and sons of Mr. & Mrs. Chan, are eligible beneficiaries under the family trust. Mr. Shum Wing Hon, Ms. Wong Man Li, Carrina and Mr. Wong Chung Piu, Billy, all executive Directors, are salaried employees of the Group. Dr. Cheung Wai Lam, an independent non-executive Director, is a director and a shareholder of a medical service company which provides medical service to the staff of HKCM. In light of the above, all of the above Directors are not considered to be independent for the purposes of appointment as members of an independent board committee. Dr. Ho Sai Wah, David and Mr. Bingley Wong, being the other two independent non-executive Directors, have declared that they do not have any conflict of interest in respect of the Offers and therefore have been appointed as members of the Independent Board Committee to consider the terms of the Offers and give recommendations to the Independent Shareholders and the Optionholders thereon.

Altus Capital has been appointed as the independent financial advisor to advise the Independent Board Committee as to whether or not the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned and as to the actions to be taken by them. The letter from Altus Capital addressed to the Independent Board Committee is set out on pages 28 to 45 of this Composite Document and the letter from the Independent Board Committee to the Independent Shareholders and Optionholders is set out on pages 26 to 27 of this Composite Document. You are advised to read the advice of Altus Capital, the recommendations of the Independent Board Committee and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offers.

The purpose of this letter is to provide you with, among other things, further information relating to the Group and the Offers and the recommendation of the Board regarding the Offers.

### THE OFFERS

The Offers will be made by Access Capital on behalf of the Offeror voluntarily on the following basis:

**For each Share ..... HK\$1.09 in cash**

**For cancellation of each Option**

**(which is exercisable at HK\$0.50 per Share) ..... HK\$0.59 in cash**

**For cancellation of each Option**

**(which is exercisable at HK\$0.55 per Share) ..... HK\$0.54 in cash**

**The Offers are subject to the Condition, which may or may not be satisfied. The Offers may lapse if they do not become unconditional.**

## LETTER FROM THE BOARD

The Share Offer Price represents:

- (a) a discount of approximately 17.42% to the closing price of HK\$1.32 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a discount of approximately 12.80% to the average closing price of approximately HK\$1.250 per Share for the last 10 trading days up to and including the Last Trading Date;
- (c) a premium of approximately 0.46% over the average closing price of approximately HK\$1.085 per Share for the last 30 trading days up to and including the Last Trading Date;
- (d) a discount of approximately 24.83% to the closing price of HK\$1.45 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (e) a premium of approximately 43.99% over the audited consolidated net asset value per Share of approximately HK\$0.757 as at 31 March 2003 (based on the audited consolidated net asset value of approximately HK\$148.5 million and 196,229,000 Shares in issue as at 31 March 2003);
- (f) a premium of approximately 33.58% over the unaudited consolidated net asset value per Share of approximately HK\$0.816 as at 30 September 2003 (based on the unaudited consolidated net asset value of approximately HK\$160.8 million and 197,017,000 Shares in issue as at 30 September 2003);
- (g) a premium of approximately 32.76% over the unaudited adjusted consolidated net asset value per Share of approximately HK\$0.821 (based on the statement of pro forma unaudited adjusted consolidated net asset value of the Group as set out in Appendix II to this Composite Document); and
- (h) a premium of approximately 66.41% over the unaudited adjusted consolidated net tangible asset value per Share of approximately HK\$0.655 (based on the statement of pro forma unaudited adjusted consolidated net tangible asset value of the Group as set out in Appendix II to this Composite Document).

During the period from the date commencing six months prior to the Last Trading Date, up to and including the Latest Practicable Date, the highest and lowest closing price per Share at which the Shares were quoted on the Stock Exchange were HK\$1.46 on 3 February 2004 and HK\$0.65 throughout the period from 30 June 2003 to 10 July 2003, respectively.

An aggregate of 6,640,000 Options have been granted by the Company under the share option scheme of the Company adopted on 25 October 2000 and remained outstanding, of which 4,170,000 Options are exercisable at HK\$0.50 each (subject to adjustment) and 2,470,000 Options are exercisable at HK\$0.55 each (subject to adjustment). The exercise in full of the outstanding Options would result in the issue of an additional 6,640,000 Shares. As at the date hereof, the Company does not have any other share option scheme. The Option Offer Price of HK\$0.59 or

## LETTER FROM THE BOARD

HK\$0.54 is equivalent to the difference in value between the Share Offer Price of HK\$1.09 per Share and the exercise price of HK\$0.50 or HK\$0.55 for each Share of the respective outstanding Options.

Based on the total number of 207,777,000 Shares in issue and 6,640,000 Options outstanding as at the Latest Practicable Date and on the basis of the Share Offer Price and the Option Offer Price, the Offers value the Company at approximately HK\$230.3 million in aggregate.

Save for the Options, the Company had no other outstanding convertible securities, warrants or options as at the Latest Practicable Date.

Further details of the Offers, including among other things, the terms and condition and procedures for acceptance are set out in the joint letter from AMS and Access Capital contained in this Composite Document and Appendix I to this Composite Document and the Forms of Acceptance.

### INFORMATION ON THE GROUP

#### Key Financial Information

The Group is principally engaged in the operation of bakery, eatery and property investment.

The following table sets out a summary of the audited consolidated results of the Group for each of the two years ended 31 March 2003 and the unaudited consolidated results of the Group for the six months ended 30 September 2003:

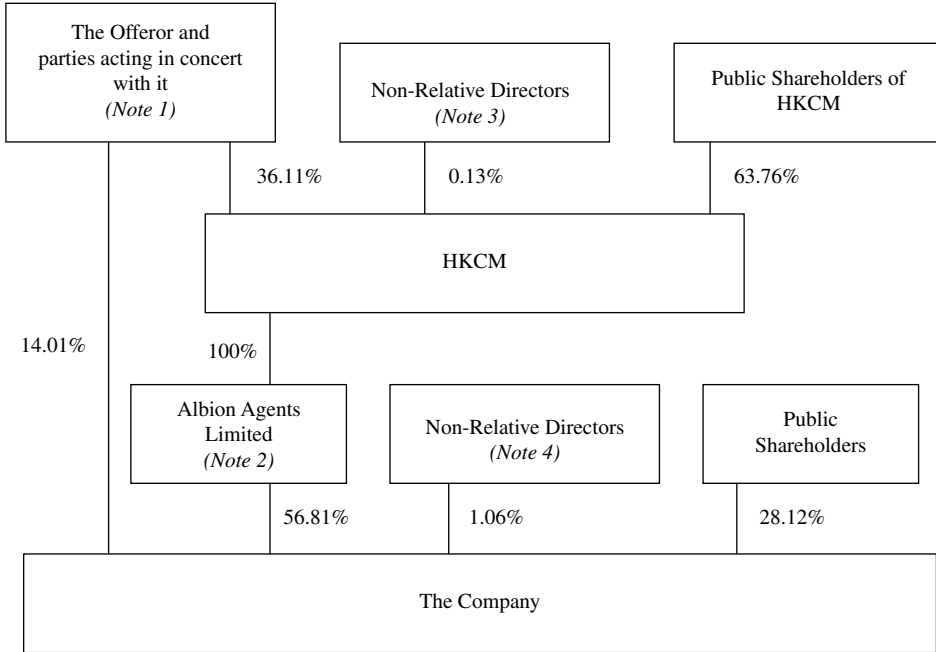
	Year ended 31 March		Six months ended
	2002	2003	30 September 2003
	HK\$'000	HK\$'000	HK\$'000
Turnover	476,189	494,492	279,551
Profit attributable to Shareholders	20,200	18,529	19,876
Net asset value	140,773	148,510	160,847

As indicated above, the Group reported a turnover of approximately HK\$476.2 million and a profit attributable to Shareholders of approximately HK\$20.2 million for the year ended 31 March 2002. The Group's turnover increased slightly by approximately 3.8% to approximately HK\$494.5 million with profit attributable to Shareholders dropping by approximately 8.3% to approximately HK\$18.5 million for the year ended 31 March 2003 which was primarily due to the persistence of a deflationary economy, an increased advertising budget and the deficit on revaluation of an investment property. As the result of economic recovery in Hong Kong, and particularly in the tourism and retail sectors, the Group recorded a turnover of approximately HK\$279.6 million with profit attributable to Shareholders surging to approximately HK\$19.9 million for the six months ended 30 September 2003. Further financial information of the Group is set out in Appendix II to this Composite Document.

# LETTER FROM THE BOARD

## Shareholding Structure

The shareholding structure of the Company as at the Latest Practicable Date was as follows (all percentages are approximations):



*Notes:*

- As at the Latest Practicable Date, the Offeror was the registered holder of 113,742,609 HKCM Shares, representing approximately 35.12% of the total issued share capital of HKCM, and a company beneficially owned by a trust established for the benefit of the family members of Mr. & Mrs. Chan, both of whom are directors of the Offeror, the Company and HKCM. Mr. Chan Ka Lai, Joseph, a director of both the Company and HKCM and the son of Mr. & Mrs. Chan, was interested in 1,200,000 HKCM Shares (representing approximately 0.37% of the issued share capital of HKCM) and holds 3,000,000 options in HKCM. Mr. Chan Ka Shun, Raymond, a Director and the son of Mr. & Mrs. Chan, was interested in 650,000 HKCM Shares (representing approximately 0.20% of the issued share capital of HKCM). Both Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond are eligible beneficiaries under the trust. In addition, other family members of Mr. & Mrs. Chan who are not directors of the Company or HKCM were interested in an aggregate of 1,342,000 HKCM Shares (representing approximately 0.42% of the issued share capital of HKCM).
- As at the Latest Practicable Date, HKCM was interested in 118,028,098 Shares, representing approximately 56.81% of the total issued share capital of the Company. The Offeror was interested in 28,435,652 Shares (representing approximately 13.69% of the issued share capital of the Company). Mr. Chan Ka Lai, Joseph, a director of both the Company and HKCM and the son of Mr. & Mrs. Chan, was interested in 182,000 Shares (representing approximately 0.09% of the issued share capital of the Company). Mr. Chan Ka Shun, Raymond, a Director and the son of Mr. & Mrs. Chan, was interested in 162,500 Shares (representing approximately 0.08% of the issued share capital of the Company) and held 2,600,000 Options. In addition, other family members of Mr. & Mrs. Chan who are not directors of the Company or HKCM were interested in an aggregate of 335,500 Shares (representing approximately 0.15% of the issued share capital of the Company).

## LETTER FROM THE BOARD

3. As at the Latest Practicable Date, Mr. Chiu Wai, Mr. Ng Sai Hung and Ms. Wong Tsui Yue, Lucy, all being directors of HKCM and Non-Relative Directors, were beneficially interested in an aggregate of 412,000 HKCM Shares, representing approximately 0.13% of the issued share capital of HKCM. Mr. Chiu Wai also held 1,200,000 HKCM Options.
4. As at the Latest Practicable Date, Ms. Wong Man Li, Carrina and Mr. Wong Chung Piu, Billy, both being directors of the Company and Non-Relative Directors, were beneficially interested in an aggregate of 2,178,000 Shares, representing approximately 1.05% of the issued share capital of the Company. Mr. Shum Wing Hon, who is a director of both the Company and HKCM and a Non-Relative Director, held 2,600,000 Options. Mr. Chiu Wai, a director of HKCM and a Non-Relative Director, was beneficially interested in 28,000 Shares, representing approximately 0.01% of the issued share capital of the Company.

### INFORMATION ON THE OFFEROR

The information in this section is extracted from the joint letter from AMS and Access Capital contained in this Composite Document.

The Offeror is a private company incorporated in the British Virgin Islands on 3 December 1996 with limited liability and is beneficially and wholly owned by a discretionary trust established by Mr. Chan as the founder for the benefit of the family members of Mr. & Mrs. Chan. The Offeror, together with its concert parties, has been the controlling shareholder (as defined in the Listing Rules) of HKCM since mid March 1997. At the time of the Announcement and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 116,934,609 HKCM Shares, representing approximately 36.11% of the issued share capital of HKCM. HKCM acquired the Group in June 1991 and the Company became listed on the Main Board of the Stock Exchange in November 2000 by way of an introduction. As at the Latest Practicable Date, HKCM was interested in 118,028,098 Shares, representing approximately 56.81% of the total issued share capital of the Company. The Offeror and parties acting in concert with it are also interested directly in 29,115,652 Shares, representing approximately 14.01% of the total issued share capital of the Company.

Simultaneously with the Offers, the Offeror is also making a voluntary conditional cash offer to acquire all the issued shares of HKCM (other than those already owned by the Offeror or parties acting in concert with it) and a voluntary conditional cash offer for cancellation of all the outstanding options granted by the HKCM (other than those already owned by the Offeror or parties acting in concert with it). Details of the HKCM Offers were described in the Announcement. The Offers are conditional upon the HKCM Offers becoming unconditional in all respects.

It is noted that the Offeror has no intention to transfer any Shares acquired pursuant to the Share Offer to any other persons save for the purpose of maintaining the public float of the Company.

## LETTER FROM THE BOARD

### THE OFFEROR'S INTENTION IN RELATION TO THE GROUP

The information in this section is extracted from the joint letter from AMS and Access Capital contained in this Composite Document.

It is noted that the Offeror intends that the Group, if the Offers are completed, will continue to carry on the existing businesses in the operation of bakery, eatery and property investment. It is also stated in the joint letter from AMS and Access Capital that the Offeror does not intend to introduce any material changes to the existing businesses, operations or assets of the Group (including deployment of the fixed assets of the Group) or the existing dividend distribution policy of the Company or the continued employment of the employees of the Group by reason only of the Offers. Accordingly, the Board considers that the businesses, management and employees of the Group would remain stable.

**If the Company remains a listed company after the close of the Offers, the Stock Exchange will closely monitor all acquisitions or disposals of assets by the Company. Any acquisitions or disposals of assets by the Company and its subsidiaries will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require the Company to issue an announcement and a circular to the Shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from its principal activities. The Stock Exchange also has the power to aggregate a series of acquisitions or disposals by the Company and any such transactions may result in the Company being treated as if it were a new listing applicant and subject to the requirements for new listing applicants as set out in the Listing Rules.**

It is also the intention of the Offeror that the Company's listing on the Main Board of the Stock Exchange will be maintained after the closing of the Offers. The Offeror has undertaken to the Stock Exchange that appropriate steps will be taken to ensure that not less than 25% of the Shares will be held by the public.

**The Stock Exchange has stated that if, at the close of the Offers, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:**

- **a false market exists or may exist in the trading of the Shares; or**
- **there are insufficient Shares in public hands to maintain an orderly market,**

**then it will consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is attained. In this connection, it should be noted that upon completion of the Offers, there may be insufficient public float in the Shares and therefore, trading in the Shares may be suspended until a sufficient level of public float is attained.**

Your attention is drawn to the sections headed "Information on the Offeror" and "Offeror's Intention in Relation to the Group" in the joint letter from AMS and Access Capital contained in this Composite Document, for more detailed information relating to the Offeror and its intention regarding the Group.



## LETTER FROM THE BOARD

### INTENTION OF THE DIRECTORS IN RESPECT OF THEIR SHAREHOLDING INTERESTS IN THE COMPANY

The interests of the Directors in the Shares are set out in the paragraph headed “Disclosure of Interests” in Appendix IV to this Composite Document.

As at the Latest Practicable Date, the Non-Relative Directors who had interests in the Shares and/or the Options had not decided to accept or reject the Offers. These Non-Relative Directors will consider the respective advice of the Independent Board Committee and Altus Capital and the price performance of the Shares during the period of the Offers.

Save as disclosed in the paragraph headed “Disclosure of Interests” in Appendix IV to this Composite Document, none of the Directors held any Shares or Options as at the Latest Practicable Date.

### ADDITIONAL INFORMATION

In considering what action to take in connection with the Offers, Shareholders and Optionholders should consider their own tax position and, if they are in any doubt, they should consult their professional advisors.

Your attention is drawn to the general information set out in Appendix IV to this Composite Document.

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders and the Optionholders set out on pages 26 to 27 of this Composite Document and the letter from Altus Capital to the Independent Board Committee set out on pages 28 to 45 of this Composite Document, which set out their respective recommendations in relation to the Offers and the principal factors considered by them in arriving at their respective recommendations.

You are also recommended to read the joint letter from AMS and Access Capital set out on pages 14 to 25 of this Composite Document, the further procedures for acceptance of the Offers set out in Appendix I to this Composite Document and the Forms of Acceptance.

Yours faithfully,  
For and on behalf of  
**Saint Honore Holdings Limited**  
**Shum Wing Hon**  
*Deputy-chairman*

# LETTER FROM AMS AND ACCESS CAPITAL



AMS Corporate Finance Limited



12 February 2004

*To the Shareholders and the Optionholders*

Dear Sir or Madam,

## **VOLUNTARY CONDITIONAL CASH OFFERS**

### **INTRODUCTION**

On 29 December 2003, the board of directors of each of the Offeror, the Company and HKCM announced, among other things, that the Offeror, through Access Capital, intended to make a voluntary conditional cash offer to acquire all the issued Shares (other than those already owned by the Offeror or parties acting in concert with it) and a voluntary conditional cash offer for cancellation of all outstanding Options (other than those already owned by the Offeror or parties acting in concert with it). In the Announcement, the Offeror also mentioned that it intended to make, through Access Capital, the HKCM Offers.

The Offers are conditional. The Offers are subject to and conditional, among other things, upon valid acceptances having been received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date in respect of the HKCM Shares which, together with the HKCM Shares held by the Offeror and parties acting in concert with it, constitute more than 50% of the entire issued share capital of HKCM as at the First Closing Date, such HKCM Shares carrying more than 50% of the voting rights normally exercisable at general meetings of HKCM.

The Offeror, together with its concert parties, has been the controlling shareholder (as defined in the Listing Rules) of the Company since mid March 1997. At the time of the Announcement and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 116,934,609 HKCM Shares, or approximately 36.11% of the issued share capital of HKCM. HKCM was interested in 118,028,098 Shares, representing approximately 56.81% of the total issued share capital of the Company. The Offeror and parties acting in concert with it were also interested directly in 29,115,652 Shares, representing approximately 14.01% of the total issued share capital of the Company.

AMS has been appointed as the financial adviser to the Offeror in respect of the Offers. Access Capital has been appointed by the Offeror as its agent to make the Offers. The responsibility of Access Capital in relation to the Offers comprises solely the making of the Offers on behalf of the Offeror and jointly with AMS providing confirmation as to the sufficiency of financial resources available to the Offeror in satisfying full acceptance of the Offers pursuant to the requirements of the Takeovers Code. In particular, Access Capital is not responsible for rendering any financial advice to the Offeror, which remains the responsibility of AMS.

## LETTER FROM AMS AND ACCESS CAPITAL

This joint letter sets out the details of the Offers, information on the Offeror and the intention of the Offeror regarding the Group. The terms of the Offers are set out below in this letter and the Forms of Acceptance.

### THE OFFERS

The Offers, comprising the Share Offer and the Option Offer, are made by Access Capital on behalf of the Offeror voluntarily on the following basis:

**For each Share ..... HK\$1.09 in cash**

**For cancellation of each Option**

**(which is exercisable at HK\$0.50 per Share) ..... HK\$0.59 in cash**

**For cancellation of each Option**

**(which is exercisable at HK\$0.55 per Share) ..... HK\$0.54 in cash**

Save for the Options, there are currently no other options, warrants or other securities issued by the Company that carry a right to subscribe for or which are convertible into Shares as at the date hereof.

The Offeror has no intention to transfer any Shares acquired pursuant to the Share Offer to any other persons save for the purpose of maintaining the public float of the Company.

The Offers are required to be open for acceptance for at least 21 days after the despatch of this Composite Document. Your attention is drawn to the expected timetable set out in this Composite Document.

### Comparisons of value

The highest closing and lowest closing prices at which the Shares were quoted on the Stock Exchange in the six-month period immediately prior to the Last Trading Date and ending on the Latest Practicable Date, were HK\$1.46 on 3 February 2004 and HK\$0.65 throughout the period from 30 June 2003 to 10 July 2003, respectively.

The Share Offer Price represents:

- (a) a discount of approximately 17.42% to the closing price of HK\$1.32 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a discount of approximately 12.80% to the average closing price of approximately HK\$1.250 per Share for the last 10 trading days up to and including the Last Trading Date;
- (c) a premium of approximately 0.46% over the average closing price of approximately HK\$1.085 per Share for the last 30 trading days up to and including the Last Trading Date;

## LETTER FROM AMS AND ACCESS CAPITAL

- (d) a premium of approximately 5.93% over the average closing price of approximately HK\$1.029 per Share for the three months up to and including the Last Trading Date;
- (e) a premium of approximately 16.70% over the average closing price of approximately HK\$0.934 per Share for the six months up to and including the Last Trading Date;
- (f) a discount of approximately 24.83% to the closing price of HK\$1.45 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (g) a premium of approximately 43.99% over the audited consolidated net asset value per Share of approximately HK\$0.757 as at 31 March 2003 (based on the audited consolidated net asset value of approximately HK\$148.5 million and 196,229,000 Shares in issue as at 31 March 2003);
- (h) a premium of approximately 33.58% over the unaudited consolidated net asset value per Share of approximately HK\$0.816 as at 30 September 2003 (based on the unaudited consolidated net asset value of approximately HK\$160.8 million and 197,017,000 Shares in issue as at 30 September 2003);
- (i) a premium of approximately 32.76% over the unaudited adjusted consolidated net asset value per Share of approximately HK\$0.821 (based on the statement of pro forma unaudited adjusted consolidated net asset value of the Group as set out in Appendix II to this Composite Document); and
- (j) a premium of approximately 66.41% over the unaudited adjusted consolidated net tangible asset value per Share of approximately HK\$0.655 (based on the statement of pro forma unaudited adjusted consolidated net tangible asset value of the Group as set out in Appendix II to this Composite Document).

Pursuant to the employee share option scheme of the Company adopted on 25 October 2000, which is effective for ten years expiring on 24 October 2010, an aggregate of 6,640,000 Options were granted and remained outstanding as at the Latest Practicable Date. Of the outstanding Options, 4,170,000 Options are exercisable at HK\$0.50 (subject to adjustment) per Share and 2,470,000 Options are exercisable at HK\$0.55 (subject to adjustment) per Share. The exercise in full of the Options would result in the issue of an additional 6,640,000 Shares. As at the Last Trading Date, the Options were in-the-money. The Option Offer Price of HK\$0.59 or HK\$0.54 is equivalent to the difference in value between the Share Offer Price of HK\$1.09 and the exercise price of HK\$0.50 per Share or HK\$0.55 per Share under the respective Options.

The Share Offer Price has been determined by the Offeror by reference to, and is the approximate average of, the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Date. The Option Offer Price represents the difference in value between the Share Offer Price and the exercise price under the Options.

## LETTER FROM AMS AND ACCESS CAPITAL

### **Total Consideration**

As at the Latest Practicable Date, the Company had a total of 207,777,000 Shares in issue. On the basis of the Share Offer Price of HK\$1.09 per Share, the entire issued share capital of the Company is valued at approximately HK\$226.5 million. On the basis of the Option Offer Price of HK\$0.59 each for cancellation of 4,170,000 Options and of HK\$0.54 each for cancellation of 2,470,000 Options, the outstanding 6,640,000 Options will be valued at approximately HK\$3.8 million.

Based on a total of 60,633,250 Shares and 4,040,000 Options held by parties other than the Offeror or parties acting in concert with it as at the Latest Practicable Date, the consideration payable by the Offeror pursuant to the Share Offer and the Option Offer, if both the Share Offer and the Option Offer are accepted in full, is approximately HK\$66.1 million and HK\$2.3 million, respectively.

AMS and Access Capital are satisfied that sufficient financial resources are available to the Offeror to meet full acceptance of the Offers. The Offers will be financed by way of a combination of internal resources of the Offeror and credit facility obtained from UBS AG. The directors of the Offeror confirm that payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the amount of funds required for the acceptance of the Offers will not depend on the business of the Company.

### **Terms of the Offers**

Under the terms of the Share Offer, the Shares will be acquired with all rights attached thereto as at the date on which the Share Offer is made, i.e. the date of posting of this Composite Document, or subsequently becoming attached thereto and free of all rights of pre-emption, options, liens, claims, equities, charges, encumbrances and third party rights.

Under the terms of the Option Offer, the Options together with all rights, if any, attaching thereto will be entirely cancelled and renounced when validly accepted.

### **Payment**

Payment in cash in respect of acceptances of the Offers will be made not later than 10 days of the date on which the relevant documents of title are received by the Offeror to render each such acceptance complete and valid or of the Unconditional Date, whichever is the later.

### **Stamp Duty**

Seller's ad valorem stamp duty for Shares registered on the Hong Kong branch register arising in connection with acceptance of the Share Offer will be payable by the accepting Shareholder at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable by the Offeror for such person's Shares and will be deducted from the consideration payable on acceptance of the Share Offer. The Offeror will then pay such stamp duty to the stamp office.

## LETTER FROM AMS AND ACCESS CAPITAL

### CONDITION OF THE OFFERS

Each of the Share Offer and the Option Offer is subject to and conditional upon the HKCM Share Offer becoming unconditional in all respects. The HKCM Share Offer is conditional upon the following:

- (a) the HKCM Shares remaining listed and traded on the Main Board of the Stock Exchange from the date of the Announcement to the date on which condition (c) below has been fulfilled save for any temporary suspension of trading of the HKCM Shares as a result of the HKCM Offers and no indication being received on or before the date on which condition (c) below has been fulfilled from the SFC and/or the Stock Exchange to the effect that the listing of the HKCM Shares on the Main Board of the Stock Exchange is or is likely to be withdrawn;
- (b) no event having occurred on or before the date on which condition (c) below has been fulfilled which would make the HKCM Offers or the acquisition of any of the HKCM Shares by the Offeror and/or cancellation of the HKCM Options void, unenforceable, illegal or unable to be proceeded or would impose any additional material conditions or obligations with respect to the HKCM Offers or any part thereof or the acquisition of any of the HKCM Shares and/or cancellation of any HKCM Options; and
- (c) valid acceptances of the HKCM Share Offer having been received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve) in respect of the HKCM Shares, which together with the HKCM Shares held by the Offeror and parties acting in concert with it constitute more than 50% of the entire issued share capital of HKCM as at the First Closing Date, such HKCM Shares carrying more than 50% of the voting rights normally exercisable at general meetings of HKCM and for the purposes of this condition, “voting rights normally exercisable at general meetings of HKCM” means the voting rights attributable to the HKCM Shares in issue on the Unconditional Date and to be issued pursuant to the HKCM Options which have been validly exercised by holders thereof prior to the First Closing Date. In accordance with the articles of association of HKCM, all HKCM Shares carry the same voting rights.

Pursuant to the Takeovers Code, condition (c) above cannot be waived. As regards conditions (a) and (b) which can be waived, the Offeror does not intend to waive either of them in whole or in part on or before the First Closing Date, but reserves its right to do so.

The Share Offer is also subject to the terms that acceptance of the Share Offer by any person will constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Share Offer are sold by such person or persons free from all third party rights, liens, charges, equities and encumbrances and together with all rights attaching and accruing thereto on or after the date on which the Share Offer is made, i.e. the date of posting of this Composite Document, or subsequently becoming attached or accrued to them, including (as appropriate) the right to receive all dividends and distributions recommended, declared, made or paid on or after the date on which the Share Offer is made.

## LETTER FROM AMS AND ACCESS CAPITAL

Furthermore, the Option Offer is also subject to the term that acceptance of the Option Offer by any person will be deemed to constitute a warranty by such person or persons to the Offeror that the Options are free from all third party rights, liens, charges, equities and encumbrances and are to be renounced and cancelled together with all rights, if any, attaching thereto on or after the date on which the Share Offer is made or subsequently becoming attaching to them.

### COMPULSORY ACQUISITION

The Offeror does not intend to apply for any right which may be available to it to acquire compulsorily any Shares or Options outstanding after the close of the Offers.

### DEALINGS IN THE SHARES OR OPTIONS BY THE NON-RELATIVE DIRECTORS, THE OFFEROR OR PARTIES ACTING IN CONCERT WITH IT

The following table sets out the dealings in the Shares, Options, HKCM Shares or HKCM Options by the Non-Relative Directors, the Offeror or parties acting in concert with it in the six months prior to the date of the Announcement (i.e. from 3 July 2003) and up to the Latest Practicable Date:

Name	Date (dd-mth-yy)	Type of transaction	Unit price paid/ received HK\$	Number of Shares	Number of Options	Number of HKCM Shares	Number of HKCM Options
Chan Ka Lai, Joseph	Balance as at 03-Jul-03			182,000	-	1,186,000	3,000,000
	01-Sep-03	Purchase of HKCM Shares	0.66	-	-	14,000	-
	Balance as at the Latest Practicable Date			<u>182,000</u>	<u>-</u>	<u>1,200,000</u>	<u>3,000,000</u>
Wong Chung Piu, Billy	Balance as at 03-Jul-03			-	1,500,000	-	-
	22-Dec-03	Exercise of Options	0.50	750,000	(750,000)	-	-
	05-Jan-04	Sale of Shares	1.25	(250,000)	-	-	-
	05-Jan-04	Sale of Shares	1.24	(200,000)	-	-	-
	05-Jan-04	Sale of Shares	1.30	(100,000)	-	-	-
	05-Jan-04	Sale of Shares	1.28	(106,000)	-	-	-
	05-Jan-04	Sale of Shares	1.26	(70,000)	-	-	-
	05-Jan-04	Sale of Shares	1.25	(24,000)	-	-	-
	09-Jan-04	Exercise of Options	0.55	375,000	(375,000)	-	-
	09-Jan-04	Exercise of Options	0.55	375,000	(375,000)	-	-
	14-Jan-04	Sale of Shares	1.36	(220,000)	-	-	-
	15-Jan-04	Sale of Shares	1.36	(300,000)	-	-	-
	Balance as at the Latest Practicable Date			<u>230,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

## LETTER FROM AMS AND ACCESS CAPITAL

Name	Date (dd-mth-yy)	Type of transaction	Unit price paid/ received HK\$	Number of Shares	Number of Options	Number of HKCM Shares	Number of HKCM Options
Wong Man Li, Carrina	Balance as at 03-Jul-03			-	2,600,000	-	-
	27-Oct-03	Exercise of Options	0.50	1,000,000	(1,000,000)	-	-
	27-Oct-03	Exercise of Options	0.50	1,000,000	(1,000,000)	-	-
	05-Nov-03	Sale of Shares	1.03	(50,000)	-	-	-
	05-Nov-03	Sale of Shares	1.02	(50,000)	-	-	-
	18-Dec-03	Sale of Shares	1.45	(20,000)	-	-	-
	07-Jan-04	Sale of Shares	1.36	(70,000)	-	-	-
	07-Jan-04	Sale of Shares	1.37	(64,000)	-	-	-
	08-Jan-04	Sale of Shares	1.36	(50,000)	-	-	-
	09-Jan-04	Exercise of Options	0.55	300,000	(300,000)	-	-
	09-Jan-04	Exercise of Options	0.55	300,000	(300,000)	-	-
	12-Jan-04	Sale of Shares	1.37	(100,000)	-	-	-
	12-Jan-04	Sale of Shares	1.38	(98,000)	-	-	-
	13-Jan-04	Sale of Shares	1.36	(50,000)	-	-	-
	14-Jan-04	Sale of Shares	1.36	(100,000)	-	-	-
	Balance as at the Latest Practicable Date			<u>1,948,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Board had failed to disclose in the Announcement the dealings in the Shares and Options by Mr. Wong Chung Piu, Billy and Ms. Wong Man Li, Carrina before the Announcement as set out above although the Non-Relative Directors were then presumed to be acting in concert with the Offeror. The Board apologizes for the inadvertant oversight of the requirements of the Takeovers Code. Subsequent to the release of the Announcement, the Offeror had sought a ruling from the Executive who had granted the ruling that each of the Non-Relative Directors is not a party acting in concert with the Offeror in respect of the Company and HKCM for the purposes of the Takeovers Code.

Pursuant to Rule 22 of the Takeovers Code, disclosure of dealings during the offer period must be made no later than 10:00 a.m. on the business day following the date of the transaction. As the commencement of an offer period had been misinterpreted as being the date when the Offers open for acceptance, the dealings in the Shares and Options by Mr. Wong Chung Piu, Billy and Ms. Wong Man Li, Carrina as set out above during the period after the Announcement was made and up to the Latest Practicable Date had not been timely disclosed. Such delay in the disclosures by the relevant directors constituted a breach of Rule 22 of the Takeovers Code and they apologized for such breach. Nevertheless, these dealings were disclosed in accordance with the requirements under Part XV of the SFO and subsequently on 27 January 2004 in accordance with the requirements under Rule 22 of the Takeovers Code.

Save as disclosed above, there had been no other dealings in the Shares, the Options, the HKCM Shares or the HKCM Options by the Non-Relative Directors, the Offeror or parties acting in concert with it in the six-month period prior to the date of the Announcement and up to the Latest Practicable Date.



## LETTER FROM AMS AND ACCESS CAPITAL

### INFORMATION ON THE OFFEROR

The Offeror is a private company incorporated in the British Virgin Islands on 3 December 1996 with limited liability and is beneficially and wholly owned by a discretionary trust established by Mr. Chan as the founder for the benefit of the family members of Mr. & Mrs. Chan, both directors of the Offeror, the Company and HKCM. In addition to Mr. & Mrs. Chan, the principal members of the Offeror's concert group include Mr. Chan Ka Lai, Joseph (a director of the Company and HKCM) and Mr. Chan Ka Shun, Raymond (a Director), both of whom are sons of Mr. & Mrs. Chan and eligible beneficiaries under the family trust. The Offeror, together with its concert parties, has been the controlling shareholder (as defined in the Listing Rules) of HKCM since mid March 1997. As at the date of the Announcement and the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 116,934,609 HKCM Shares, representing approximately 36.11% of the issued share capital of HKCM. HKCM acquired the Group in June 1991 and the Company became listed on the Main Board of the Stock Exchange in November 2000 by way of an introduction. As at the Latest Practicable Date, HKCM was interested in 118,028,098 Shares, representing approximately 56.81% of the total issued share capital of the Company. The Offeror and the parties acting in concert with it were also interested directly in 29,115,652 Shares, representing approximately 14.01% of the total issued share capital of the Company. As at the date hereof, the Offeror does not hold any assets other than its interests in the HKCM Group including those directly or indirectly in the Company.

The following are the biographical details of Mr. & Mrs. Chan:

#### **Mr. Chan Wai Cheung, Glenn**

Mr. Chan had worked for the Hong Kong Government for more than 10 years during which time he was responsible for food and hygiene technology in the then Urban Service Department. He left the public sector in 1972 and joined a catering group in Hong Kong. Approximately two years later, he co-founded the HKCM Group. Mr. Chan is also the Chairman of the Company. He is the spouse of Mrs. Chan King Catherine and the father of Mr. Chan Ka Lai, Joseph (a non-executive director of the Company and an executive director of HKCM) and Mr. Chan Ka Shun, Raymond (an executive director of the Company).

#### **Mrs. Chan King Catherine**

Mrs. Chan is the co-founder of the HKCM Group and assists Mr. Chan in the overall management and control of the HKCM Group. She is also a non-executive director of the Company. Mrs. Chan is the spouse of Mr. Chan and the mother of Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond.

# LETTER FROM AMS AND ACCESS CAPITAL

## REASONS FOR THE OFFERS

The making of the HKCM Share Offer may possibly trigger an obligation for the Offeror to make a mandatory offer for the entire issued shares in the share capital of the Company (other than those owned by the Offeror or parties acting in concert with it) under Note 8 to Rule 26.1 of the Takeovers Code in the event that the Offeror and parties acting in concert with it, together holds 50% or more of the entire issued share capital of HKCM as a result of the HKCM Share Offer. Given such possibility, the making of the HKCM Share Offer would be of price-sensitive nature with regard to the Shares. In order to avoid fluctuations of the market price of the Shares which may arise from market speculation on the possibility of a mandatory offer for the entire issued shares of the Company, the Offeror considers that it is a more appropriate approach to make the Offers simultaneously with the making of the HKCM Share Offer which will be subject to and conditional upon the HKCM Share Offer becoming unconditional in all respects. It should be noted that if the HKCM Share Offer does not become unconditional, the Offers will lapse.

## OFFEROR'S INTENTION IN RELATION TO THE GROUP

It is the intention of the Offeror that the Group will continue to carry on the existing businesses in the operation and management of restaurants and bakeries, and property investment and that the Company's listing on the Main Board of the Stock Exchange will be maintained after the closing of the Offers. The Offeror does not intend to make any acquisition or disposal of assets or business through the Group by reason only of the Offers, nor does it intend to introduce any material changes to the existing businesses, operations or assets of the Group (including deployment of the fixed assets of the Group) or the existing dividend distribution policy of the Company by reason only of the Offers.

The Offeror has undertaken to the Stock Exchange that appropriate steps will be taken to ensure that not less than 25% of the Shares will be held by the public.

**The Stock Exchange has stated that if, at the closing of the Offers, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:**

- **a false market exists or may exist in the trading of the Shares; or**
- **there are insufficient Shares in public hands to maintain an orderly market,**

**then it will consider exercising its discretion to suspend trading in the Shares until a sufficient level of public float is attained. In this connection, it should be noted that upon completion of the Offers, there may be insufficient public float in the Shares and therefore, trading in the Shares may be suspended until a sufficient level of public float is attained. If the Company remains a listed company after the close of the Offers, the Stock Exchange will closely monitor all future acquisitions or disposals of assets by the Company. Any acquisitions or disposals of assets by the Company and its subsidiaries will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require the Company to issue an announcement and a circular to the Shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of the Company. The Stock Exchange also has the**

## LETTER FROM AMS AND ACCESS CAPITAL

**power to aggregate a series of acquisitions or disposals by the Company and any such transactions may result in the Company being treated as if it were a new listing applicant and subject to the requirements for new listing applicants as set out in the Listing Rules.**

### **DIRECTORS AND MANAGEMENT**

It is the intention of the Offeror that the existing businesses and daily operations of the Group will continue to be carried out under the existing management. The Offeror does not intend to make any material changes to the management (including the composition of the Board), by reason only of the Offers.

There is no agreement between the Offeror and the existing Directors with regard to their directorships in the Company. The Offeror does not intend to make any material changes to the continued employment of the employees of the Group by reason only of the Offers.

The Offeror considers that it is of the utmost importance to maintain a stable workforce and competent management for the continued development of the Group's businesses.

### **TAXATION**

Shareholders and Optionholders are recommended to consult their own professional advisors if they are in any doubt as to the taxation implications of their accepting the Offers. None of the Company, the Offeror, AMS, Access Capital, Altus Capital nor any of their respective directors nor any persons involved in the Offers accepts responsibility for any taxation effects on or liabilities of, any person or persons as a result of their acceptance of the Offers.

### **ACCEPTANCE AND SETTLEMENT**

#### **(a) Procedures for acceptance of the Offers**

##### *The Share Offer*

To accept the Share Offer, you should complete and sign the **WHITE** form of acceptance and transfer of the Shares in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Offer.

The completed form(s) of acceptance and transfer of the Shares should be forwarded, together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand to the Registrar at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in an envelope marked "**SHHL Share Offer**" as soon as practicable after receipt of the form of acceptance and transfer of the Shares but in any event so as to reach the Registrar by not later than 4:00 p.m. on Thursday, 4 March 2004 or such later time and/or date as the Offeror shall determine and announce with the consent of the Executive. No acknowledgement of receipt of any form of acceptance and transfer of the Shares, share certificate, transfer receipt or other document of title (and/

## LETTER FROM AMS AND ACCESS CAPITAL

or any satisfactory indemnity or indemnities required in respect thereof) will be given. Your attention is drawn to the further details regarding the procedure for acceptance set out in Appendix I to this Composite Document and the form of acceptance and transfer of the Shares.

### *The Option Offer*

To accept the Option Offer, you should complete the **PINK** form of acceptance and cancellation of the Options in accordance with the instructions printed thereon, which instructions form part of the terms of the Option Offer.

The completed form(s) of acceptance and cancellation of the Options should be forwarded, together with the relevant Option certificate(s) (if any) for the whole of your holding of Options, or for the number of Options in respect of which you accept the Option Offer, by post or by hand to the Company at its head office and principal place of business in Hong Kong at 5th Floor, Express Industrial Building, 43 Heung Yip Road, Wong Chuk Hang, Hong Kong (marked for the attention of the Company Secretary of the Company) in an envelope marked “**SHHL Option Offer**” as soon as practicable after receipt of the form of acceptance and cancellation of the Options but in any event so as to reach the Company Secretary of the Company by not later than 4:00 p.m. on Thursday, 4 March 2004 or such later time or date as the Offeror shall determine and announce with the consent of the Executive. No acknowledgement of receipt of any form of acceptance and cancellation of the Options and/or Option certificate(s) (if any) will be given. Your attention is drawn to the further details regarding the procedure for acceptance set out in Appendix I to this Composite Document and the form of acceptance and cancellation of the Options.

### **(b) Settlement of the Offers**

#### *The Share Offer*

Provided that the form(s) of acceptance and transfer of the Shares and Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order and have been received by the Registrar by not later than the latest time for acceptance, a cheque for the amount due to each of the Shareholders less stamp duty in respect of the Shares tendered by them under the Share Offer will be despatched to each of them within ten days after the date on which all the relevant documents are received by the Registrar mentioned above to render such acceptance complete and valid or of the Unconditional Date, whichever is the later. The Offeror will then pay the stamp duty to the stamp office.

#### *The Option Offer*

Provided that the form(s) of acceptance and cancellation of the Options and Option certificate(s) (if any) are in complete and good order and have been received by the Company by not later than the latest time for acceptance, a cheque for the amount due to each of the Optionholders in respect of the Options surrendered by the relevant Optionholders under the Option Offer will be despatched to each of them within ten days after the date on which all

## LETTER FROM AMS AND ACCESS CAPITAL

the relevant documents are received by the Company Secretary of the Company mentioned above to render such acceptance complete and valid or of the Unconditional Date, whichever is the later.

The settlement of the consideration to which any Shareholder(s) or Optionholder(s) is/are entitled under the Offers will be satisfied in full in accordance with the terms of the Offers without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder(s) or Optionholder(s).

### GENERAL

To ensure equality of treatment of all Shareholders, those registered Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

The attention of the Overseas Shareholders is drawn to paragraph (j) of the section headed “General” in Appendix I to this Composite Document.

All documents and remittances sent to the Shareholders and/or the Optionholders by post will be sent to them at their own risk. Such documents and remittances will be sent to the Shareholders and the Optionholders at their respective addresses as they appear in the register of members of the Company or the register of Optionholders (as the case may be) or, in the case of joint Shareholders, to the Shareholder whose name appears first in the register of members of the Company, as applicable. None of the Company, the Offeror, AMS, Access Capital, or any of their respective directors or any other person involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices, which form part of this Composite Document.

Yours faithfully,  
For and on behalf of  
**AMS Corporate Finance Limited**  
**Jinny Mok**  
*Director*

Yours faithfully,  
For and on behalf of  
**Access Capital Limited**  
**Jeanny Leung**  
*Managing Director*

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**



**SAINT HONORE HOLDINGS LIMITED**

**聖安娜控股有限公司**

*(Incorporated in Bermuda with limited liability)*

12 February 2004

*To the Independent Shareholders and the Optionholders*

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFERS**

**INTRODUCTION**

We refer to the composite document dated 12 February 2004 (the “Composite Document”) jointly issued by the Company and the Offeror of which this letter forms part. Terms defined in the Composite Document shall have the same meanings in this letter unless the context otherwise requires.

As Directors who are independent of the parties to the Offers, we have been appointed as members of the Independent Board Committee to consider the terms of the Offers and to advise you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned.

Altus Capital has been appointed to advise us in respect of the terms of the Offers. Details of its advice and the principal facts taken into consideration in arriving at its recommendation are set out in the letter from Altus Capital on pages 28 to 45 of the Composite Document. Altus Capital considers that the terms of the Offers are not fair or reasonable as far as the Independent Shareholders and the Optionholders are concerned, and advise us to recommend the Independent Shareholders and the Optionholders to consider not accepting the Offers.

We also wish to draw your attention to: (i) the letter from the Board; (ii) the joint letter from AMS and Access Capital; and (iii) the additional information set out in the appendices to the Composite Document.

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

### RECOMMENDATIONS

Having taken into account the terms of the Offers and the advice of Altus Capital, we do not consider that the terms of the Offers are fair or reasonable so far as the Independent Shareholders and the Optionholders are concerned and advise the Independent Shareholders and the Optionholders not to accept the Offers. However, Independent Shareholders and Optionholders who wish to take this opportunity to realise part or all of their Shares and Options should have regard to the market price of the Shares before the close of the Offers. If the net proceeds from the sale of the Shares in the open market after deducting all transaction costs would exceed the net amount receivable under the Share Offer, the Independent Shareholders should consider selling their Shares in the market and the Optionholders should consider exercising their Options and selling the resulting new Shares in the market, rather than accepting the Offers.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Ho Sai Wah, David**

**Bingley Wong**

*Independent non-executive Directors*

## LETTER FROM ALTUS CAPITAL

*The following is the full text of the letter of advice to the Independent Board Committee from Altus Capital for inclusion in this Composite Document.*

**ALTUS CAPITAL LIMITED**  
8/F Hong Kong Diamond Exchange Building  
8 Duddell Street, Central  
Hong Kong

12 February 2004

*To the Independent Board Committee of  
Saint Honore Holdings Limited*

Dear Sirs,

**VOLUNTARY CONDITIONAL CASH OFFERS BY  
ACCESS CAPITAL LIMITED  
ON BEHALF OF WELL-POSITIONED CORPORATION  
TO ACQUIRE ALL THE ISSUED SHARES IN THE CAPITAL OF,  
AND FOR CANCELLATION OF ALL THE OUTSTANDING OPTIONS OF,  
SAINT HONORE HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY  
THE OFFEROR OR PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee in relation to the Offers, details of which are set out in the composite document (the "Composite Document") dated 12 February 2004 to the Shareholders and the Optionholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

The Independent Board Committee has been appointed to advise the Independent Shareholders and the Optionholders in relation to the Offers. In assessing the eligibility of the Directors to be a member of the Independent Board Committee, we have considered and taken into account the confirmations by each of the Directors to the Securities and Futures Commission in respect of their interests in the Company and have noted that: (1) Mr. Chan is a salaried director of the Company and HKCM, a director of the Offeror and the founder for the discretionary trust ("Discretionary Trust") established for the benefit of the family members of Mr. & Mrs. Chan which wholly owned the Offeror; (2) Mr. Shum Wing Hon is a salaried director of the Company and HKCM; (3) Ms. Wong Man Li, Carrina is a salaried Director; (4) Mr. Chan Ka Lai, Joseph is a salaried director of the Company and HKCM and an eligible beneficiary under the Discretionary Trust; (5) Mr. Chan Ka Shun, Raymond is a salaried Director and an eligible beneficiary under the Discretionary Trust; (6) Mrs. Chan is a salaried director of the Company and HKCM and a director of the Offeror; (7) Mr. Wong Chung Piu, Billy is a salaried Director; and (8) Dr. Cheung Wai Lam, William, an independent non-executive Director, is a director and one of the shareholders of a medical service company which provides medical service to the staff of HKCM. Based on the foregoing, we consider that Mr. Chan, Mr. Shum Wing Hon, Ms. Wong Man Li, Carrina, Mr. Chan



## LETTER FROM ALTUS CAPITAL

Ka Lai, Joseph, Mr. Chan Ka Shun, Raymond, Mrs. Chan, Mr. Wong Chung Piu, Billy and Dr. Cheung Wai Lam, William will not be eligible to be a member of the Independent Board Committee. The Independent Board committee thus comprise Dr. Ho Sai Wah, David and Mr. Bingley Wong, both of them are independent non-executive Directors.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the accuracy of the information and facts supplied by, the opinions expressed by and the representations of the Directors and the directors of the Offeror concerning the Group and the Offeror respectively, including those facts, opinions and representations set out in the Composite Document. We have assumed that all information, facts, opinions and representations made or referred to in the Composite Document were true at the time they were made and continued to be true at the dates of the Composite Document. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the directors of the Offeror. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinion expressed and we have no reason to doubt that any relevant material facts has been withheld or omitted from the information provided and referred to in the Composite Document or the reasonableness of the opinions and representations expressed by the Group and the Offeror, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document relating to the Group (but excluding that relating to the Offeror) and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in the Composite Document (other than those relating to the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document the omission of which would make any such statement in the Composite Document misleading. The directors of the Offeror have declared in a responsibility statement set out in Appendix IV of the Composite Document that they jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document the omission of which would make any such statement contained in the Composite Document misleading. We have no reason to suspect that such information is inaccurate or that any material facts have been omitted or withheld from the information supplied or opinions expressed in the Composite Document. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Composite Document and to provide a reasonable basis for our recommendation. We have relied on such information and opinions and have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospect of the Group, the Offeror or their respective associates.

We have not considered the tax implications on the Independent Shareholders and the Optionholders of their acceptances or non-acceptances of the Offers since these are particular to their own individual circumstances. In particular, the Independent Shareholders and the Optionholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offers and, if in any doubt, should consult their own professional advisers.

# LETTER FROM ALTUS CAPITAL

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

1. *Background of the Offers*

On 29 December 2003, the Board received a notification from the Offeror setting out the terms of a voluntary conditional cash offer to acquire all the issued Shares (other than those already owned by the Offeror or parties acting in concert with it) and a voluntary conditional cash offer for cancellation of all outstanding Options (other than those already owned by the Offeror or parties acting in concert with it).

The Offers will be made by Access Capital on behalf of the Offeror on the following basis:

**For each Share ..... HK\$1.09 in cash**  
**For cancellation of each Option**  
**(which are exercisable at HK\$0.50 per Share) ..... HK\$0.59 in cash**  
**For cancellation of each Option**  
**(which are exercisable at HK\$0.55 per Share) ..... HK\$0.54 in cash**

**The Offers are subject to the Conditions, which may or may not be satisfied. The Offers may lapse if they do not become unconditional.**

Further terms and conditions of the Offers, including the procedures for acceptance, are set out in the Composite Document.

2. *Historical Share price performance and trading liquidity*

Share price performance

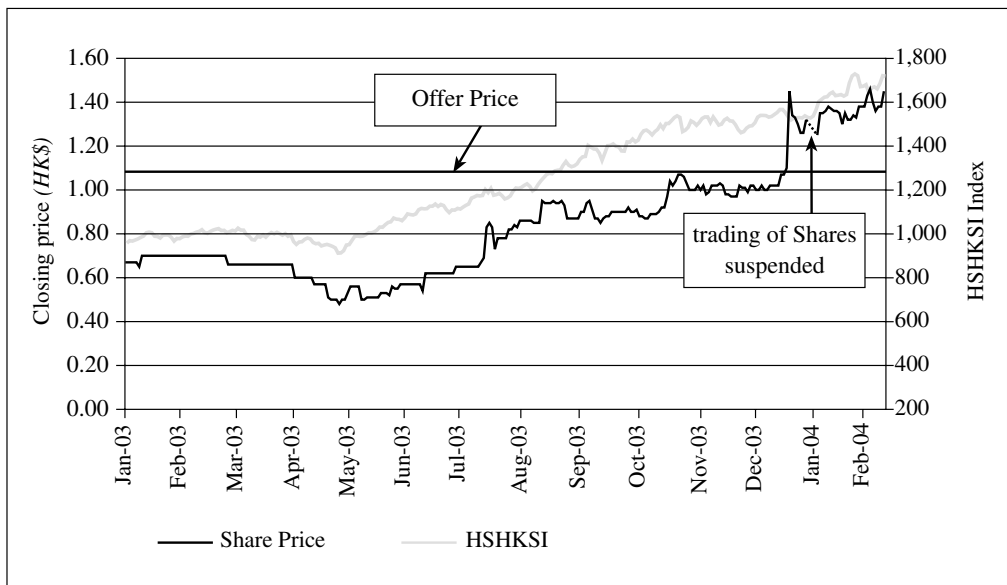
The Share Offer Price represents:

- (a) a discount of approximately 17.42% to the closing price of HK\$1.320 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a discount of approximately 12.80% to the average closing price of approximately HK\$1.250 per Share for the last 10 trading days up to and including the Last Trading Date;
- (c) a premium of approximately 0.46% over the average closing price of approximately HK\$1.085 per Share for the last 30 trading days up to and including the Last Trading Date;

## LETTER FROM ALTUS CAPITAL

- (d) a premium of approximately 5.93% over the average closing price of approximately HK\$1.029 per Share for the three months up to and including the Last Trading Date;
- (e) a premium of approximately 16.70% over the average closing price of approximately HK\$0.934 per Share for the six months up to and including the Last Trading Date; and
- (f) a discount of approximately 24.8% to the closing price per Share as quoted on the Stock Exchange of HK\$1.45 as at the Latest Practicable Date.

The following chart sets out the daily historical closing price of the Shares traded on the Stock Exchange starting from 2 January 2003, one year prior to the month of release of the Announcement, and the latest period up to and including the Latest Practicable Date (the “Review Period”). In addition, we have also compared the share price performance of the Company against the Hang Seng Hong Kong SmallCap Index (“HSHKSI”) during the Review Period.



The above Share price chart shows that the Shares have largely traded below the Share Offer Price during the Review Period.

## LETTER FROM ALTUS CAPITAL

The highest and lowest closing prices of the Shares for each of the months during the Review Period were as follows:

Month/period	Highest closing price of the month/period (HK\$)	Lowest closing price of the month/period (HK\$)	Month/ period end closing price (HK\$)	Average daily closing price of the month/period (HK\$)
2003				
January	0.70	0.65	0.70	0.690
February	0.70	0.66	0.66	0.694
March	0.66	0.66	0.66	0.660
April	0.60	0.48	0.53	0.554
May	0.57	0.50	0.57	0.535
June	0.65	0.54	0.65	0.604
July	0.86	0.65	0.86	0.747
August	0.95	0.85	0.87	0.896
September	0.95	0.85	0.91	0.898
October	1.07	0.87	1.02	0.965
November	1.03	0.97	1.02	1.002
December ( <i>Note</i> )	1.45	1.00	1.32	1.137
2004				
January ( <i>Note</i> )	1.38	1.25	1.38	1.346
February (up to the Latest Practicable Date)	1.46	1.36	1.45	1.409

*Note:* Trading of the Shares was suspended from 30 December 2003 to 2 January 2004 pending for the release of the Announcement.

During the Review Period, the Share price had a general upward trend since June 2003 and the Board was not aware of any reasons for such increases. The Shares had been traded between the highest and lowest closing prices of HK\$1.46 and HK\$0.48 respectively and the Share Offer Price has been higher than the market price of the Shares during most of the time during the Review Period. The closing price of the Shares of HK\$1.32, as quoted on 29 December 2003, being the Last Trading Date, represented a discount of approximately 9.6% from the highest closing price of HK\$1.46 in the Review Period. The Share Offer Price represents a discount of approximately 25.3% to the highest closing price and a premium of 127.1% to the lowest closing price during the Review Period.

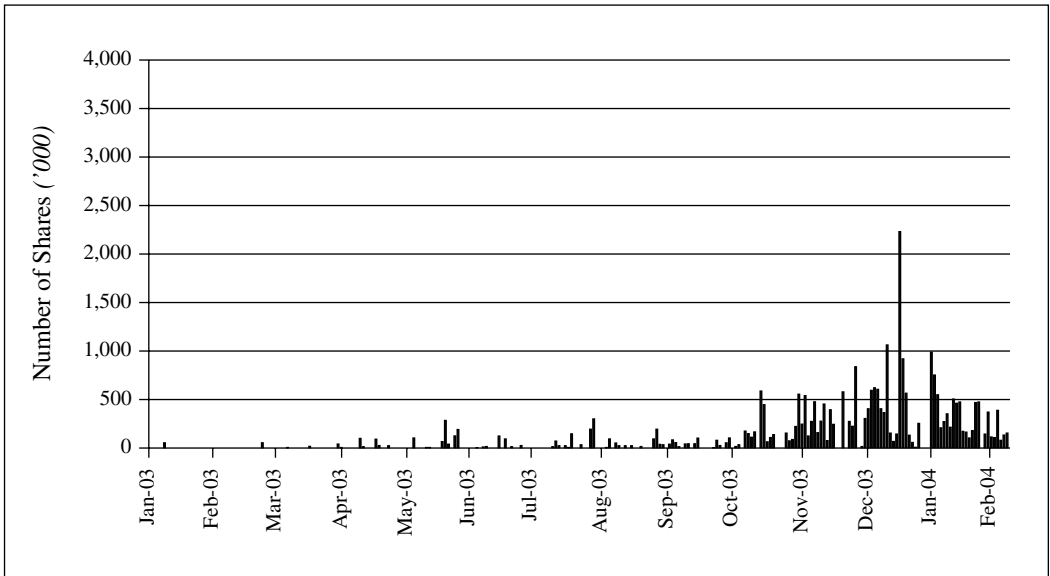
After the release of the Announcement, the Share price increased to HK\$1.45 as at the Latest Practicable Date. Since the resumption of trading of the Shares and up to the Latest Practicable Date, the closing price of the Shares has been in the range of HK\$1.25 to HK\$1.46.

## LETTER FROM ALTUS CAPITAL

The HSHKSI increased from 964 points as at 2 January 2003 to 1,537 points as at 29 December 2003, representing an increase of approximately 59.4%; while the Share price increased from HK\$0.67 to HK\$1.32 during the same period, representing an increase of approximately 97.0%. As demonstrated above, the performance of the Shares has outperformed the HSHKSI during the period from 2 January 2003 to 29 December 2003.

### Liquidity

The following chart sets out the daily trading volume of the Shares during the Review Period.



## LETTER FROM ALTUS CAPITAL

The following table sets out the total number of Shares traded per month, and the respective percentage of monthly trading volume compared with the issued share capital and the free float respectively for the Review Period:

Month	Number of Shares traded per month/ period	Shares traded as a percentage of the issued share capital of the Company ( <i>Note 1</i> ) (%)	Shares traded as a percentage of Shares held by the public ( <i>Note 2</i> ) (%)
2003			
January	50,000	0.02	0.09
February	50,500	0.02	0.09
March	16,000	0.01	0.03
April	274,500	0.13	0.47
May	790,500	0.38	1.35
June	262,500	0.13	0.45
July	778,500	0.37	1.33
August	526,000	0.25	0.90
September	574,000	0.28	0.98
October	2,571,000	1.24	4.40
November	5,663,500	2.73	9.69
December ( <i>Note 3</i> )	8,818,778	4.24	15.09
2004			
January ( <i>Note 3</i> )	6,408,000	3.08	10.96
February (up to the Latest Practicable Date)	1,320,000	0.64	2.26

*Notes:*

1. Based on a total of 207,777,000 Shares issued and outstanding as at the Latest Practicable Date.
2. Based on 58,455,250 Shares in public hands as at the Latest Practicable Date.
3. Trading of the Shares was suspended from 30 December 2003 to 2 January 2004 pending for the release of the Announcement.

As illustrated in the above table, prior to the release of the Announcement and within the Review Period, the Shares have been thinly traded on the Stock Exchange with the highest trading volume recorded in December 2003 representing approximately 4.24% of the issued share capital of the Company or approximately 15.09% of the Shares held by the public. The trading volume of the Shares were within the range of 0.01% to 4.24% of the issued share capital of the Company or of 0.03% to 15.09% of the Shares held by the public during the period from January 2003 to December 2003. For the 248 trading days during 1 January 2003 to 31 December 2003, there were 137 trading days which no trading of the

## LETTER FROM ALTUS CAPITAL

Shares (excluding the days suspended for trading) was recorded on the Stock Exchange. The aggregate amount of Shares owned by Independent Shareholders as at the date of the Announcement represents approximately 34.4 times of the monthly average trading volume of Shares of 1,697,982 Shares for the 12 months ended 31 December 2003.

Although the trading of the Shares is relatively thin for the periods of the first nine months during 2003, the trading volume of the Shares recorded a substantial increase after September 2003. The trading volume of the Shares increased from approximately 0.28% of the issued share capital of the Company or approximately 0.98% of the Shares held by the public in September 2003 to approximately 4.24% of the issued share capital of the Company or approximately 15.09% of the Shares held by the public in December 2003. Save for the exercise of the Options by the employees of the Group since 31 March 2003 as set out in section headed "Share capital of the Company" in Appendix IV to the Composite Document and the dealings in the Shares by the Non-Relative Directors as set out in the letter from AMS and Access Capital, the Board has advised that it was not aware of any reasons for such increases.

Independent Shareholders are reminded that 1) the Share Offer Price has been higher than the market price of the Shares for most of the time during the Review Period; and 2) since the trading volume has been relatively low in the past, such recent increase in trading volume may or may not be sustained after the completion of the Offers. As such, the Share Offer represents an opportunity, which otherwise has not been available in the past 12 months, for Independent Shareholders, especially those with relatively larger shareholdings, to realise their investments in the Company at the higher end of the trading range, without having possible adverse impact on the market price of the Shares.

### 3. *Financial Performance of the Group*

The Company was incorporated in Bermuda with limited liability and the Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and its subsidiaries are principally engaged in the operation of bakery, eatery and property investment. A summary of the financial results of the Group for the three years ended 31 March 2003 and the six months ended 30 September 2003, the audited consolidated financial statements of the Group for the two years ended 31 March 2003 and the unaudited financial statements of the Group for the six months ended 30 September 2003 are set out in Appendix II to the Composite Document. A summary is as follows:

	For the year ended 31 March			For the six months ended 30 September	
	2001	2002	2003	2002	2003
	<i>HK\$'m</i>	<i>HK\$'m</i>	<i>HK\$'m</i>	<i>HK\$'m</i>	<i>HK\$'m</i>
Turnover	448.5	476.2	494.5	251.2	279.6
Profit attributable to Shareholders	19.5	20.2	18.5	7.8	19.9

## LETTER FROM ALTUS CAPITAL

During the three financial years ended 31 March 2003, the turnover of the Group increased consistently. Turnover increased from approximately HK\$448.5 million for the year ended 31 March 2001 to approximately HK\$476.2 million for the year ended 31 March 2002, representing an increase of approximately 6.2%. Turnover further increased to approximately HK\$494.5 million for the year ended 31 March 2003, representing an increase of approximately 3.8% as compared to that of the previous financial year. As stated in the annual report of the Company for the year ended 31 March 2003, the increase in turnover for the year ended 31 March 2003 was attributable to the concerted effort of effective marketing tactics and stringent product quality controls. The Group recorded consolidated net profit attributable to Shareholders of approximately HK\$19.5 million, HK\$20.2 million and HK\$18.5 million respectively for the three years ended 31 March 2003.

For the six months ended 30 September 2003, turnover of the Group was approximately HK\$279.6 million, representing an increase of approximately 11.3% as compared to the same period last year, whilst the Group recorded a profit of approximately HK\$19.9 million, representing a substantial increase of approximately 153.4% over the net profit for the six months ended 30 September 2002. As stated in the interim report of the Group for the six months ended 30 September 2003, the increase in the turnover and net profits was attributable to, among others, successful marketing and promotion strategies as well as improved product quality. The Directors have advised that the business of the Group would benefit from the improved market sentiment in Hong Kong.

Based on the above, we consider that the performance of the Group for the three years ended 31 March 2003 has been stable, and that the significant improvement in profitability since then has resulted from an overall improvement in operational efficiency and profitability rather than from any one-off events.



## LETTER FROM ALTUS CAPITAL

### 4. *Financial position of the Group*

A summary of the audited consolidated balance sheet of the Group as at 31 March 2003 and the unaudited consolidated balance sheet of the Group as at 30 September 2003 is set out below.

	<b>As at 31 March 2003</b>	<b>As at 30 September 2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>		
Intangible assets	36,800	34,500
Fixed assets	181,235	175,847
Others	11,456	10,925
	229,491	221,272
<b>Current assets</b>		
Inventories	7,698	7,835
Trade, other receivables and others	9,347	16,574
Cash and bank balances	92,169	117,721
	109,214	142,130
<b>Current liabilities</b>		
Amount due to the ultimate holding company	(67)	(2,313)
Trade, tax and other payables	(55,090)	(72,746)
Cake coupon liabilities	(39,846)	(36,542)
	(95,003)	(111,601)
<b>Non-current liabilities</b>		
Cake coupon liabilities	(87,518)	(82,730)
Others	(7,674)	(8,224)
	(95,192)	(90,954)
<b>Shareholders' funds</b>	148,510	160,847

In assessing the components of the consolidated balance sheet of the Group as at 30 September 2003, we wish to point out that a substantial portion of the Group's assets comprised fixed assets (being properties, leasehold improvements and furniture, fixtures and equipment) of approximately HK\$175.8 million and cash and bank balances of approximately HK\$117.7 million. The Group's liabilities as at 30 September 2003 comprised mainly current trade and other payables of approximately HK\$72.7 million and cake coupon liabilities of approximately HK\$119.3 million. In addition, the Group had no bank or other borrowings

## LETTER FROM ALTUS CAPITAL

and had a current ratio of approximately 1.3 times as at 30 September 2003. According to the Directors, there is currently no specific intentions in respect of deployment of the aforesaid cash and bank balances, other than to employ such assets in continuing to operate its core businesses.

### 5. *Comparable companies*

As stated above, the Group is principally engaged in the operation of bakery, eatery and property investment. Turnover attributable to the bakery segment represented approximately 94.9% of the total turnover of the Group for the six months ended 30 September 2003. The Group has also recorded consistent profits for the past three financial years. In order to conduct the various analyses discussed in the section headed “Valuation of the Group” below, we have reviewed all the listed companies in the Main Board of the Stock Exchange and noted that no other listed company is engaged principally in bakery operations. For reference purpose, we have searched for companies which 1) are engaged principally in the food and beverage business with retail network and 2) have recorded profits in the past three financial years and found only one company which fulfills the above criteria, namely Café de Coral Holdings Limited (“Café de Coral”). We however wish to point out that Café de Coral is in the business of operating fast food restaurant chains, casual dining and specialty restaurant chains and institutional catering and does not operate in an identical market segment as the Group which focuses primarily on bakery operations. Moreover, the scale of operations of Café de Coral is substantially larger than the Group and is more geographically diversified.

### 6. *Valuation of the Group*

We have reviewed and compared the valuation of the Group with that of Café de Coral. The key measures are set out below.

	Closing price per share as at 29 December 2003 <i>(Note 1)</i> <i>(HK\$)</i>	Price/ earnings ratio <i>(times)</i>	Return on equity <i>(%)</i>	Return on total tangible asset <i>(%)</i>	Return on total asset <i>(%)</i>	Dividend yield <i>(Note 2)</i> <i>(%)</i>
Café de Coral	7.00					
– Based on the annual report for the year ended 31 March 2003		15.5	16.8	12.6	12.5	3.5
– Based on the interim report for the six months ended 30 September 2003 <i>(Note 3)</i>		39.0	6.6	5.3	5.2	0.9 <i>(Note 4)</i>
<b>The Company</b>	<b>1.09</b>					
– Based on the annual report for the year ended 31 March 2003		<b>11.6</b>	<b>12.5</b>	<b>6.1</b>	<b>5.5</b>	<b>5.0</b>
– Based on the interim report for the six months ended 30 September 2003 <i>(Note 3)</i>		<b>10.8</b>	<b>12.4</b>	<b>6.0</b>	<b>5.5</b>	<b>3.7</b>

## LETTER FROM ALTUS CAPITAL

*Notes:*

1. The share price of the Company is the Share Offer Price.
2. Dividend yields of the Company are calculated based on the Share Offer Price of HK\$1.09 whilst the dividend yields of Café de Coral are calculated based on its closing price of HK\$7.00 on the Last Trading Date.
3. Based on the results for the six months ended 30 September 2003, not annualised.
4. Based on the interim dividend of Café de Coral which was HK\$0.064 per share and excluding a special dividend of HK\$0.064 per share.

In assessing the valuation of the Group, we have primarily focused on the latest announced profitability and dividend of the Group and of Café de Coral, as we are of the view that such valuation should reflect the latest financial performance of the entities, particularly in view of the fact that both have been consistently profitable and have a track record of consistent dividend payment.

Accordingly, in reviewing and comparing the price/earning multiples, return on equity, return on tangible asset, and dividend yields, we have focused on those derived from the latest interim results of both companies for the six months ended 30 September 2003. Nonetheless, the corresponding ratios and percentages based on the previous year's financials have been set out for reference.

a. Price/earnings multiples

The price/earnings multiple of Café de Coral based on its audited net profit for the year ended 31 March 2003 was approximately 15.5 times and the price/earnings multiple of Café de Coral based on its unaudited net profit for the six months ended 30 September 2003 was approximately 39.0 times.

The price/earnings multiple represented by the Share Offer Price based on the audited net profit of the Group for the year ended 31 March 2003 was approximately 11.6 times while price/earnings multiple represented by the Share Offer Price based on the Group's unaudited net profit for the six months ended 30 September 2003 was approximately 10.8 times.

As stated above, we noted that the scale of operations of Café de Coral is substantially larger than the Group and is more geographically diversified. Having taken the aforesaid into consideration, we are of the view that on the basis of price/earnings multiple, the valuation of the Company based on the Share Offer Price, which is substantially lower than that of Café de Coral, is not fair and reasonable, particularly in view of the latest performance of the Group, which was reflected by the higher return on equity and dividend yield as compared with those of Café de Coral.

## LETTER FROM ALTUS CAPITAL

b. Return on equity (“ROE”)

To further analyse the valuation of the Company, we have compared the ROE of the Company with that of Café de Coral. Based on the Group’s net profit for the year ended 31 March 2003 and its equity position as at 31 March 2003, the return on equity was approximately 12.5% which is slightly lower than that of Café de Coral. Based on the Group’s unaudited net profit for the six months ended 30 September 2003 and its equity position as at 30 September 2003, the return on equity was approximately 12.4% which is higher than the corresponding ratio of Café de Coral based on its unaudited net profit for the six months ended 30 September 2003.

As a measure of effectiveness with which shareholders’ equity has been used to generate profits, the above indicates that the Group has not only matched, but has been more effective, than Café de Coral in generating profits from its equity base.

In general, at a given price/earning multiple, a company that has a lower ROE will have a share price of a lower premium over or a higher discount to its underlying net asset value compared with a company with a higher ROE. In this context, assuming that Café de Coral trades at the same price/earnings multiple of the Company of approximately 11 times as described above, Café de Coral’s share price would then represent a discount to its net asset value while the Group trades at a premium to its net asset value due to the fact that the ROE of Café de Coral is lower than the Group’s. In other words, such premium reflects the fact that the equity of the Group has been more effectively utilised as compared with Café de Coral.

c. Return on total tangible asset and return on total asset

Based on the Group’s unaudited net profit for the six months ended 30 September 2003 and (i) total tangible assets as at 30 September 2003; and (ii) the total assets as at 30 September 2003, the return on total tangible asset and return on total asset were approximately 6.0% and 5.5% which are similar to the corresponding ratios of Café de Coral based on its unaudited net profit for the six months ended 30 September 2003.

d. Net asset value and net tangible asset value

The Share Offer Price represents:

- (i) A premium of approximately 33.6% over the net asset value per Share of approximately HK\$0.816 based on the interim report of the Company for the six months ended 30 September 2003. By comparison, the premium of the closing share price over the net asset value per share of Café de Coral as at 30 September 2003 was approximately 156.5%.
- (ii) A premium of approximately 32.8% over the pro forma unaudited adjusted consolidated net asset value per Share of approximately HK\$0.821 (based on the statement of pro forma unaudited adjusted consolidated net tangible asset value of the Group as set out in Appendix II to the Composite Document). The pro forma unaudited adjusted consolidated net asset

## LETTER FROM ALTUS CAPITAL

value of the Group has been adjusted by deferred tax liabilities charged against property revaluation reserve on adopting SSAP12 (revised) in preparing the Group's financial statements commencing 1 April 2003, the unaudited profit attributable to Shareholders for the six months ended 30 September 2003, the surplus arising on the revaluation of the Group's property interests, the proceeds from issue of Shares upon exercise of Options for the period from 1 April 2003 to the Latest Practicable Date, the profit from disposal of an investment property which constituted a discloseable transaction to the Group and the dividend paid on 9 September 2003 and on 28 January 2004.

- (iii) A premium of approximately 70.0% over the net tangible asset value per Share of approximately HK\$0.641 based on the interim report of the Company for the six months ended 30 September 2003. By comparison, the premium of the closing share price over the net tangible asset value per share of Café de Coral as at 30 September 2003 was approximately 160.7%.
  
- (iv) A premium of approximately 66.4% over the pro forma unaudited adjusted consolidated net tangible asset value per Share of approximately HK\$0.655 (based on the statement of pro forma unaudited adjusted consolidated net tangible asset value of the Group as set out in Appendix II to the Composite Document). The pro forma unaudited adjusted consolidated net tangible asset value of the Group is the pro forma unaudited adjusted consolidated net asset value of the Group being further adjusted by deducting the intangible assets of the Group, which was the net book value of the trademarks of the Group as at 30 September 2003. In relation to the value of trademark, it is noted that the net book value of trademark has been reduced from HK\$92 million, being the valued when it was acquired by HKCM in June 1991, to about HK\$34.5 million as at 30 September 2003 as its value has been amortised in accordance with the Group's accounting policy. We are of the view that the valuation of the trademark in isolation is not important in the current context where the Group is assessed or analysed as a going concern. In particular, the Offeror has indicated that it will continue to carry on the businesses of the Group with the use of such trademark in the foreseeable future and that there will be no change in the principal activities and business directions of the Group after the Offers. In this respect, we have assessed the Group based on the earnings generated by its underlying businesses (which includes the ongoing use of such trademark) and analysed its financial performance by reference to price/earnings multiple, ROE, return on asset, dividend yield, as well as the underlying track record performance of the Group's operations. Based on our discussions with the Directors, we are of the view that the adjustments made in arriving at the pro forma unaudited adjusted consolidated net tangible asset value of the Group would reflect the Group's financial position as at the Latest Practicable Date.

## LETTER FROM ALTUS CAPITAL

We believe it is more appropriate to value the Company by reference to its earnings (as represented by the price/earnings multiple) as it reflects the earnings potential of the underlying business as a going concern. This is consistent with the intention of the Offeror that it will continue to carry on the businesses of the Group and that there will be no change in the principal activities and business directions of the Group after the Offers.

On this basis, the premium of the Share Offer Price over the pro forma unaudited adjusted consolidated net tangible asset value per Share of approximately 66.4% is substantially lower than that of Café de Coral. This reflects the relatively low valuation of the Group, as reflected in its low price/earnings multiple accorded by the Share Offer Price as described above.

e. Dividend yield

The dividend payout history of the Company is as follows:

	<b>For the year ended 31 March</b>			<b>For the</b>
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>six months ended</b>
				<b>30 September 2003</b>
Basic earnings per Share (HK cents)	9.9	10.3	9.4	10.1
Total dividend per Share (HK cents)	6.0	6.0	5.5	4.0
Payout ratio	60.6%	58.3%	58.5%	39.6%

For comparison, the dividend payout ratio of Café de Coral is as follows:

	<b>For the year ended 31 March</b>			<b>For the</b>
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>six months ended</b>
				<b>30 September 2003</b>
Basic earnings per Share (HK cents)	45.8	51.2	45.2	18.0
Total dividend per Share (HK cents)	19.5	21.5	24.4	(Note) 6.4
Payout ratio	42.6%	42.0%	54.0%	(Note) 35.6%

*Notes:* Excluding a special interim dividend.

Both the Company and Café de Coral have had a consistent dividend payment record and have paid out dividends in the past three financial years as well as for the six-month period ended 30 September 2003. For the three years ended 31 March 2003, the annual dividend payout ratio of the Company has been consistently above 58% and the dividend payout ratio for the six months ended 30 September 2003 was approximately 40%.

Moreover, referring to the previous table above, the dividend yield of the Company based on the Share Offer Price for the year ended 31 March 2003 was approximately 5.0% and was higher than that of Café de Coral which was 3.5%. The

## LETTER FROM ALTUS CAPITAL

dividend yield of the Company based on the Share Offer Price for the six month ended 30 September 2003 was approximately 3.7% and was also higher than that of Café de Coral which was approximately 0.9%. Overall, based on the Share Offer Price, the dividend yield of the Company is attractive in the current low interest rate environment.

Based on the above analysis, and in particular that 1) the price/earnings multiple represented by the Share Offer Price based on the unaudited net profit for the six months ended 30 September 2003 was substantially lower than that of Café de Coral; 2) the return on equity and return on asset of the Company were higher than or similar to those of Café de Coral; and 3) the dividend yield represented by the Share Offer Price, being higher than that of Café de Coral, is attractive, we consider that the Share Offer Price is not attractive to Independent Shareholders.

### *7. Intention of the Offeror regarding the future prospects of the Group*

The status of the Group's business intentions is set out in the letter from the Board contained in the Composite Document. As set out in the letter from AMS and Access Capital contained in the Composite Document, it is the intention of the Offeror that the existing businesses of the Group will remain unchanged and the Offeror has no intention to make any acquisition or disposal of assets or business through the Group by reason only of the Offers, nor does it intend to introduce any material changes to the existing businesses, operations or assets of the Group (including deployment of the fixed assets of the Group) or the existing dividend distribution policy of the Company by reason only of the Offers.

The Offeror intends to maintain the listing of the Shares on the Stock Exchange. The Offeror has undertaken to the Stock Exchange that appropriate steps will be taken to ensure that not less than 25% of the Shares will be held by the public.

**The Stock Exchange has stated that if, at the closing of the Offers, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares until a sufficient level of public float is attained. In this connection, it should be noted that upon completion of the Offers, there may be insufficient public float in the Shares and therefore, trading in the Shares may be suspended until a sufficient level of public float is attained.**

**If the Company remains a listed company after the close of the Offers, the Stock Exchange will also closely monitor all future acquisitions or disposals of assets by the Company. Any acquisitions or disposals of assets by the Company and its subsidiaries will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require the Company to issue an announcement and a circular to the Shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of the Company. The Stock Exchange also has the power to aggregate a series of acquisitions or disposals of the Company and any such transactions may result in the Company being treated as if it were a new listing applicant and subject to the requirements for new listings applicants as set out in the Listing Rules.**

# LETTER FROM ALTUS CAPITAL

## RECOMMENDATIONS

### 1. Share Offer

Having considered the above factors, in particular that:

- (a) The performance of the Company has been stable for the past three financial years ended 31 March 2003, and that the Company has achieved a substantial increase in profits for the six months ended 30 September 2003 of approximately 153.4% as compared to the same period last year.
- (b) The valuation of the Company based on the price/earnings multiple basis is low, particularly in view of the stable track record of the Group, and the significant improvement in profitability for the six months ended 30 September 2003, and its relatively high return of equity achieved.
- (c) The Company has a consistent dividend policy and, based on the Share Offer Price, dividend yield is attractive in the current low interest rate environment.

Having considered the above factors, we are of the view that the Share Offer, including the Share Offer Price, to be not fair and reasonable so far as the Independent Shareholders are concerned. We therefore recommend the Independent Board Committee to advise the Independent Shareholders to consider **not** accepting the Share Offer.

Notwithstanding the above, we would like to point out that, as explained in the section headed "Historical Share price performance and trading liquidity", the Share Offer Price is at discounts of about 17.4% and 12.8% to the prices of Shares on the Last Trading Date and the average closing price of the last 10 trading days up to and including the Last Trading Date respectively. However, it is at a premium of about 0.5% over the average closing price of the last 30 trading days up to and including the Last Trading Date. Although Share price has increased substantially during the Review Period, the Shares have been traded at below the Share Offer Price during most of the Review Period until about two weeks before the announcement of the Offers, and liquidity of Shares has been generally low, except for the months of November and December 2003. The Share Offer therefore represents an opportunity, which otherwise has not been available in the past 12 months, for Independent Shareholders, especially those with relatively larger shareholdings, to realise their investments in the Company at the higher end of the trading range, without having an adverse impact on the prices of Shares in the market.

It is noted that certain Directors have disposed of Shares at above the Share Offer Price in the market after the Announcement was made. Details of the disposals are set out in the section headed "Dealings in the Shares or Options by the Non-Relative Directors, the Offeror or parties acting in concert with it" in the letter from AMS and Access Capital.

We would like to advise those Independent Shareholders who, having regard to their own circumstances, wish to realise whole or part of their Shares to closely monitor the market price and the liquidity of the Shares in the market during the period of the Offers since the market price of the Shares is higher than the Share Offer Price. However, we wish to emphasise that there is no certainty that the Shares will continue to trade at current levels or that the current trading volume will be sustainable. Thus, we would advise Independent Shareholders, especially those with relatively large shareholdings, to closely monitor the market price and the liquidity of the Shares in the market during the period of the Offers.



## LETTER FROM ALTUS CAPITAL

Independent Shareholders should read carefully the procedures for accepting the Share Offer as detailed in Appendix I to the Composite Document and are strongly advised that the decision to realise or to hold their investment in the Shares is subject to individual circumstances and investment objectives.

### 2. Option Offer

As at the Latest Practicable Date, there are 6,640,000 outstanding Options. Of the outstanding Options, 4,170,000 Options are exercisable at HK\$0.50 (subject to adjustment) per Share and 2,470,000 Options are exercisable at HK\$0.55 (subject to adjustment) per Share at any time starting from 1 May 2001 to 30 September 2011, save for 4,170,000 Options which carry an expiry date of 31 May 2010. The Options were granted to Directors and full-time employees of the Company under the employee share option scheme of the Company adopted on 25 October 2000 and such Options are not transferable.

Access Capital, on behalf of the Offeror, has made an offer to pay the Optionholders, including the Non-Relative Directors but excluding the Offeror or parties acting in concert with it, a consideration of (i) HK\$0.59 in cash in respect of every Option which are exercisable at HK\$0.50 per Share and (ii) HK\$0.54 in cash in respect of every Option which are exercisable at HK\$0.55 per Share, which represents the difference in value between the Share Offer Price and the respective exercise price of HK\$0.50 and HK\$0.55 of the outstanding Options, in consideration of the surrender to the Company by the relevant Optionholders of all the existing rights attaching to their Options, following which such Options will be cancelled and extinguished.

Based on the closing prices of the Shares of HK\$1.32 on the Last Trading Date, there is a premium of approximately 21.1% to the exercise price of the outstanding Options plus the Option Offer Price. Based on our analysis above in relation to the Share Offer Price, which, amongst others, include principally 1) the stable financial performance of the Group; 2) better performance as compared with Café de Coral; 3) the relatively low valuation on a price/earnings multiple basis reflected in the Share Offer Price; and 4) the stable dividend yield, we consider that the Option Offer Price is not fair and reasonable. We therefore recommend the Independent Board Committee to advise the Optionholders to consider **not** accepting the Option Offer.

Nevertheless, it should be noted that the exercise of these Options would result in a total of 6,640,000 Shares being issued and given the relatively thin trading volume of the Shares on the Stock Exchange as discussed above, there is uncertainty as to whether such a large block of Shares could be sold in the market within a short period of time without exerting a significant downward pressure on the price of the Shares. Therefore, Optionholders who, having regard to their own circumstances, wish to exercise their Options and sell the resulting new Shares may find the Option Offer to be an opportunity for them to realise their investments.

Yours faithfully,

For and on behalf of

**Altus Capital Limited**

**Arnold Ip**

*Executive Director*

**Kevin Chan**

*Executive Director*

## **1. FURTHER PROCEDURES FOR ACCEPTANCE OF THE OFFERS**

### **A. The Share Offer**

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your Shares, you must either:
- (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorizing it to accept the Share Offer on your behalf and requesting it to deliver the **WHITE** form of acceptance and transfer of the Shares duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the **WHITE** form of acceptance and transfer of the Shares duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (iii) if your Shares have been lodged with your licensed securities dealer (or other registered dealer in securities)/custodian bank through CCASS, instruct your broker/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited, in this case, on Wednesday, 3 March 2004 which is one Business Day before the latest date on which acceptances of the Share Offer must be received by the Registrar. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities)/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities)/custodian bank as required by them; or
  - (iv) if your Shares have been lodged with your Investor Participant Account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System not later than one Business Day before the latest date on which acceptance of the Share Offer must be received by the Registrar, which is Wednesday, 3 March 2004 in this case.
- (b) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept

the Share Offer in respect of your Shares, the **WHITE** form of acceptance and transfer of the Shares should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete the **WHITE** form of acceptance and transfer of the Shares and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an authority to Access Capital and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the **WHITE** form of acceptance and transfer of the Shares.
- (d) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** form of acceptance and transfer of the Shares is received by the Registrar by no later than 4:00 p.m. on Thursday, 4 March 2004 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, and is:
  - (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under this paragraph (d)); or
  - (iii) certified by the Registrar or the Stock Exchange.

If the **WHITE** form of acceptance and transfer of the Shares is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (e) No acknowledgement of receipt of any **WHITE** form(s) of acceptance and transfer of the Shares, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

- (f) If the Share Offer is withdrawn or lapses, the Offeror shall, as soon as possible, but in any event within ten days thereof, return by ordinary post the Share certificate(s) lodged with the **WHITE** Form(s) of Acceptance to the relevant Shareholder(s).
- (g) The address of the Registrar is at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

## **B. The Option Offer**

- (a) If you accept the Option Offer, you should complete the **PINK** form of acceptance and cancellation of the Options obtainable from the head office and principal place of business of the Company at 5/F., Express Industrial Building, 43 Heung Yip Road, Wong Chuk Hang, Hong Kong in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Option Offer.
- (b) The completed **PINK** form of acceptance and cancellation of the Options should be forwarded, together with the relevant Option certificate(s) (if any) stating the number of Options for not less than the number of Options in respect of which you intend to accept the Option Offer, by post or by hand to the Company Secretary of the Company at 5/F., Express Industrial Building, 43 Heung Yip Road, Wong Chuk Hang, Hong Kong, marked "**SHHL Option Offer**" on the envelope, as soon as possible and in any event so as to reach the Company Secretary of the Company at the aforesaid address by no later than 4:00 p.m. on Thursday, 4 March 2004 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive.
- (c) If the Option Offer is withdrawn or lapses, the Offeror shall, as soon as possible, but in any event within ten days thereof, return by hand or by ordinary post the Option certificate(s) (if any) lodged with the **PINK** Form(s) of Acceptance to the relevant Optionholder(s).

## **2. ACCEPTANCE PERIOD AND REVISIONS**

The Offeror does not intend to extend or to revise the terms of the Offers but it reserves the right to do so in accordance with the relevant provisions of the Takeovers Code. Unless the Offers have previously been extended, all Forms of Acceptance must be received by 4:00 p.m. on Thursday, 4 March 2004 and the Offers will close at the same time.

If in the course of the Offers, the Offeror extends or revises their terms, all the Shareholders and the Optionholders, whether or not they have already accepted the Offers, will be entitled to the benefits of any revision of the Offers. A revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the First Closing Date.

### 3. ANNOUNCEMENTS

- (a) By 6:00 p.m. on Thursday, 4 March 2004 (or such later time and/or date as the Executive agrees) which is the First Closing Date, the Offeror must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension or expiry of the Offers. The Offeror must publish a teletext announcement through the Stock Exchange by 7:00 p.m. on the First Closing Date stating the results of the Offers and whether the Offers have been revised, extended or has expired. Such announcement must be republished in accordance with the requirements set out in item (c) below on the next Business Day.

The announcement must state the following:

- (i) the total number of Shares for which acceptances of the Share Offer have been received;
- (ii) the total number of Shares held, controlled or directed by the Offeror or parties acting in concert with it before the commencement of the offer period;
- (iii) the total number of Shares acquired or agreed to be acquired during the offer period by the Offeror or parties acting in concert with it;
- (iv) the total number of Options for which acceptances of the Option Offer have been received;
- (v) details of any existing holding of voting rights and rights over Shares:–
  - (1) which the Offeror owns or over which it has control or direction;
  - (2) which is owned or controlled or directed by any person acting in concert with the Offeror;
  - (3) in respect of which the Offeror or any person acting in concert with it has received an irrevocable commitment to accept the Offers; and
  - (4) in respect of which the Offeror or any person acting in concert with it holds convertible securities, warrants or options;
- (vi) details of any outstanding derivative in respect of securities of the Company acquired by the Offeror or any person acting in concert with it; and
- (vii) details of any arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror and which might be material to the Offers.

The announcement must also specify the percentages of the issued share capital of the Company and voting rights of the Company represented by these numbers of Shares and Options.

- (b) In computing the number of Shares represented by acceptances, there may be included or excluded for announcement purposes acceptances which are not in all respects in order or that are subject to verification.
- (c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offers, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be published as a paid announcement in at least one leading English language newspaper and one leading Chinese newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong.

#### **4. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Offers tendered by the Shareholders and the Optionholders, as the case may be, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below or in compliance with Rule 17 of the Takeovers Code which provides that an acceptor shall be entitled to withdraw his acceptance after 21 days from the First Closing Date, if the Offers have not by then become unconditional as to acceptances.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “Announcements” in this Appendix, the Executive may require that the Shareholders and the Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

#### **5. GENERAL**

- (a) All communications, notices, Forms of Acceptance, certificates of Shares or Options (if any), transfer receipts, other documents of title or indemnity and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Shareholders and the Optionholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of the Company, the Offeror, AMS, Access Capital, the Registrar nor any of their respective directors or other parties involved in the Offers or any of this respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Forms of Acceptance form part of the terms of the Offers.
- (c) The accidental omission to despatch this Composite Document and/or Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (d) The Offers and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

<b>APPENDIX I            FURTHER PROCEDURES FOR ACCEPTANCE OF THE OFFERS</b>
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- (e) Due execution of the Forms of Acceptance will constitute an authority to any Director or such person or persons as the Company may direct to complete and execute any document on behalf of the person accepting the Offers and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person has accepted the Offers.
- (f) Acceptance of the Offers by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that the Shares and the Options acquired under the Offers are sold by any such person or persons free from all third party rights, liens, claims, charges, equities and encumbrances and together with all rights attaching and accruing thereto including the rights to receive all future dividends or other distributions declared, paid or made on or after the date on which the Share Offer is made. The Optionholders will surrender to the Company all of their existing rights, if any, in respect of the Options, following which such Options will be cancelled and extinguished.
- (g) Seller's ad valorem stamp duty for Shares registered on the Hong Kong branch register arising in connection with acceptance of the Share Offer will be payable by each accepting Shareholder at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable by the Offeror for such person's Shares and will be deducted from the consideration payable on acceptance of the Share Offer. The Offeror will then pay the stamp duty to the stamp office.
- (h) The Offeror does not intend to exercise any right which may be available to it to acquire compulsorily any Shares or Options not acquired under the Offers after the Offers have closed.
- (i) References to the Offers in this Composite Document and in the Forms of Acceptance shall include any revision and/or extension thereof.
- (j) The making of the Share Offer to Overseas Shareholders may be affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Share Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent, exchange control and any registration or filing which may be required in compliance with all necessary formalities or legal requirements. Any such Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes or duties imposed by whomsoever payable in respect of that jurisdiction.

**I. SUMMARY OF FINANCIAL RESULTS FOR THE THREE YEARS ENDED 31 MARCH 2003 AND SIX MONTHS ENDED 30 SEPTEMBER 2003**

**A. Financial summary**

The following financial information has been extracted from the audited financial statements of the Group for each of the three years ended 31 March 2003 and the unaudited interim report of the Group for the six months ended 30 September 2003:

	(Audited)			(Unaudited)
	For the year ended 31 March			For the six months ended 30 September
	2001	2002	2003	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(As restated)			
Turnover	<u>448,547</u>	<u>476,189</u>	<u>494,492</u>	<u>279,551</u>
Operating profit ( <i>Note</i> )	23,409	24,479	25,426	23,647
Finance costs	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Profit before taxation	23,409	24,479	25,426	23,647
Taxation	<u>(3,949)</u>	<u>(4,279)</u>	<u>(6,897)</u>	<u>(3,771)</u>
Profit attributable to shareholders	<u>19,460</u>	<u>20,200</u>	<u>18,529</u>	<u>19,876</u>
Dividends	<u>11,774</u>	<u>11,774</u>	<u>10,793</u>	<u>8,176</u>
Earnings per share – HK cents	<u>9.9</u>	<u>10.3</u>	<u>9.4</u>	<u>10.1</u>
Dividend per share – HK cents	<u>6.0</u>	<u>6.0</u>	<u>5.5</u>	<u>4.0</u>



Note:

	(Audited)			(Unaudited)
	For the year ended 31 March			For the six months ended
	2001	2002	2003	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Operating profit is stated after charging:-</i>				
Loss incurred on closure of an eatery outlet	(2,062)	-	-	-
Deficit on revaluation of an investment property	-	-	(4,586)	-
	<u>(2,062)</u>	<u>-</u>	<u>(4,586)</u>	<u>-</u>

Save as disclosed above, the Group had no other exceptional items for each of the three years ended 31 March 2003 and the six months ended 30 September 2003. Based on SSAP 2, there had been no extraordinary item which needed to be disclosed separately during the same period.

**B. Audited financial statements of the Group for the year ended 31 March 2003**

Set out below the audited financial statements of the Group for the year ended 31 March 2003 is the reproduction of pages 22 to 55 of the 2003 annual report of the Company. References to page numbers are the page numbers of such annual report of the Company.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

*For the year ended 31 March 2003*

	<i>Note</i>	<b>2003</b> <i>HK\$</i>	<b>2002</b> <i>HK\$</i>
<b>Turnover</b>	3	494,492,281	476,188,594
<b>Other revenues</b>	3	1,639,167	2,645,043
<b>Costs of inventories consumed</b>		(143,508,125)	(134,496,725)
<b>Staff costs</b>	9	(155,765,271)	(163,098,544)
<b>Operating lease rentals</b>		(50,091,067)	(51,427,496)
<b>Depreciation of fixed assets</b>		(28,623,123)	(25,643,550)
<b>Other operating expenses</b>		(88,117,869)	(75,087,933)
<b>Amortisation of intangible assets</b>		<u>(4,600,000)</u>	<u>(4,600,000)</u>
<b>Profit before taxation</b>	4	25,425,993	24,479,389
<b>Taxation</b>	5	<u>(6,897,028)</u>	<u>(4,279,462)</u>
<b>Profit attributable to shareholders</b>	6	<u>18,528,965</u>	<u>20,199,927</u>
<b>Dividends</b>	7	<u>10,792,595</u>	<u>11,773,740</u>
<b>Earnings per share</b>	8		
Basic		9.4 cents	10.3 cents
Diluted		<u>9.2 cents</u>	<u>10.1 cents</u>

## CONSOLIDATED BALANCE SHEET

As at 31 March 2003

	<i>Note</i>	<b>2003</b> <i>HK\$</i>	<b>2002</b> <i>HK\$</i>
<b>Non-current assets</b>			
Intangible assets	12	36,800,000	41,400,000
Fixed assets	13	181,235,317	186,101,496
Rental deposits paid		11,456,101	11,134,424
		229,491,418	238,635,920
<b>Current assets</b>			
Inventories	15	7,698,058	4,785,064
Trade receivables	16	2,103,878	2,241,978
Deposits, prepayments and other receivables		7,243,030	10,585,095
Taxation recoverable		–	734,694
Pledged bank deposits		–	1,212,472
Bank balances and cash		92,169,440	79,705,466
		109,214,406	99,264,769
<b>Current liabilities</b>			
Amount due to ultimate holding company	17	66,647	455,081
Trade payables	19	8,483,758	7,635,338
Other payables and accrued charges		42,144,514	43,729,145
Taxation payable		4,461,996	1,824,975
Cake coupon liabilities – current portion		39,846,547	45,009,880
		95,003,462	98,654,419
<b>Net current assets</b>		14,210,944	610,350
<b>Total assets less current liabilities</b>		<u>243,702,362</u>	<u>239,246,270</u>
<b>Financed by:</b>			
<b>Share capital</b>	21	19,622,900	19,622,900
<b>Reserves</b>	23	122,018,728	114,282,358
<b>Dividend reserve</b>	23	6,868,015	6,868,015
<b>Shareholders' funds</b>		148,509,643	140,773,273
<b>Cake coupon liabilities – non-current portion</b>		87,518,566	90,159,170
<b>Rental deposit received</b>		239,355	239,355
<b>Provision for long service payments</b>			
– non-current portion	20	6,175,268	6,851,000
<b>Deferred taxation</b>	24	1,259,530	1,223,472
		<u>243,702,362</u>	<u>239,246,270</u>

**BALANCE SHEET***As at 31 March 2003*

	<i>Note</i>	<b>2003</b> <i>HK\$</i>	<b>2002</b> <i>HK\$</i>
<b>Investments in subsidiaries</b>	<i>14</i>	196,687,880	196,687,880
<b>Current assets</b>			
Amounts due from subsidiaries	<i>18</i>	28,198,305	22,892,909
Deposits, prepayments and other receivables		187,622	167,536
Dividend receivable		6,868,015	–
Bank balances and cash		14,206	5,246,775
		35,268,148	28,307,220
<b>Current liabilities</b>			
Other payables and accrued charges		476,951	559,325
<b>Net current assets</b>		34,791,197	27,747,895
<b>Total assets less current liabilities</b>		<u>231,479,077</u>	<u>224,435,775</u>
<b>Financed by:</b>			
<b>Share capital</b>	<i>21</i>	19,622,900	19,622,900
<b>Reserves</b>	<i>23</i>	204,988,162	197,944,860
<b>Dividend reserve</b>	<i>23</i>	6,868,015	6,868,015
<b>Shareholders' funds</b>		<u>231,479,077</u>	<u>224,435,775</u>

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2003

	<i>Note</i>	<b>2003</b> <i>HK\$</i>	<b>2002</b> <i>HK\$</i>
<b>Net cash inflow from operating activities</b>	25	49,764,825	57,020,005
<b>Investing activities</b>			
Purchase of fixed assets		(28,432,208)	(27,299,949)
Proceeds from sale of fixed assets		8,313	838,012
Interest income		703,167	1,709,043
<b>Net cash outflow from investing activities</b>		(27,720,728)	(24,752,894)
<b>Net cash inflow before financing activities</b>		22,044,097	32,267,111
<b>Financing activities</b>			
Bank deposits released/(pledged)		1,212,472	(29,354)
Dividends paid		(10,792,595)	(16,679,465)
<b>Net cash outflow from financing activities</b>		(9,580,123)	(16,708,819)
<b>Increase in cash and cash equivalents</b>		12,463,974	15,558,292
<b>Cash and cash equivalents at 1 April 2002/2001</b>		79,705,466	64,147,174
<b>Cash and cash equivalents at 31 March 2003/2002</b>		92,169,440	79,705,466
<b>Analysis of balances of cash and cash equivalents:</b>			
Bank balances and cash		92,169,440	79,705,466

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2003

	Share capital HK\$	Contributed surplus HK\$	Exchange fluctuation reserve HK\$	Retained earnings HK\$	Dividend reserve HK\$	Total HK\$
At 1 April 2001	19,622,900	104,929,484	69,124	857,563	11,773,740	137,252,811
Profit for the year	-	-	-	20,199,927	-	20,199,927
2001 final dividend paid	-	-	-	-	(11,773,740)	(11,773,740)
2002 interim dividend proposed	-	-	-	(4,905,725)	4,905,725	-
2002 interim dividend paid	-	-	-	-	(4,905,725)	(4,905,725)
2002 final dividend proposed	-	-	-	(6,868,015)	6,868,015	-
At 31 March 2002	<u>19,622,900</u>	<u>104,929,484</u>	<u>69,124</u>	<u>9,283,750</u>	<u>6,868,015</u>	<u>140,773,273</u>
At 1 April 2002	19,622,900	104,929,484	69,124	9,283,750	6,868,015	140,773,273
Profit for the year	-	-	-	18,528,965	-	18,528,965
2002 final dividend paid	-	-	-	-	(6,868,015)	(6,868,015)
2003 interim dividend proposed	-	-	-	(3,924,580)	3,924,580	-
2003 interim dividend paid	-	-	-	-	(3,924,580)	(3,924,580)
2003 final dividend proposed	-	-	-	(6,868,015)	6,868,015	-
At 31 March 2003	<u>19,622,900</u>	<u>104,929,484</u>	<u>69,124</u>	<u>17,020,120</u>	<u>6,868,015</u>	<u>148,509,643</u>

**NOTES TO THE ACCOUNTS***For the year ended 31 March 2003***1 BASIS OF PREPARATION**

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34 (revised)	:	Employee benefits

The adoption of the above standards had no material effect on amounts reported in prior year, except that certain presentational changes have been made upon the adoption of SSAP 1 (revised) “Presentation of financial statements” and SSAP 15 (revised) “Cash flow statements”.

**2 PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these accounts are set out below:

**(a) Group accounting***(i) Consolidation*

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Company, directly or indirectly controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposal of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

In the Company’s balance sheet, the investments in subsidiaries are stated at cost less accumulated impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

*(ii) Translation of foreign currencies*

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

**NOTES TO THE ACCOUNTS (Cont'd)**

*For the year ended 31 March 2003*

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as movements in reserves.

**(b) Intangible assets***(i) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1 April 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life of not more than 20 years.

Goodwill on acquisitions that occurred prior to 1 April 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 such that goodwill previously written off against reserves has not been restated. However any impairment arising on such goodwill is accounted for in accordance with the policy set out below.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 April 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

*(ii) Trademarks*

Expenditures on acquired trademarks are capitalised at cost and amortised using the straight-line method over their useful lives of not more than 20 years.

*(iii) Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

**(c) Investment properties**

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued annually by independent professional valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating results. Any subsequent increases are credited to operating results up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.



**NOTES TO THE ACCOUNTS (Cont'd)**

*For the year ended 31 March 2003*

**(d) Fixed assets***(i) Other properties*

Other properties are interests in land and buildings other than investment properties and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

Depreciation on other properties is calculated to write off their costs less accumulated impairment losses over the unexpired periods of the leases or their expected useful lives to the Group on a straight-line basis. The expected useful life used for this purpose is 50 years.

*(ii) Leasehold improvements*

Leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment losses. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

Depreciation on leasehold improvements is calculated to write off their costs less accumulated impairment losses over the unexpired periods of the leases or their expected useful lives to the Group on a straight-line basis. The annual rate used for this purpose is 15%.

*(iii) Other tangible fixed assets*

Other tangible fixed assets, comprising air-conditioning plant, furniture, fixtures and equipment, and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation on other tangible fixed assets is calculated to write off their costs less accumulated impairment losses over their expected useful lives to the Group on a straight-line basis. The annual rates used for this purpose range from 10% to 25%.

*(iv) Impairment*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in other properties and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

*(v) Gain or loss on disposal of fixed assets*

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

**(e) Assets under operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account over the lease periods on a straight-line basis.

**(f) Inventories**

Inventories comprise raw materials, packing materials, work-in-progress and finished goods, and are stated at the lower of cost and net realisable value. Cost is calculated on a first-in, first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

**NOTES TO THE ACCOUNTS (Cont'd)**

*For the year ended 31 March 2003*

**(g) Trade receivables**

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

**(h) Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and cash investments with a maturity of three months or less from the date of investment.

**(i) Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

The Group recognises a provision for long service payments for existing employees which are payable upon termination of their employment in accordance with statutory requirements. The provision is calculated with reference to the statutory requirements, the employees' turnover statistics, the employees' remuneration and their age profile.

**(j) Cake coupon liabilities**

Cake coupons are recorded as liabilities when sold. Cake coupons surrendered in exchange for products during the year are recognised as sales and transferred to the profit and loss account using the weighted average cake coupon sale value. The estimated value of the cake coupons which are expected to be redeemed in the next twelve months is classified as current liabilities at the end of the year.

**(k) Deferred taxation**

Deferred taxation is accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

**(l) Revenue recognition**

Revenue from the sale of bakery products is recognised on the transfer of ownership, which generally coincides with the time of delivery.

Sales revenue from eatery operations are recognised as revenue when services are rendered to customers.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Rental income is recognised on an accrual basis over the lease period.

**(m) Employee benefits****(i) Employee leave entitlements**

Employee entitlement to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**NOTES TO THE ACCOUNTS (Cont'd)**

For the year ended 31 March 2003

(ii) *Pension obligations*

The Group operates the following principal defined contribution pension schemes:

Mandatory Provident Fund Schemes ("MPF Schemes")

Contributions to MPF Schemes by the Group are calculated as a percentage of employees' basic salaries but subject to a cap in accordance with the statutory requirements except for some managerial staff. The Group's contributions are charged to the profit and loss account when incurred.

Schemes established under Occupational Retirement Scheme Ordinance ("ORSO Schemes")

The Group has discontinued all contributions to the ORSO Schemes when it joined the MPF Schemes. For those group companies which opted not to transfer the accrued benefits of the employees in the ORSO Schemes as voluntary contributions to MPF Schemes, such benefits are retained and their investment returns are accumulated. The contributions forfeited by those employees who leave the scheme prior to vesting fully in the contribution are credited to the profit and loss account when refunded.

The assets of the schemes are held separately from those of the Group in independently administered funds.

(iii) *Equity compensation benefits*

Share options are granted to executive directors and to full-time employees at the discretion of directors. No employee benefit cost is recognised when options are granted. When the options are exercised, the proceeds received are credited to share capital and share premium.

**(n) Segment reporting**

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated revenue represents rental income from investment properties and unallocated expense represents deficit on revaluation of investment properties. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash and exclude items such as taxation recoverable and investment properties. Segment liabilities comprise operating liabilities and exclude items such as taxation payable and deferred taxation. Capital expenditure comprises additions to intangible assets (note 12) and fixed assets (note 13).

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are based on where the assets are located.

**(o) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

**NOTES TO THE ACCOUNTS (Cont'd)***For the year ended 31 March 2003***3 TURNOVER, REVENUE AND SEGMENT INFORMATION**

The Group is principally engaged in the operation of bakery, eatery and property investment. Turnover comprises takings and service charges less discounts and credit card commission from bakery and eatery operations. Revenues recognised during the year were as follows:

	<b>2003</b>	<b>Group</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>Turnover</b>		
Bakery operation	466,793,409	446,619,407
Eatery operation	27,698,872	29,569,187
	<u>494,492,281</u>	<u>476,188,594</u>
<b>Other revenues</b>		
Interest income	703,167	1,709,043
Rental income from an investment property	936,000	936,000
	<u>1,639,167</u>	<u>2,645,043</u>
<b>Total revenues</b>	<u>496,131,448</u>	<u>478,833,637</u>

**Primary reporting format – business segments**

For management purpose, the Group is currently organised into two main business segments – bakery and eatery. These segments are the basis on which the Group reports its primary segment information.

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

There are no significant sales between the business segments.

## NOTES TO THE ACCOUNTS (Cont'd)

For the year ended 31 March 2003

## Secondary reporting format – geographical segments

No geographical analysis is provided as less than 10% of the Group's turnover and less than 10% of the consolidated profit of the Group are attributable to markets outside Hong Kong.

	2003			2002		
	Bakery HK\$	Eatery HK\$	Group HK\$	Bakery HK\$	Eatery HK\$	Group HK\$
Turnover	<u>466,793,409</u>	<u>27,698,872</u>	<u>494,492,281</u>	<u>446,619,407</u>	<u>29,569,187</u>	<u>476,188,594</u>
Segment results	<u>27,724,367</u>	<u>1,351,596</u>	29,075,963	<u>21,109,754</u>	<u>2,433,635</u>	23,543,389
Unallocated revenue			936,000			936,000
Unallocated expense			(4,585,970)			–
Profit before taxation			25,425,993			24,479,389
Taxation			(6,897,028)			(4,279,462)
Profit attributable to shareholders			<u>18,528,965</u>			<u>20,199,927</u>
Segment assets	320,349,681	7,856,143	328,205,824	312,422,501	9,657,524	322,080,025
Unallocated assets			10,500,000			15,820,664
Total assets			<u>338,705,824</u>			<u>337,900,689</u>
Segment liabilities	179,472,890	5,001,765	184,474,655	189,079,255	6,223,186	195,302,441
Unallocated liabilities			5,721,526			1,824,975
Total liabilities			<u>190,196,181</u>			<u>197,127,416</u>
Capital expenditure	28,201,718	230,490	28,432,208	27,061,581	238,368	27,299,949
Depreciation	26,943,616	1,679,507	28,623,123	23,936,001	1,707,549	25,643,550
Amortisation charge	4,600,000	–	4,600,000	4,600,000	–	4,600,000

## 4 PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	2003 HK\$	Group 2002 HK\$
Auditors' remuneration	744,838	882,681
Deficit on revaluation of an investment property	4,585,970	–
Loss on disposal of fixed assets	80,981	283,840
Net exchange losses	678,907	290,521
Pre-operating expenses written off	<u>–</u>	<u>702,878</u>

**NOTES TO THE ACCOUNTS (Cont'd)**

For the year ended 31 March 2003

**5 TAXATION**

The amount of taxation charged to the consolidated profit and loss account represents:

	<b>2003</b>	<b>Group</b>
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong profits tax	6,576,068	2,826,612
Overseas taxation	639,601	684,406
Overprovision in prior years	(354,699)	(237,237)
Deferred taxation ( <i>note 24</i> )	36,058	1,005,681
	<u>6,897,028</u>	<u>4,279,462</u>

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

**6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$17,835,897 (2002: HK\$5,079,175).

**7 DIVIDENDS**

	<b>2003</b>	<b>2002</b>
	<i>HK\$</i>	<i>HK\$</i>
Interim, paid, of HK2.0 cents (2002: HK2.5 cents) per ordinary share	3,924,580	4,905,725
Final, proposed, of HK3.5 cents (2002: HK3.5 cents) per ordinary share	6,868,015	6,868,015
	<u>10,792,595</u>	<u>11,773,740</u>

At a meeting held on 10 July 2003 the directors declared a final dividend of HK3.5 cents per ordinary share for the year ended 31 March 2003. This proposed dividend is not reflected as a dividend payable in these accounts. It is reflected as an appropriation of retained earnings and is presented as a dividend reserve in the balance sheet.

**8 EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share is based on the following:

	<b>2003</b>	<b>2002</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>Earnings</b>		
Earnings for the purpose of the calculation of basic and diluted earnings per share	<u>18,528,965</u>	<u>20,199,927</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of the calculation of basic earnings per share	196,229,000	196,229,000
Effect of dilutive potential ordinary shares	4,672,171	3,851,608
Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share	<u>200,901,171</u>	<u>200,080,608</u>

**NOTES TO THE ACCOUNTS (Cont'd)***For the year ended 31 March 2003***9 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS**

	<b>2003</b>	<b>2002</b>
	<i>HK\$</i>	<i>HK\$</i>
Wages and salaries including directors' fees	140,448,802	147,235,980
Termination benefits	424,628	51,580
Unused annual leave	1,015,351	3,724,896
Retirement benefit costs – defined contribution scheme (note 10)	6,261,964	6,335,477
Provision for/(reversal of) long service payments (note 20)	119,215	(1,412,093)
Other staff costs	7,495,311	7,162,704
	<u>155,765,271</u>	<u>163,098,544</u>

**10 RETIREMENT BENEFIT COSTS**

The Group participates in mandatory provident fund schemes established under the Mandatory Provident Fund Ordinance ("MPF Schemes"). The Group's contributions to MPF Schemes are set at 5% of employees' relevant income up to a maximum of HK\$1,000 per employee per month ("Mandatory Contributions") except for some managerial staff whose monthly contributions are not capped at that absolute amount. The Mandatory Contributions to MPF Schemes are fully and immediately vested on the employees as accrued benefits once they are paid. The Group's contributions in excess of the Mandatory Contributions are voluntary contributions which are subject to a vesting scale.

Since 1 December 2000, the Group had discontinued all contributions to the schemes established under Occupational Retirement Schemes Ordinance ("ORSO Schemes") when it joined the MPF Schemes. For those subsidiaries which opted not to transfer the accrued benefits of the employees in the ORSO Schemes as voluntary contributions to MPF Schemes, such benefits are retained and their investment returns are accumulated. Employees can withdraw their accrued benefits upon termination of their employment.

Both funds are established under trust with the assets of the funds held separately from those of the Group by independent trustees.

Aggregate amount of invested benefits accrued to the Group during the year amounted to HK\$113,229 (2002: HK\$47,302). The aggregate amount of invested benefits refunded to the Group was HK\$37,375 (2002: HK\$80,204). At 31 March 2003, the aggregate amount of unvested benefits not yet refunded was HK\$81,247 (2002: HK\$5,393).

**11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS****(a) Directors' emoluments**

The aggregate amounts of emoluments payable to directors of the Company during the year were as follows:

	<b>2003</b>	<b>2002</b>
	<i>HK\$</i>	<i>HK\$</i>
Directors' Fees	120,000	120,000
Other emoluments:		
Basic salaries and benefits in kind	5,425,900	5,528,760
Performance related bonuses	714,000	838,858
Pension contributions	185,442	189,756
	<u>6,445,342</u>	<u>6,677,374</u>

For both years, all of the above were paid to executive directors except for the directors' fees amounting to HK\$120,000 (2002: HK\$120,000) which were paid to four (2002: four) non-executive directors.

**NOTES TO THE ACCOUNTS (Cont'd)**

For the year ended 31 March 2003

The emoluments of the directors fell within the following bands:

Emoluments bands	Number of directors	
	2003	2002
Nil - HK\$1,000,000	6	6
HK\$1,500,001 - HK\$2,000,000	3	3
	9	9
	9	9

No directors have waived emoluments in respect of the two years ended 31 March 2003 and 2002. No options were granted to nor exercised by the directors during the year.

**(b) Five highest paid individuals**

During the year, the five individuals whose emoluments were the highest in the Group were also executive directors of the Company. Their aggregate emoluments during the year are disclosed in the directors' emoluments in note (a) above being the sum of other emoluments (the directors' fees are payable to non-executive directors).

In last year there was an individual who was not a director and whose emoluments was within the five highest ones within the Group. The aggregate amounts of emoluments payable to this individual in last year were as follows:

	2002 HK\$
Basic salaries and benefits in kind	562,652
Pension contributions	22,842
	585,494
	585,494

**12 INTANGIBLE ASSETS****Trademarks**

	Group HK\$
At 1 April 2002	41,400,000
Amortisation charge	(4,600,000)
	36,800,000
At 31 March 2003	36,800,000
<b>Cost</b>	92,000,000
<b>Accumulated amortisation</b>	(55,200,000)
	36,800,000
<b>Net book value, 31 March 2003</b>	36,800,000
Cost	92,000,000
Accumulated amortisation	(50,600,000)
	41,400,000
Net book value, 31 March 2002	41,400,000

At 31 March 2003, the remaining amortisation period of trademarks was 8 years.

Goodwill on acquisition occurring prior to 1 April 2001 was taken to the Group's contributed surplus. At 31 March 2003, such goodwill amounted to HK\$75,101,546 (2002: HK\$75,101,546).



## NOTES TO THE ACCOUNTS (Cont'd)

For the year ended 31 March 2003

## 13 FIXED ASSETS

## Group

	Investment property HK\$	Other properties HK\$	Leasehold improve- ments HK\$	Air- conditioning plant HK\$	Furniture, fixtures, and equipment HK\$	Motor vehicles HK\$	Total HK\$
<b>Cost or valuation</b>							
At 1 April 2002	15,085,970	115,774,545	95,024,970	4,773,904	107,780,492	9,429,445	347,869,326
Additions	-	-	15,954,824	243,735	9,967,855	2,265,794	28,432,208
Disposals	-	-	(2,415,474)	-	(493,208)	(969,541)	(3,878,223)
Revaluation adjustment	(4,585,970)	-	-	-	-	-	(4,585,970)
At 31 March 2003	10,500,000	115,774,545	108,564,320	5,017,639	117,255,139	10,725,698	367,837,341
<b>Accumulated depreciation</b>							
At 1 April 2002	-	16,472,868	70,511,551	2,964,927	66,223,794	5,594,690	161,767,830
Charge for the year	-	2,285,591	13,134,043	530,889	11,518,475	1,154,125	28,623,123
Disposals	-	-	(2,369,936)	-	(449,454)	(969,539)	(3,788,929)
At 31 March 2003	-	18,758,459	81,275,658	3,495,816	77,292,815	5,779,276	186,602,024
<b>Net book value</b>							
At 31 March 2003	<u>10,500,000</u>	<u>97,016,086</u>	<u>27,288,662</u>	<u>1,521,823</u>	<u>39,962,324</u>	<u>4,946,422</u>	<u>181,235,317</u>
At 31 March 2002	<u>15,085,970</u>	<u>99,301,677</u>	<u>24,513,419</u>	<u>1,808,977</u>	<u>41,556,698</u>	<u>3,834,755</u>	<u>186,101,496</u>
The analysis of the cost or valuation of the above assets is as follows:							
At cost	-	115,774,545	108,564,320	5,017,639	117,255,139	10,725,698	357,337,341
At professional valuation, 2003	10,500,000	-	-	-	-	-	10,500,000
At 31 March 2003	<u>10,500,000</u>	<u>115,774,545</u>	<u>108,564,320</u>	<u>5,017,639</u>	<u>117,255,139</u>	<u>10,725,698</u>	<u>367,837,341</u>
At cost	-	115,774,545	95,024,970	4,773,904	107,780,492	9,429,445	332,783,356
At professional valuation, 2002	15,085,970	-	-	-	-	-	15,085,970
At 31 March 2002	<u>15,085,970</u>	<u>115,774,545</u>	<u>95,024,970</u>	<u>4,773,904</u>	<u>107,780,492</u>	<u>9,429,445</u>	<u>347,869,326</u>

**NOTES TO THE ACCOUNTS (Cont'd)***For the year ended 31 March 2003*

The Group's interests in investment property and other properties at their net book values are analysed as follows:

	<b>2003</b>	<b>2002</b>
	<i>HK\$</i>	<i>HK\$</i>
In Hong Kong, held on:		
Leases of over 50 years	18,520,833	23,306,803
Leases of between 10 to 50 years	57,394,258	58,726,998
Outside Hong Kong, held on:		
Leases of over 50 years	20,097,710	20,586,228
Leases of between 10 to 50 years	11,503,285	11,767,618
	<u>107,516,086</u>	<u>114,387,647</u>

At 31 March 2003, the investment property was revalued by BMI Appraisals Limited, an independent professional valuer, on an open market value basis.

During the year, fixed assets previously pledged as security for the Group's bank facilities had been released (at 31 March 2002: the carrying value of pledged fixed assets amounted to HK\$10,524,010).

**14 INVESTMENTS IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares, at cost	193,687,888	193,687,888
Loan to a subsidiary	2,999,992	2,999,992
	<u>196,687,880</u>	<u>196,687,880</u>

The loan to a subsidiary is unsecured, interest-free and has no fixed terms of repayment. The details of principal subsidiaries are set out in note 30.

**15 INVENTORIES**

	<b>Group</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$</i>	<i>HK\$</i>
Raw materials	3,377,511	2,168,059
Packing materials	3,411,707	1,970,469
Work in progress	347,848	228,376
Finished goods	560,992	418,160
	<u>7,698,058</u>	<u>4,785,064</u>

At 31 March 2003, all inventories were stated at cost.

**NOTES TO THE ACCOUNTS (Cont'd)***For the year ended 31 March 2003***16 TRADE RECEIVABLES**

At 31 March 2003, the ageing analysis of the trade receivables was as follows:

	<b>2003</b>	<b>Group</b>
	<i>HK\$</i>	<i>HK\$</i>
Current to 30 days	1,515,709	852,583
31 to 60 days	451,006	1,217,592
Over 60 days	137,163	171,803
	<u>2,103,878</u>	<u>2,241,978</u>

Sales are normally conducted by cash and through redemption of cake coupons. Credit sales are made to local and overseas corporate customers who are normally granted with respective credit terms of 30 days and 61 to 120 days. Overseas corporate customers are required to pay a deposit in the amount of 20% to 30% of their estimated purchase values.

**17 AMOUNT DUE TO ULTIMATE HOLDING COMPANY**

The balance is unsecured, interest-free and has no fixed terms of repayment.

**18 AMOUNTS DUE FROM SUBSIDIARIES**

The balances are unsecured, interest-free and have no fixed terms of repayment.

**19 TRADE PAYABLES**

At 31 March 2003, the ageing analysis of the trade payables was as follows:

	<b>2003</b>	<b>Group</b>
	<i>HK\$</i>	<i>HK\$</i>
Current to 30 days	5,108,702	5,740,922
31 to 60 days	3,207,199	1,872,124
Over 60 days	167,857	22,292
	<u>8,483,758</u>	<u>7,635,338</u>

**20 PROVISION FOR LONG SERVICE PAYMENTS**

The movements in provision for long service payments for the Group during the year are as follows:

	<b>Group</b>
	<i>HK\$</i>
At 1 April 2002	6,851,000
Provision for the year ( <i>Note 9</i> )	119,215
<i>Less:</i> Amounts utilised	<u>(794,947)</u>
At 31 March 2003	<u>6,175,268</u>

**NOTES TO THE ACCOUNTS (Cont'd)***For the year ended 31 March 2003*

The provision for long service payments relates to the Group's net obligation to the long service payments liable to employees in accordance with the statutory requirements. The provision is reduced by the amount of employees' entitlements under the Group's retirement schemes.

**21 SHARE CAPITAL**

	<b>2003</b>	<b>2002</b>
	<i>HK\$</i>	<i>HK\$</i>
Authorised		
400,000,000 ordinary shares of HK\$0.10 each	<u>40,000,000</u>	<u>40,000,000</u>
Issued and fully paid		
196,229,000 ordinary shares of HK\$0.10 each	<u>19,622,900</u>	<u>19,622,900</u>

**22 SHARE OPTIONS**

A share option scheme was adopted by the Company on 25 October 2000 (the "Share Option Scheme") which is effective for ten years expiring on 24 October 2010. Under the Share Option Scheme, directors may, at their discretion, invite full-time employees including executive directors of the Group to take up options to subscribe for shares of the Company which in aggregate may not exceed 10% of the issued share capital of the Company, excluding for this purpose the shares issued pursuant to the Share Option Scheme. The maximum number of shares in respect of which options may be granted to any full time employee or executive director shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the Share Option Scheme.

According to the Share Option Scheme, the exercise price per share was set at not less than the higher of the nominal value of the Company's shares and 80% of the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of the grant of the options.

The details of movements of the share options during the year are as follows:

	<b>Number of options</b>	
	<b>2003</b>	<b>2002</b>
At 1 April 2002/2001	19,280,000	9,190,000
Granted	–	10,310,000
Lapsed	<u>(630,000)</u>	<u>(220,000)</u>
At 31 March 2003/2002 ( <i>note b</i> )	<u>18,650,000</u>	<u>19,280,000</u>

(a) No share options were exercised or cancelled in both years.

NOTES TO THE ACCOUNTS (*Cont'd*)

For the year ended 31 March 2003

- (b) Share options outstanding at the end of the year have the following terms:

Grant date	Exercise period		Exercise price HK\$	Number of options	
	From	To		2003	2002
<b>Directors</b>					
15 Jan. 2001	1 May 2001	31 May 2010	0.50	3,750,000	3,750,000
15 Jan. 2001	1 May 2002	31 May 2010	0.50	3,000,000	3,000,000
31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	1,275,000	1,275,000
31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	1,275,000	1,275,000
				<u>9,300,000</u>	<u>9,300,000</u>
<b>Other employees</b>					
15 Jan. 2001	1 May 2001	31 May 2010	0.50	2,070,000	2,220,000
31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	3,640,000	3,880,000
31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	3,640,000	3,880,000
				<u>9,350,000</u>	<u>9,980,000</u>
				<u>18,650,000</u>	<u>19,280,000</u>

## 23 RESERVES

- (a) The reserves of the Group and of the Company as at 31 March 2003 are analysed as follows:

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Reserves	122,018,728	114,282,358	204,988,162	197,944,860
Dividend reserve ( <i>note 7</i> )	<u>6,868,015</u>	<u>6,868,015</u>	<u>6,868,015</u>	<u>6,868,015</u>
Total reserves ( <i>note 23(b) &amp; (c)</i> )	<u>128,886,743</u>	<u>121,150,373</u>	<u>211,856,177</u>	<u>204,812,875</u>

## NOTES TO THE ACCOUNTS (Cont'd)

For the year ended 31 March 2003

## (b) Group

	Contributed surplus (note (d)) HK\$	Exchange fluctuation reserve HK\$	Retained earnings HK\$	Dividend reserve HK\$	Total HK\$
At 1 April 2001	104,929,484	69,124	857,563	11,773,740	117,629,911
Profit for the year	-	-	20,199,927	-	20,199,927
2001 final dividend paid	-	-	-	(11,773,740)	(11,773,740)
2002 interim dividend proposed	-	-	(4,905,725)	4,905,725	-
2002 interim dividend paid	-	-	-	(4,905,725)	(4,905,725)
2002 final dividend proposed	-	-	(6,868,015)	6,868,015	-
	<u>104,929,484</u>	<u>69,124</u>	<u>9,283,750</u>	<u>6,868,015</u>	<u>121,150,373</u>
At 1 April 2002	104,929,484	69,124	9,283,750	6,868,015	121,150,373
Profit for the year	-	-	18,528,965	-	18,528,965
2002 final dividend paid	-	-	-	(6,868,015)	(6,868,015)
2003 interim dividend proposed	-	-	(3,924,580)	3,924,580	-
2003 interim dividend paid	-	-	-	(3,924,580)	(3,924,580)
2003 final dividend proposed	-	-	(6,868,015)	6,868,015	-
	<u>104,929,484</u>	<u>69,124</u>	<u>17,020,120</u>	<u>6,868,015</u>	<u>128,886,743</u>

## (c) Company

	Contributed surplus (note (d)) HK\$	Retained earnings HK\$	Dividend reserve HK\$	Total HK\$
At 1 April 2001	180,031,060	24,608,365	11,773,740	216,413,165
Profit for the year	-	5,079,175	-	5,079,175
2001 final dividend paid	-	-	(11,773,740)	(11,773,740)
2002 interim dividend proposed	-	(4,905,725)	4,905,725	-
2002 interim dividend paid	-	-	(4,905,725)	(4,905,725)
2002 final dividend proposed	-	(6,868,015)	6,868,015	-
	<u>180,031,060</u>	<u>17,913,800</u>	<u>6,868,015</u>	<u>204,812,875</u>
At 1 April 2002	180,031,060	17,913,800	6,868,015	204,812,875
Profit for the year	-	17,835,897	-	17,835,897
2002 final dividend paid	-	-	(6,868,015)	(6,868,015)
2003 interim dividend proposed	-	(3,924,580)	3,924,580	-
2003 interim dividend paid	-	-	(3,924,580)	(3,924,580)
2003 final dividend paid	-	(6,868,015)	6,868,015	-
	<u>180,031,060</u>	<u>24,957,102</u>	<u>6,868,015</u>	<u>211,856,177</u>

- (d) The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for all the issued ordinary shares of its direct subsidiaries, and the cost of investment in these subsidiaries. The contributed surplus of the Group represents the difference between the nominal value of the Company's shares issued in connection with the Group reconstruction and the fair value of the underlying subsidiaries at the time of their initial acquisition by Hong Kong Catering Management Limited ("HKCM"), the ultimate holding company.

NOTES TO THE ACCOUNTS (*Cont'd*)

For the year ended 31 March 2003

- (e) Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders, provided that the Company is, after the payment of dividends out of the contributed surplus, able to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby not be less than the aggregate of its liabilities, its issued share capital and its share premium.

## 24 DEFERRED TAXATION

Deferred taxation represents the tax effect of the excess of tax allowances on fixed assets over depreciation and has been fully provided for. The movement of the deferred taxation are analysed as follows:

	2003 HK\$	Group 2002 HK\$
At 1 April 2002/2001	1,223,472	217,791
Transfer from profit and loss account ( <i>note 5</i> )	36,058	1,005,681
	<u>1,259,530</u>	<u>1,223,472</u>
At 31 March 2003/2002	<u>1,259,530</u>	<u>1,223,472</u>

The potential deferred taxation assets not recognised as at 31 March 2003, which relates to the excess of depreciation over tax allowances, totalled HK\$1,259,530 (2002: HK\$441,604).

## 25 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before taxation to net cash inflow from operating activities:

	2003 HK\$	2002 HK\$
Profit before taxation	25,425,993	24,479,389
Amortisation of intangible assets	4,600,000	4,600,000
Loss on disposal of fixed assets	80,981	283,840
Depreciation of fixed assets	28,623,123	25,643,550
Deficit on revaluation of an investment property	4,585,970	–
Interest income	(703,167)	(1,709,043)
	<u>62,612,900</u>	<u>53,297,736</u>
Operating profit before working capital changes	62,612,900	53,297,736
Cash inflow from sales of cake coupons	56,763,738	62,828,465
Cake coupons redeemed as sales	(64,567,675)	(70,218,343)
(Increase)/decrease in rental deposits paid	(321,677)	742,512
Increase in inventories	(2,912,994)	(1,749)
Decrease/(increase) in trade receivables, deposits, prepayments and other receivables	3,480,165	(1,655,705)
(Decrease)/increase in trade payables, other payables and accrued charges	(736,211)	17,980,175
Decrease in amount due to ultimate holding company	(388,434)	(695,483)
Decrease in provision for long service payments	(675,732)	(2,709,000)
Decrease in rental deposit received	–	(72,645)
	<u>53,254,080</u>	<u>59,495,963</u>
Net cash inflow generated from operations	53,254,080	59,495,963
Hong Kong profits tax paid	(2,845,896)	(1,789,858)
Overseas taxation paid	(643,359)	(686,100)
	<u>49,764,825</u>	<u>57,020,005</u>
Net cash inflow from operating activities	<u>49,764,825</u>	<u>57,020,005</u>

**NOTES TO THE ACCOUNTS (Cont'd)***For the year ended 31 March 2003***26 COMMITMENTS****(a) Capital commitments for leasehold improvements, furniture, fixtures and equipment**

	<b>2003</b>	<b>Group</b>
	<i>HK\$</i>	<b>2002</b>
		<i>HK\$</i>
Contracted but not provided for	282,139	–
Approved but not contracted for	10,185,090	2,656,694
	<u>10,467,229</u>	<u>2,656,694</u>

**(b) Commitments under operating leases**

At 31 March 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>2003</b>	<b>Group</b>
	<i>HK\$</i>	<b>2002</b>
		<i>HK\$</i>
Within one year	38,174,504	43,496,806
In the second to fifth year inclusive	36,754,126	43,610,191
After the fifth year	2,387,576	2,462,211
	<u>77,316,206</u>	<u>89,569,208</u>

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) The Company did not have any capital or operating leases commitments at 31 March 2003 (2002: Nil).

**27 FUTURE OPERATING LEASE ARRANGEMENTS**

At 31 March 2003, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	<b>2003</b>	<b>Group</b>
	<i>HK\$</i>	<b>2002</b>
		<i>HK\$</i>
Within one year	936,000	936,000
In the second to fifth year inclusive	31,200	967,200
	<u>967,200</u>	<u>1,903,200</u>



**NOTES TO THE ACCOUNTS (Cont'd)***For the year ended 31 March 2003***28 RELATED PARTY TRANSACTIONS**

During the year, the Group had the following significant related party transactions with HKCM and its subsidiaries other than the Group:

	<b>2003</b>	<b>2002</b>
	<i>HK\$</i>	<i>HK\$</i>
Sales of bakery and related products ( <i>note (a)</i> )	6,009,508	4,026,102
Rental expenses in respect of land and buildings ( <i>note (b)</i> )	2,130,174	754,835
Management fees paid ( <i>note (c)</i> )	<u>4,064,947</u>	<u>3,876,760</u>

- (a) Sales of bakery and related products were charged at prices and terms were determined by reference to those charged to independent customers of the Group.
- (b) Rental expenses were reimbursed at cost in respect of certain leased premises on the basis of area occupied.
- (c) Pursuant to the service sharing agreement entered into between Bread Boutique Limited ("BBL"), a subsidiary of the Company and HKCM, HKCM was engaged to provide management and administration services to BBL. Management fees were charged on a monthly basis and were calculated at certain percentage on the monthly gross turnover of BBL.

**29 BANKING FACILITIES**

At 31 March 2003, the Group had aggregate banking facilities of HK\$5,000,000 (2002: HK\$7,562,000) for overdrafts and bank guarantees. These facilities were secured by corporate guarantees given by the Company.

At 31 March 2003, the facilities were utilised by the Group to the extent of HK\$1,749,199 (2002: HK\$2,220,406) including bank guarantees granted to third parties in lieu of rental and utility deposits.

**30 SUBSIDIARIES**

The following is the particulars of the principal subsidiaries as at 31 March 2003:

Name of subsidiaries	Place of incorporation and operation	Particular of issued share capital/ registered capital	Effective percentage holding attributable to the Group	Principal activities
<b>Interests held directly:</b>				
Bodega Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Investment holding
Easywin Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Holding of trademarks
Eltham Agents Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100	Investment holding

NOTES TO THE ACCOUNTS (*Cont'd*)

For the year ended 31 March 2003

Name of subsidiaries	Place of incorporation and operation	Particular of issued share capital/ registered capital	Effective percentage holding attributable to the Group	Principal activities
<b>Interests held indirectly:</b>				
Bliset Investment Limited	Hong Kong	100 ordinary shares of HK\$1 each 102 non-voting deferred shares of HK\$1 each	100	Property holding
Bread Boutique Limited	Hong Kong	3,000,000 ordinary shares of HK\$1 each	100	Bakery operator
Evergain Consultants Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Investment holding
Kingdom Wise Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property holding
@ Saint Anna Cake Shop (Macau) Limited	Macau	MOP100,000	100	Bakery operator
Saint Honore Cake Shop Limited	Hong Kong	5 ordinary shares of HK\$10 each 345,005 non-voting deferred shares of HK\$10 each	100	Bakery operator
@# Saint Honore Cake Shop (Shenzhen) Limited	People's Republic of China	HK\$16,000,000	100	Manufacturing of bakery products
Strong Glory Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Investment holding
Uni-Leptics Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property holding
Zillion Will Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Eatery operator
@# 夢工場美食 (廣州) 有限公司	People's Republic of China	US\$400,000	100	Manufacturing of bakery products

The above list includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, would result in particulars of excessive length.

# The subsidiaries were established as wholly foreign-owned enterprises in the People's Republic of China.

@ These subsidiaries have a financial year-end date of 31 December which is in compliance with the respective local regulations.

**C. Unaudited Financial Statements of the Group for the six months ended 30 September 2003**

The following is the reproduction of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2003 contained in the Company's 2003 interim report dated 16 December 2003.

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

*For the six months ended 30 September 2003*

	<i>Note</i>	<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2003</b>	<b>2002</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	279,551	251,196
Other revenues	3	905	773
Cost of inventories consumed		(84,673)	(74,004)
Staff costs		(85,174)	(81,369)
Operating lease rentals		(24,027)	(24,605)
Depreciation of fixed assets		(15,423)	(13,973)
Other operating expenses		(45,212)	(45,811)
Amortisation of intangible assets		(2,300)	(2,300)
		<hr/>	<hr/>
Profit before taxation	4	23,647	9,907
Taxation	5	(3,771)	(2,062)
		<hr/>	<hr/>
Profit attributable to shareholders		<u>19,876</u>	<u>7,845</u>
		<hr/>	<hr/>
Dividend – interim	6	<u>8,176</u>	<u>3,925</u>
		<hr/>	<hr/>
Earnings per share	7		
Basic		10.1 cents	4.0 cents
Diluted		<u>9.9 cents</u>	<u>3.9 cents</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2003

	<i>Note</i>	<b>Unaudited 30 September 2003 HK\$'000</b>	<b>Audited 31 March 2003 HK\$'000</b>
<b>Non-current assets</b>			
Intangible assets	8	34,500	36,800
Fixed assets	9	175,847	181,235
Rental deposits paid		10,611	11,456
Deferred tax assets		314	–
		221,272	229,491
<b>Current assets</b>			
Inventories		7,835	7,698
Trade receivables	10	7,866	2,104
Deposits, prepayments and other receivables		8,708	7,243
Bank balances and cash		117,721	92,169
		142,130	109,214
<b>Current liabilities</b>			
Amount due to the ultimate holding company		2,313	67
Trade payables	11	13,074	8,484
Other payables and accrued charges		51,163	42,144
Taxation payable		8,509	4,462
Cake coupon liabilities – current portion		36,542	39,846
		111,601	95,003
<b>Net current assets</b>		<b>30,529</b>	<b>14,211</b>
<b>Total assets less current liabilities</b>		<b>251,801</b>	<b>243,702</b>

## CONDENSED CONSOLIDATED BALANCE SHEET (Cont'd)

As at 30 September 2003

		<b>Unaudited 30 September 2003</b>	<b>Audited 31 March 2003</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Financed by:</b>			
Share capital	12	19,702	19,623
Reserves		132,969	122,019
Dividend reserve		8,176	6,868
<b>Shareholders' funds</b>		<b>160,847</b>	<b>148,510</b>
<b>Non-current liabilities</b>			
Cake coupon liabilities			
– non-current portion		82,730	87,518
Rental deposit received		239	239
Provision for long service payments			
– non-current portion		6,037	6,175
Deferred tax liabilities		1,948	1,260
		<u>90,954</u>	<u>95,192</u>
		<u><b>251,801</b></u>	<u><b>243,702</b></u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 September 2003*

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	41,935	3,749
Net cash outflow from investing activities	(9,925)	(16,378)
Net cash outflow from financing activities	(6,458)	(5,655)
Increase/(decrease) in cash and cash equivalents	25,552	(18,284)
Cash and cash equivalents at 1 April 2003/2002	92,169	79,705
Cash and cash equivalents at 30 September 2003/2002	<u>117,721</u>	<u>61,421</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<u>117,721</u>	<u>61,421</u>
	<u>117,721</u>	<u>61,421</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2003

	Share capital HK\$'000	Contributed surplus HK\$'000	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	Dividend reserve HK\$'000	Total HK\$'000
At 1 April 2002	19,623	104,929	-	69	9,285	6,868	140,774
Profit for the period	-	-	-	-	7,845	-	7,845
2001/02 final dividend paid	-	-	-	-	-	(6,868)	(6,868)
2002/03 interim dividend proposed	-	-	-	-	(3,925)	3,925	-
At 30 September 2002	<u>19,623</u>	<u>104,929</u>	<u>-</u>	<u>69</u>	<u>13,205</u>	<u>3,925</u>	<u>141,751</u>
At 1 April 2003	19,623	104,929	-	69	17,021	6,868	148,510
Recognition of deferred tax liabilities on adopting SSAP 12 (Revised)	-	-	-	-	(1,081)	-	(1,081)
Issue of shares upon exercise of share options	79	-	334	-	-	-	413
Profit for the period	-	-	-	-	19,876	-	19,876
2002/03 final dividend paid	-	-	-	-	(3)	(6,868)	(6,871)
2003/04 interim dividend proposed	-	-	-	-	(8,176)	8,176	-
At 30 September 2003	<u>19,702</u>	<u>104,929</u>	<u>334</u>	<u>69</u>	<u>27,637</u>	<u>8,176</u>	<u>160,847</u>

## NOTES TO THE ACCOUNTS

For the six months ended 30 September 2003

## 1. Basis of preparation and accounting policies

The condensed interim accounts have not been audited by the Company's auditors but have been reviewed by the Company's Audit Committee. They are prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") 25, "Interim financial reporting" issued by the Hong Kong Society of Accountants (the "HKSA") and Appendix 16 of the Listing Rules. They should be read in conjunction with the 2003 annual accounts.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2003 except that the Group has adopted SSAP 12 (Revised) "Income tax" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has not had material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

## 2. Turnover and segment information

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

	Unaudited Six months ended 30 September 2003			Unaudited Six months ended 30 September 2002		
	Bakery HK\$'000	Eatery HK\$'000	Group HK\$'000	Bakery HK\$'000	Eatery HK\$'000	Group HK\$'000
Turnover	<u>265,405</u>	<u>14,146</u>	<u>279,551</u>	<u>236,878</u>	<u>14,318</u>	<u>251,196</u>
Segment results	<u>22,578</u>	<u>617</u>	23,195	<u>8,043</u>	<u>1,396</u>	9,439
Unallocated revenue			<u>452</u>			<u>468</u>
Profit before taxation			23,647			9,907
Taxation			<u>(3,771)</u>			<u>(2,062)</u>
Profit attributable to shareholders			<u>19,876</u>			<u>7,845</u>
Segment assets	344,861	7,727	352,588	300,319	9,300	309,619
Unallocated assets			<u>10,814</u>			<u>15,086</u>
Total assets			<u>363,402</u>			<u>324,705</u>
Segment liabilities	185,820	6,278	192,098	172,918	5,910	178,828
Unallocated liabilities			<u>10,457</u>			<u>4,126</u>
Total liabilities			<u>202,555</u>			<u>182,954</u>
Capital expenditure	9,737	656	10,393	16,444	243	16,687
Depreciation	14,289	1,134	15,423	13,084	889	13,973
Amortisation charge	2,300	-	2,300	2,300	-	2,300



**NOTES TO THE ACCOUNTS (Cont'd)***For the six months ended 30 September 2003*

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

	<b>Unaudited Six months ended 30 September</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong and Macau	267,584	243,880
PRC	8,688	3,622
Other countries	3,279	3,694
	<u>279,551</u>	<u>251,196</u>

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

**3. Other revenues**

	<b>Unaudited Six months ended 30 September</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	453	305
Rental income from investment properties	452	468
	<u>905</u>	<u>773</u>

**4. Profit before taxation**

Profit before taxation is stated after charging the following:

	<b>Unaudited Six months ended 30 September</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on disposal of fixed assets	343	5
Provision for long service payments included in staff costs	245	1,273
Retirement benefit costs included in staff costs	3,181	2,908
	<u>3,769</u>	<u>4,186</u>

**5. Taxation**

	<b>Unaudited Six months ended 30 September</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	3,185	1,217
Overseas taxation	1,294	1,006
Deferred taxation	(708)	(161)
	<u>3,771</u>	<u>2,062</u>
Taxation charge	<u>3,771</u>	<u>2,062</u>

**NOTES TO THE ACCOUNTS (Cont'd)***For the six months ended 30 September 2003*

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

**6. Dividend**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend, declared on 16 December 2003, of HK4 cents (2002: HK2 cents) per ordinary share	8,176	3,925
	<u>          </u>	<u>          </u>

**7. Earnings per share**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purpose of the calculation of basic and diluted earnings per share	19,876	7,845
	<u>          </u>	<u>          </u>
	<b>2003</b>	<b>2002</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of the calculation of basic earnings per share	196,289,864	196,229,000
Effect of dilutive potential ordinary shares	<u>4,784,874</u>	<u>5,090,569</u>
Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share	<u>201,074,738</u>	<u>201,319,569</u>

NOTES TO THE ACCOUNTS (*Cont'd*)

For the six months ended 30 September 2003

## 8. Intangible assets

## Trademarks

	<b>Unaudited</b> <i>HK\$'000</i>
Net book value, 1 April 2003	36,800
Amortisation charge	(2,300)
	<hr/>
Net book value, 30 September 2003	<u>34,500</u>
<b>Cost</b>	92,000
<b>Accumulated amortisation</b>	(57,500)
	<hr/>
<b>Net book value, 30 September 2003</b>	<u><u>34,500</u></u>
Cost	92,000
Accumulated amortisation	(55,200)
	<hr/>
Net book value, 31 March 2003	<u>36,800</u>

## 9. Fixed assets

	<b>Unaudited</b> <i>HK\$'000</i>
Net book value, 1 April 2003	181,235
Additions	10,393
Disposals	(358)
Depreciation	(15,423)
	<hr/>
Net book value, 30 September 2003	<u>175,847</u>

## 10. Trade receivables

Details of the ageing analysis are as follows:

	<b>Unaudited</b> <b>30 September</b> <b>2003</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 March</b> <b>2003</b> <i>HK\$'000</i>
Current to 30 days	7,413	1,516
31 to 60 days	301	451
Over 60 days	152	137
	<hr/>	<hr/>
	<u>7,866</u>	<u>2,104</u>

The majority of the Group's sales are conducted by cash or through redemption of cake coupons. Credit sales are made mainly to certain local and overseas corporate customers who are normally granted with respective credit terms of 30 days and 61 to 120 days. Overseas corporate customers are required to pay a deposit in the amount of 20% to 30% of their estimated purchase values.

## NOTES TO THE ACCOUNTS (Cont'd)

For the six months ended 30 September 2003

## 11. Trade payables

Details of the ageing analysis are as follows:

	Unaudited 30 September 2003 HK\$'000	Audited 31 March 2003 HK\$'000
Current to 30 days	7,428	5,109
31 to 60 days	3,994	3,207
Over 60 days	1,652	168
	<u>13,074</u>	<u>8,484</u>

## 12. Share capital

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorized		
At 1 April 2003 and 30 September 2003	400,000,000	40,000
Issued and fully paid		
At 1 April 2003	196,229,000	19,623
Issue of shares upon exercise of share options	788,000	79
At 30 September 2003	<u>197,017,000</u>	<u>19,702</u>

## 13. Commitments

	Unaudited 30 September 2003 HK\$'000	Audited 31 March 2003 HK\$'000
(a) Capital commitments for property, leasehold improvements, furniture, fixtures and equipment		
Contracted but not provided for	–	282
Approved but not contracted for	28,500	10,185
	<u>28,500</u>	<u>10,467</u>
(b) Commitments under operating leases for land and buildings		
Within one year	39,536	38,174
In the second to fifth year inclusive	34,269	36,754
After the fifth year	2,353	2,388
	<u>76,158</u>	<u>77,316</u>

**MANAGEMENT DISCUSSION AND ANALYSIS**

*For the six months ended 30 September 2003*

**Business review**

Hong Kong's economy faced a drastic change during the period. The outbreak of Severe Acute Respiratory Syndrome ("SARS") in March 2003 has tremendously weakened the retail market and our business was also affected. With the winning of the battle over SARS and the announcement by Beijing of various policies favoring Hong Kong in the second quarter of our fiscal year, the economy has begun to rebound. The improved economy coupled with the successful marketing and promotion strategy and improving product quality resulted in moderate growth for our normal cake and bread business while mooncake sales were maintained at last year level. Overall turnover has increased by 11.3%. Our gross profit margin slightly decreased from 70.5% to 69.7% due to the higher discounts offered to customers. Benefits from migration of certain production lines to Shenzhen began to show effect whereby our staff costs increased by a mere 4.7% despite of turnover increase of 11.3%. The outlet image upgrading program is still continued with five more outlets being renovated during the period. The migration of certain production lines to Shenzhen and outlet renovation increased our depreciation charge by 10.4%. Although we gained in total of five outlets, our rental expenses decreased slightly by 2.3% due to certain landlords agreed to temporarily reduce the rental charge during the outbreak of SARS.

The exploration of the PRC market, especially for the festive product, is on schedule. Our mooncake products have obtained various awards such as the 'Famous Mooncake' and 'National Hygiene Quality Standard' issued by the PRC authorities. The turnover generated from the PRC grew by 140%.

**Prospect**

Although the business sentiment of Hong Kong has improved recently, the management remain cautious as the pressure of rising costs is imminent with prices of commodities jumped against the weak US dollar and the global demand for the Renminbi to revalue.

In September 2003, we agreed to sell an investment property at Hysan Road to a third party. The disposal was completed in November 2003 and the financial effect of this transaction will be recorded in the second half year.

**Liquidity and financial resources**

As at 30 September 2003, the Group's freehold cash on hand increased by HK\$25.5 million to a record level of HK\$117.7 million (31 March 2003: HK\$92.2 million) with zero gearing. The capital commitment of HK\$28.5 million as at 30 September 2003 included HK\$18.2 million for the purchase of an investment property at Yuen Long while the remaining portion was mainly for the upgrading of our retail networks. All the above projects will be financed internally.

**MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)**

*For the six months ended 30 September 2003*

**Pledge of assets**

No assets were pledged as at 30 September 2003.

**Employees**

As at 30 September 2003, the Group employed about 1,690 (2002: 1,580) employees. Employees are remunerated based on basic salaries and sales incentives are payable to some operational staff. Bonuses are discretionary in nature and are based on the performance of the employees and the Group. The Company has adopted a share option scheme to provide incentive to working staff.

**Contingent liabilities**

The Group had no significant contingent liabilities as at 30 September 2003.

**Exposure to fluctuations in exchange rates and related hedge**

The Group conducts most of its business transactions in currencies of Hong Kong dollars, Pataca and Renminbi. As these currencies were relatively stable during the period, the Group had not exposed to any material currency fluctuation risk during the period.

**II. MATERIAL CHANGE**

Save as disclosed in the Company's interim report for the six months ended 30 September 2003, the Directors are not aware of any material change in the financial or trading position or prospects of the Group since 31 March 2003, the date to which the last published audited financial statements of the Group were made up.

**III. INDEBTEDNESS****Borrowings**

As at the close of business on 30 November 2003, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had no outstanding borrowings.

**Debt securities**

As at the close of business on 30 November 2003, the Group had no debt securities.

**Contingent liabilities**

As at the close of business on 30 November 2003, the Group had no significant contingent liabilities.

**Securities and charges**

As at the close of business on 30 November 2003, the Group had aggregate banking facilities of HK\$5 million for overdrafts and bank guarantees out of which HK\$3.03 million was utilised for bank guarantees granted to third parties in lieu of rental and utility deposits. These facilities were secured by corporate guarantees given by the Company.

Save as disclosed above and apart from intra-group liabilities and normal trade debts payable, the Group did not, as at the close of business on 30 November 2003, have any bank overdrafts, loans or other similar indebtedness, mortgage, charges, or guarantees or other material contingent liabilities.

#### IV. STATEMENT OF PRO FORMA UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE ASSET VALUE OF THE GROUP

Set out below is a statement of the pro forma unaudited adjusted consolidated net tangible asset value of the Group based on the audited consolidated financial statement of the Group as at 31 March 2003 and the unaudited consolidated results of the Group for the six months ended 30 September 2003 and adjusted as follows:

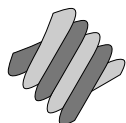
	<i>HK\$</i>
Audited consolidated net asset value as at 31 March 2003	148,509,643
<i>Less:</i> Deferred tax liabilities charged against property revaluation reserve on adopting SSAP12 (revised) in preparing the Group's financial statements commencing 1 April 2003	(1,080,769)
<i>Add:</i> Unaudited profit attributable to Shareholders for the six months ended 30 September 2003	19,876,034
Surplus arising on the revaluation of the Group's property interests ( <i>Note 1</i> )	5,196,414
Proceeds from issue of Shares upon exercise of Options for the period from 1 April 2003 to the Latest Practicable Date	6,119,000
Profit from disposal of an investment property which constituted a discloseable transaction to the Group ( <i>Note 2</i> )	7,100,000
<i>Less:</i> 2002/2003 final dividend paid on 9 September 2003	(6,870,815)
2003/2004 interim dividend paid on 28 January 2004	(8,311,080)
Pro forma unaudited adjusted consolidated net asset value	170,538,427
<i>Less:</i> Intangible assets of the Group as at 30 September 2003	(34,500,000)
Pro forma unaudited adjusted consolidated net tangible asset value	<u>136,038,427</u>
Pro forma unaudited adjusted consolidated net asset value per Share ( <i>Note 3</i> )	<u>0.821</u>
Pro forma unaudited adjusted consolidated net tangible asset value per Share ( <i>Note 3</i> )	<u>0.655</u>



*Notes:*

1. BMI Appraisals Limited has performed a valuation of the properties of the Group as at 9 January 2004. The surplus arising on the revaluation of the Group's property interests accounted for approximately 3.8% of the total pro forma unaudited adjusted consolidated net tangible asset value, and will not be incorporated into the Group's accounts for the year ending 31 March 2004 except for the investment properties which will be revalued by the Group again at that time. In calculating the surplus on property revaluation, the property that was acquired by the Group in November 2003 had not been included. Particulars of this property are set out under property numbered 9 in the valuation report contained in Appendix III to this Composite Document. Details of the valuation of the Group's properties are set out in Appendix III to this Composite Document.
2. Disposal of the investment property at Shop No. 10 on G/F, Empire Court, Nos. 2&4 Hysan Avenue, Hong Kong and detail of which was shown in the circular dated 8 October 2003 and despatched to Shareholders.
3. The pro forma unaudited adjusted consolidated value per Share is arrived at after the adjustments referred to in this section and on the basis of 207,777,000 Shares in issue as at the Latest Practicable Date.

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this Composite Document, received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 9 January 2004 of the property interests of the Group.*

**BMI APPRAISALS LIMITED****邦盟滙駿評估有限公司**

Units 05-07,15/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong

Tel: (852) 2802 2191

Fax: (852) 2802 0863

Email: info@bmi-appraisals.com Website: <http://www.bmi-appraisals.com>

12 February 2004

The Directors

**Saint Honore Holdings Limited**

5th Floor

Express Industrial Building

No. 43 Heung Yip Road

Wong Chuk Hang

Hong Kong

Dear Sirs,

**INSTRUCTIONS**

We refer to your instructions for us to value the property interests of Saint Honore Holdings Limited (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter referred to as the “Group”) located in Hong Kong, Macau and the People’s Republic of China (the “PRC”). We confirm that we have carried out inspections, made relevant enquiries and obtained such further information, as we consider necessary for the purpose of providing you with our opinion of the open market values of the property interests as at 9 January 2004 (“date of valuation”).

**BASIS OF VALUATION**

Our valuations of the property interests are our opinion of the open market values which we would define as intended to mean “the best price at which the sale of an interest in the property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;

- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

**PROPERTY CATEGORIZATION**

In the course of our valuations, the portfolio of property interests held or occupied by the Group is categorized into the following groups:

- Group I – Property interests held by the Group for owner-occupation in Hong Kong
- Group II – Property interest held by the Group for investment in Hong Kong
- Group III – Property interests held by the Group for owner-occupation in Macau
- Group IV – Property interests held by the Group for owner-occupation in the PRC

**VALUATION METHODOLOGY****Groups I, III and IV**

In valuing the property interests, which are held for owner-occupation by the Group in Hong Kong, Macau and the PRC, we have valued them on the open market basis by the Comparison Approach assuming sale in the existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market.

**Group II**

In valuing the property interest, which is held for investment by the Group, we have adopted the Investment Approach by taking into account the current rent passing of the property being held under existing tenancy and the reversionary potential of the tenancy.

**TITLE INVESTIGATION****Groups I, II and III**

We have caused sample land searches at the relevant Land Registry and in some instances we have been provided with extracts of title documents. However, we have neither examined the original documents to verify ownership nor to ascertain the existence of any amendments that do not appear on the copies handed to us. All documents have been used for reference only.

In valuing Property No. 9 in Group II, we have been given by the Group a copy of the tenancy agreement showing the monthly rent and lease terms of the tenancy. All documents have been used for reference only.

**Group IV**

We have been provided with copies of titles documents and have been advised by the Group that no further relevant documents have been produced. Moreover, due to the nature of the land registration system in the PRC, we have not been able to examine the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. Therefore, in the course of our valuations, we have relied on the advice and information given by the Group and its PRC legal adviser in the legal opinion regarding the titles of such PRC properties.

**VALUATION ASSUMPTIONS**

Our valuations have also been made on the assumption that the property interests are sold in the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the values of the property interests.

In addition, no account has been taken of any option or right of pre-emption concerning or effecting the sale of the property interests and no forced sale situation in any manner is assumed in our valuations.

**VALUATION CONSIDERATIONS**

In valuing the property interests in Hong Kong, the government lease of which has expired before 30 June 1997, we have taken into account the relevant provisions contained in the Basic Law of Hong Kong Special Administrative Region that such lease has been extended without payment of premium until 30 June 2047 and that an annual rent at three per cent of the rateable value will be charged from the date of extension.

We have inspected the exterior of the properties and whenever possible, the interior of the properties. In the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the properties. We are, therefore, unable to report that the properties are free from rot, infestation or any other structural defects.

We have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site/floor areas and other relevant information.

Except otherwise stated, all dimensions, measurements and areas included in the attached valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group and the Group has also advised us that no material facts have been omitted from the information so supplied. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale.

Based on the prevailing rules and regulations as at the Latest Practicable Date and the information provided by the Group, we confirm that the properties located in Hong Kong are free from potential tax liability assuming disposals as at the Latest Practicable Date. For the properties located in Macau, the potential tax liability includes the Profits Tax at 15.75% on profits over MOP300,000. Whereas for the properties located in the PRC, the potential tax liabilities include the Business Tax at 5% of the contracted sales amount, Profits Tax at 15% on the net profits gained, City Development Tax at 1% of the Business Tax and Stamp Duty at 0.05% of the contracted sales amount. The exact amount of tax payable upon realization of the relevant properties in Macau and the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal of the relevant properties upon presentation of the relevant transaction documents.

However, as advised by the Group that the Group will continue to occupy the Macau and PRC properties in their existing uses for its existing bakery businesses, the likelihood of any tax liabilities being crystallized is, therefore, remote.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the Hong Kong Guidance Notes on the Valuation of Property Assets (2nd Edition) published by the Hong Kong Institute of Surveyors.

## **REMARKS**

Unless otherwise stated, all money amounts stated are in Hong Kong Dollars (HK\$) and no allowances have been made for exchange transfers. The exchange rates adopted are the average rates as at 9 January 2004 being HK\$1=MOP1.03 and HK\$1=RMB1.06. There has been no significant fluctuation in the exchange rates between that date and the date of this letter.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully  
For and on behalf of  
**BMI APPRAISALS LIMITED**

**Joannau W.F. Chan**  
*BSc. MRICS MHKIS*  
*Director*

**Clement S.K. Tam**  
*BSc. MRICS MHKIS*  
*Associate Director*

### *Notes:*

Ms. Joannau W.F. Chan is a Chartered Surveyor who has over 11 years' experience in valuations of properties in Hong Kong and over 5 years' experience in valuations of properties in Macau and the People's Republic of China.

Mr. Clement S.K. Tam is a Chartered Surveyor who has over 11 years' experience in valuations of properties in Hong Kong and over 3 years' experience in valuations of properties in Macau and the People's Republic of China.

## SUMMARY OF VALUES

No.	Property	Open Market Value in existing state as at 9 January 2004 HK\$	Interest attributable to the Group	Value attributable to the Group as at the Latest Practicable Date HK\$
<b>Group I – Property interests held by the Group for owner-occupation in Hong Kong</b>				
1.	Flat A on 1st Floor including Flat Roofs appurtenant thereto and Shop 1 on Ground Floor and Cockloft 1, Fairview Court, Nos. 15-17 King Kwong Street, Happy Valley, Hong Kong	13,800,000	100%	13,800,000
2.	Shop No. 2 on Ground Floor, Kwong Fai Building, Nos. 24-40 Mut Wah Street, Kwun Tong, Kowloon, Hong Kong	18,300,000	100%	18,300,000
3.	Shop No. 2 of Unit 2 on Level (Site 1) 26 of Commercial Development, Sceneway Garden, No. 8 Sceneway Road, Lam Tin, Kowloon, Hong Kong	20,600,000	100%	20,600,000
4.	Workshops A and B on 9th Floor and Private Car Parking Space No. 25, Truck Parking Space No. 22 and Container Parking Space No. 14 on Ground Floor, Hou Feng Industrial Building, Nos. 1-5 Wing Kin Road, Kwai Chung, New Territories, Hong Kong	3,800,000	100%	3,800,000

**APPENDIX III****PROPERTY VALUATION**

No.	Property	Open Market Value in existing state as at 9 January 2004 <i>HK\$</i>	Interest attributable to the Group	Value attributable to the Group as at the Latest Practicable Date <i>HK\$</i>
5.	Workshops A and B on 11th Floor and Private Car Parking Space No. 2 and Truck Parking Space No. 20 on Ground Floor, Hou Feng Industrial Building, Nos. 1-5 Wing Kin Road, Kwai Chung, New Territories, Hong Kong	3,100,000	100%	3,100,000
6.	Workshops A and B on 8th Floor and Truck Parking Space No. 13 on Ground Floor, Hou Feng Industrial Building, Nos. 1-5 Wing Kin Road, Kwai Chung, New Territories, Hong Kong	3,330,000	100%	3,330,000
7.	Workshop Nos. 2 and 3 on 5th Floor and Car Parking Space No. P5 on 1st Floor, Wing Fat Industrial Building, No. 12 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong	3,200,000	100%	3,200,000
8.	Workshop No. 1 on 1st Floor and Car Parking Space Nos. L5 on 1st Floor, Wing Fat Industrial Building, No. 12 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong	2,700,000	100%	2,700,000
	Sub-total:	68,830,000		68,830,000

No.	Property	Open Market Value in existing state as at 9 January 2004 <i>HK\$</i>	Interest attributable to the Group	Value attributable to the Group as at the Latest Practicable Date <i>HK\$</i>
<b>Group II – Property interest held by the Group for investment in Hong Kong</b>				
9.	The Whole Building located at No. 112 Castle Peak Road, Yuen Long, New Territories, Hong Kong	18,300,000	100%	18,300,000
	Sub-total:	18,300,000		18,300,000
<b>Group III – Property interests held by the Group for owner-occupation in Macau</b>				
10.	Shop C on Ground Floor and Cockloft, Ko Wan Building, Nos. 11-11E Avenida de Horta e Costa, Macau	7,800,000	100%	7,800,000
11.	Shop A on Basement, Ground Floor and Cockloft, Hang Yau Building, Nos. 16A-16C Rua de S. Domingos, Macau	13,600,000	100%	13,600,000
	Sub-total:	21,400,000		21,400,000
<b>Group IV – Property interests held by the Group for owner-occupation in the PRC</b>				
12.	Level 1 to Level 6 of Industrial Building B4 and Level 1 of Industrial Building B2, Heng Feng Industrial Zone, Xixiang Town, Baoan District, Shenzhen City, Guangdong Province, The PRC	9,000,000	100%	9,000,000



No.	Property	Open Market Value in existing state as at 9 January 2004 <i>HK\$</i>	Interest attributable to the Group	Value attributable to the Group as at the Latest Practicable Date <i>HK\$</i>
13.	Units 501-515 in Dormitory Building A8 and Units 505, 506, 603, 604, 703, 704, 803 and 804 in Dormitory Building E6, Heng Feng Industrial Zone, Xixiang Town, Baoan District, Shenzhen City, Guangdong Province, The PRC	1,700,000	100%	1,700,000
	Sub-total:	10,700,000		10,700,000
	Total:	<u>119,230,000</u>		<u>119,230,000</u>

## VALUATION CERTIFICATE

## Group I – Property interests held by the Group for owner-occupation in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 9 January 2004 HK\$
1.	Flat A on 1st Floor including Flat Roofs appurtenant thereto and Shop 1 on Ground Floor and Cockloft 1, Fairview Court, Nos. 15-17 King Kwong Street, Happy Valley, Hong Kong  60/544th equal and undivided shares of and in the Remaining Portion of Section A and the Remaining Portion of Inland Lot No. 3209	<p>The property comprises a shop unit on the ground floor, a cockloft, a residential unit and flat roofs on 1st floor of a 23-storey composite building completed in about 1983.</p> <p>The shop unit on the ground floor has a saleable area of approximately 1,420 sq.ft. (131.92 sq.m.) with a cockloft of approximately 714 sq.ft. (66.33 sq.m.).</p> <p>The residential unit on the 1st floor has a saleable area of approximately 464 sq.ft. (43.11 sq.m.) with flat roofs of approximately 934 sq.ft. (86.77 sq.m.).</p> <p>The property is held by the Group under a Government Lease for a term of 75 years commencing on 21 September 1931 with a right of renewal for a further term of 75 years.</p> <p>The Government Rent payable for the Lot is HK\$22 per annum.</p>	Shop unit on the ground floor together with the cockloft are occupied by the Group for bakery purposes and the residential unit on the 1st floor is occupied by the Group as staff quarters.	13,800,000  (100% interest attributable to the Group as at the Latest Practicable Date: HK\$13,800,000)

Note:–

The registered owner of the property is Saint Honore Cake Shop Limited, a 100%-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 9 January 2004 HK\$
2.	Shop No. 2 on Ground Floor, Kwong Fai Building, Nos. 24-40 Mut Wah Street, Kwun Tong, Kowloon, Hong Kong	The property comprises a shop unit on the ground floor of a 10-storey composite building completed in about 1965.	The property is occupied by the Group for bakery purposes.	18,300,000  (100% interest attributable to the Group as at the Latest Practicable Date: HK\$18,300,000)
	2/124th equal and undivided shares of and in Kwun Tong Inland Lot No. 331	The property is held by the Group under Conditions of Sale No. 7185 for a term extended to 30 June 2047.  The Government Rent payable for the property is 3% of the rateable value of the property per annum.		

*Note:-*

The registered owner of the property is Uni-Leptics Limited, a 100%-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 9 January 2004 HK\$
3.	Shop No. 2 of Unit 2 on Level (Site 1) 26 of Commercial Development, Sceneway Garden, No. 8 Sceneway Road, Lam Tin, Kowloon, Hong Kong  876/2,410th of 2,410/611,133rd of 80,000/100,000th equal and undivided shares of and in New Kowloon Inland Lot No. 6046	The property comprises a shop unit on the Level 26 (also known as L3) of the commercial development of Sceneway Garden (also known as Sceneway Plaza). The commercial development is a 3-level commercial podium completed in about 1991.  The saleable area of the property is approximately 2,293 sq.ft. (213.02 sq.m.).  The property is held by the Group under Conditions of Grant No. 12034 for a term from 24 January 1989 to 30 June 2047.  The Government Rent payable for the property is 3% of the rateable value of the property per annum.	The property is occupied by the Group for bakery purposes.	20,600,000  (100% interest attributable to the Group as at the Latest Practicable Date: HK\$20,600,000)

*Note:—*

The registered owner of the property is Bliset Investment Limited, a 100%-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 9 January 2004 HK\$
4.	Workshops A and B on 9th Floor and Private Car Parking Space No. 25, Truck Parking Space No. 22 and Container Parking Space No. 14 on Ground Floor, Hou Feng Industrial Building, Nos. 1-5 Wing Kin Road, Kwai Chung, New Territories, Hong Kong	The property comprises the whole industrial space on the 9th floor, a car parking space, a truck parking space and a container parking space on the ground floor of an 18-storey industrial building completed in about 1983.  The total saleable area of the industrial space of the property is approximately 12,228 sq.ft. (1,136.01 sq.m.).	The property is occupied by the Group for bakery workshop and car, truck and container parking purposes.	3,800,000  (100% interest attributable to the Group as at the Latest Practicable Date: HK\$3,800,000)
	133/2,414th equal and undivided shares of and in Kwai Chung Town Lot No. 305	The property is held by the Group under New Grant No. 5375 for a term extended to 30 June 2047.  The Government Rent payable for the property is 3% of the rateable value of the property per annum.		

*Note:—*

The registered owner of the property is Saint Honore Cake Shop Limited, a 100%-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 9 January 2004 HK\$
5.	Workshops A and B on 11th Floor and Private Car Parking Space No. 2 and Truck Parking Space No. 20 on Ground Floor, Hou Feng Industrial Building, Nos. 1-5 Wing Kin Road, Kwai Chung, New Territories, Hong Kong	The property comprises the whole industrial space on the 11th floor, a car parking space and a truck parking space on the ground floor of an 18-storey industrial building completed in about 1983.	The property is occupied by the Group for bakery workshop and car and truck parking purposes.	3,100,000  (100% interest attributable to the Group as at the Latest Practicable Date: HK\$3,100,000)
	130/2,414th equal and undivided shares of and in Kwai Chung Town Lot No. 305	The total saleable area of the industrial space of the property is approximately 12,228 sq.ft. (1,136.01 sq.m.).  The property is held by the Group under New Grant No. 5375 for a term extended to 30 June 2047.	The Government Rent payable for the property is 3% of the rateable value of the property per annum.	

*Note:-*

The registered owner of the property is Kingdom Wise Limited, a 100%-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 9 January 2004 HK\$
6.	Workshops A and B on 8th Floor and Truck Parking Space No. 13 on Ground Floor, Hou Feng Industrial Building, Nos. 1-5 Wing Kin Road, Kwai Chung, New Territories, Hong Kong  129/2,414th equal and undivided shares of and in Kwai Chung Town Lot No. 305	The property comprises the whole industrial space on the 8th floor and a truck parking space on the ground floor of an 18-storey industrial building completed in about 1983.  The total saleable area of the industrial space of the property is approximately 12,228 sq.ft. (1,136.01 sq.m.).  The property is held by the Group under New Grant No. 5375 for a term extended to 30 June 2047.  The Government Rent payable for the property is 3% of the rateable value of the property per annum.	The property is occupied by the Group for bakery workshop and truck parking purposes.	3,330,000  (100% interest attributable to the Group as at the Latest Practicable Date: HK\$3,330,000)

*Note:—*

The registered owner of the property is Kingdom Wise Limited, a 100%-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 9 January 2004 HK\$
7.	Workshop Nos. 2 and 3 on 5th Floor and Car Parking Space No. P5 on 1st Floor, Wing Fat Industrial Building, No. 12 Wang Tai Road, Kowloon Bay, Kowloon Hong Kong  422/9,300th equal and undivided shares of and in New Kowloon Inland Lot No. 5894	The property comprises 2 industrial units on the 5th floor and a car parking space on the 1st floor of a 10-storey industrial building completed in about 1988.  The total saleable area of the industrial units of the property is approximately 6,260 sq.ft. (581.57 sq.m.).  The property is held by the Group under Conditions of Sale No. 11600 for a term extended to 30 June 2047.  The Government Rent payable for the property is 3% of the rateable value of the property per annum.	The property is occupied by the Group for bakery workshop and car parking purposes.	3,200,000  (100% interest attributable to the Group as at the Latest Practicable Date: HK\$3,200,000)

*Note:—*

The registered owner of the property is Bread Boutique Limited, a 100%-owned subsidiary of the Company.



## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 9 January 2004 HK\$
8.	Workshop No. 1 on 1st Floor and Car Parking Space Nos. L5 on 1st Floor, Wing Fat Industrial Building, No. 12 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong  275/9,300th equal and undivided shares of and in New Kowloon Inland Lot No. 5894	The property comprises an industrial unit and a lorry parking space on the 1st floor of a 10-storey industrial building completed in about 1988.  The saleable area of the industrial unit of the property is approximately 3,520 sq.ft. (327.02 sq.m.).  The property is held by the Group under Conditions of Sale No. 11600 for a term extended to 30 June 2047.  The Government Rent payable for the property is 3% of the rateable value of the property per annum.	The property is occupied by the Group for bakery workshop and lorry parking purposes.	2,700,000  (100% interest attributable to the Group as at the Latest Practicable Date: HK\$2,700,000)

*Note:—*

The registered owner of the property is Saint Honore Cake Shop Limited, a 100%-owned subsidiary of the Company.

## VALUATION CERTIFICATE

## Group II – Property interest held by the Group for investment in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 9 January 2004 HK\$
9.	The Whole Building located at No. 112 Castle Peak Road, Yuen Long, New Territories, Hong Kong  Lot No. 3653 in Demarcation District No. 120	<p>The property comprises a 3-storey tenement building plus a cockloft and a penthouse completed in about 1955 erected on a rectangular-shaped site with a site area of approximately 1,400 sq.ft. (130.06 sq.m.).</p> <p>The property has a total saleable area of approximately 3,700 sq.ft. (343.74 sq.m.).</p> <p>The property is held by the Group under New Grant No. 334 for a term extended to 30 June 2047.</p> <p>The Government Rent payable for the property is 3% of the rateable value of the property per annum.</p>	<p>The ground floor of the property is subject to a lease to an independent third party tenant for a term of 2 years from 27 March 2003 to 26 March 2005 at a monthly rent of HK\$110,000 exclusive of rates, government rent, water and electricity charges and other relevant outgoings.</p>	<p>18,300,000</p> <p>(100% interest attributable to the Group as at the Latest Practicable Date: HK\$18,300,000)</p>

*Notes:–*

1. The registered owner of the property is Great Moment Investment Limited, a 100%-owned subsidiary of the Company.
2. As at the date of valuation, the property is zoned “Commercial/Residential” on the Yuen Long Outline Zoning Plan.
3. We have prepared our valuation based on the following assumptions:
  - a. The design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
  - b. The property may be disposed of freely in the open market.

## VALUATION CERTIFICATE

## Group III – Property interests held by the Group for owner-occupation in Macau

No.	Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 9 January 2004 HK\$
10.	Shop C on Ground Floor and Cockloft, Ko Wan Building, Nos. 11-11E Avenida de Horta e Costa, Macau	<p>The property comprises a shop unit on the ground floor and a cockloft of a 5-storey composite building completed in early 1970's.</p> <p>The total saleable area of the property is approximately 1,066 sq.ft. (98.99 sq.m.).</p> <p>The property is a freehold premises.</p>	The property is occupied by the Group for bakery purposes.	<p>7,800,000</p> <p>(100% interest attributable to the Group as at the Latest Practicable Date: HK\$7,800,000)</p>

*Note:—*

The registered owner of the property is Saint Anna Cake Shop (Macau) Limited, a 100%-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 9 January 2004 HK\$
11.	Shop A on Basement, Ground Floor and Cockloft, Hang Yau Building, Nos. 16A-16C Rua de S. Domingos, Macau	<p>The property comprises the basement, ground floor and cockloft of an 8-storey composite building completed in about 1990.</p> <p>The total saleable area of the property is approximately 3,022 sq.ft. (280.71 sq.m.).</p> <p>The property is held by the Group under a Macau Government Lease for perpetual.</p>	The property is occupied by the Group for bakery purposes.	<p>13,600,000</p> <p>(100% interest attributable to the Group as at the Latest Practicable Date: HK\$13,600,000)</p>

*Note:—*

The registered owner of the property is Saint Anna Cake Shop (Macau) Limited, a 100%-owned subsidiary of the Company.

## VALUATION CERTIFICATE

## Group IV – Property interests held by the Group for owner-occupation in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 9 January 2004 HK\$
12.	Level 1 to Level 6 of Industrial Building B4 and Level 1 of Industrial Building B2, Heng Feng Industrial Zone, Xixiang Town, Baoan District, Shenzhen City, Guangdong Province, The PRC	<p>The property comprises the whole industrial space of a 6-storey industrial building and the whole industrial space on the Level 1 of another 6-storey industrial building, which was both completed in about 1994.</p> <p>The total gross floor area of the property is approximately 89,523 sq.ft. (8,317.10 sq.m.).</p> <p>The land use rights of the property were granted for a term of 50 years from 8 October 1990 to 7 October 2040.</p>	The property is occupied by the Group for bakery workshop and storage purposes.	<p>9,000,000</p> <p>(100% interest attributable to the Group as at the Latest Practicable Date: HK\$9,000,000)</p>

Notes: –

1. Pursuant to 7 Real Estate Ownership Certificates issued by Shenzhen City People's Government, the property is owned by Saint Honore Cake Shop Limited, a 100%-owned subsidiary of the Company and Saint Honore Cake Shop (Shenzhen) Limited, a 100%-owned subsidiary. Details of which are listed as below:

Unit	Real Estate Ownership Certificate No.	Date	Owner
B4-Level 1	Shen Fang Di Zi Di No. 5000033006	14 September 2000	Saint Honore Cake Shop Limited
B4-Level 2	Shen Fang Di Zi Di No. 7223988	12 November 1997	Saint Honore Cake Shop Limited
B4-Level 3	Shen Fang Di Zi Di No. 7223992	12 November 1997	Saint Honore Cake Shop Limited
B4-Level 4	Shen Fang Di Zi Di No. 7223993	12 November 1997	Saint Honore Cake Shop Limited
B4-Level 5	Shen Fang Di Zi Di No. 7223989	12 November 1997	Saint Honore Cake Shop Limited
B4-Level 6	Shen Fang Di Zi Di No. 5000029957	15 June 2000	Saint Honore Cake Shop (Shenzhen) Limited
B2-Level 1	Shen Fang Di Zi Di No. 5000039922	23 February 2001	Saint Honore Cake Shop (Shenzhen) Limited

2. The opinion given by the PRC legal adviser to the Group is as follows:
  - a. The property is legally vested in Saint Honore Cake Shop Limited and Saint Honore Cake Shop (Shenzhen) Limited.
  - b. The property can be transferred or mortgaged freely by Saint Honore Cake Shop Limited and Saint Honore Cake Shop (Shenzhen) Limited.
  - c. The property is not subject to any mortgage or any other material encumbrances.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Open Market Value in existing state as at 9 January 2004 HK\$
13.	Units 501-515 in Dormitory Building A8 and Units 505, 506, 603, 604, 703, 704, 803 and 804 in Dormitory Building E6, Heng Feng Industrial Zone, Xixiang Town, Baoan District, Shenzhen City, Guangdong Province, The PRC	<p>The property comprises 15 dormitory units in an 8-storey dormitory building and 8 dormitory units in another 8-storey dormitory building, which was both completed in about 1994.</p> <p>The total gross floor area of the property is approximately 14,005 sq.ft. (1,300.90 sq.m.).</p> <p>The land use rights of the property were granted for a term of 50 years from 8 October 1990 to 7 October 2040.</p>	The property is occupied by the Group as staff quarters.	<p>1,700,000</p> <p>(100% interest attributable to the Group as at the Latest Practicable Date: HK\$1,700,000)</p>

*Notes: –*

- Pursuant to 23 Real Estate Ownership Certificates issued by Shenzhen City People's Government, the property is owned by Saint Honore Cake Shop Limited, a 100%-owned subsidiary of the Company and Saint Honore Cake Shop (Shenzhen) Limited, a 100%-owned subsidiary. Details of which are listed as below:

Unit	Real Estate Ownership Certificate No.	Date	Owner
A8-501	Shen Fang Di Zi Di No. 5000050248	18 September 2001	Saint Honore Cake Shop (Shenzhen) Limited
A8-502	Shen Fang Di Zi Di No. 5000050247	18 September 2001	Saint Honore Cake Shop (Shenzhen) Limited
A8-503	Shen Fang Di Zi Di No. 5000050246	18 September 2001	Saint Honore Cake Shop (Shenzhen) Limited
A8-504	Shen Fang Di Zi Di No. 5000050245	18 September 2001	Saint Honore Cake Shop (Shenzhen) Limited
A8-505	Shen Fang Di Zi Di No. 5000050244	18 September 2001	Saint Honore Cake Shop (Shenzhen) Limited
A8-506	Shen Fang Di Zi Di No. 5000050243	18 September 2001	Saint Honore Cake Shop (Shenzhen) Limited
A8-507	Shen Fang Di Zi Di No. 5000050242	18 September 2001	Saint Honore Cake Shop (Shenzhen) Limited
A8-508	Shen Fang Di Zi Di No. 5000028885	21 April 2000	Saint Honore Cake Shop Limited
A8-509	Shen Fang Di Zi Di No. 5000028882	21 April 2000	Saint Honore Cake Shop Limited
A8-510	Shen Fang Di Zi Di No. 5000028881	21 April 2000	Saint Honore Cake Shop Limited
A8-511	Shen Fang Di Zi Di No. 5000028883	21 April 2000	Saint Honore Cake Shop Limited
A8-512	Shen Fang Di Zi Di No. 5000028884	21 April 2000	Saint Honore Cake Shop Limited

Unit	Real Estate Ownership Certificate No.	Date	Owner
A8-513	Shen Fang Di Zi Di No. 5000050240	18 September 2001	Saint Honore Cake Shop (Shenzhen) Limited
A8-514	Shen Fang Di Zi Di No. 5000050241	18 September 2001	Saint Honore Cake Shop (Shenzhen) Limited
A8-515	Shen Fang Di Zi Di No. 5000050239	18 September 2001	Saint Honore Cake Shop (Shenzhen) Limited
E6-505	Shen Fang Di Zi Di No. 7223990	12 November 2001	Saint Honore Cake Shop Limited
E6-506	Shen Fang Di Zi Di No. 7223991	12 November 2001	Saint Honore Cake Shop Limited
E6-603	Shen Fang Di Zi Di No. 5000050253	18 September 2001	Saint Honore Cake Shop (Shenzhen) Limited
E6-604	Shen Fang Di Zi Di No. 5000050255	18 September 2001	Saint Honore Cake Shop (Shenzhen) Limited
E6-703	Shen Fang Di Zi Di No. 5000050251	18 September 2001	Saint Honore Cake Shop (Shenzhen) Limited
E6-704	Shen Fang Di Zi Di No. 5000050238	18 September 2001	Saint Honore Cake Shop (Shenzhen) Limited
E6-803	Shen Fang Di Zi Di No. 5000050250	18 September 2001	Saint Honore Cake Shop (Shenzhen) Limited
E6-804	Shen Fang Di Zi Di No. 5000050249	18 September 2001	Saint Honore Cake Shop (Shenzhen) Limited

2. The opinion given by the PRC legal adviser to the Group is as follows:

- a. The property is legally vested in Saint Honore Cake Shop Limited and Saint Honore Cake Shop (Shenzhen) Limited.
- b. The property can be transferred or mortgaged freely by Saint Honore Cake Shop Limited and Saint Honore Cake Shop (Shenzhen) Limited.
- c. The property is not subject to any mortgage or any other material encumbrances.



## 1. RESPONSIBILITY STATEMENTS

The information contained in this Composite Document relating to the Group has been supplied by the Directors who have taken all reasonable care to ensure that the information stated herein is accurate. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document relating to the Group (but excluding that relating to the Offeror), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those relating to the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any such statement contained in this Composite Document misleading.

The information contained in this Composite Document relating to the Offeror has been supplied by the directors of the Offeror. All the directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any such statement contained in this Composite Document misleading.

## 2. CORPORATE INFORMATION OF THE COMPANY

The Company was incorporated in Bermuda under the Companies Act on 21 June 2000. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business in Hong Kong is at 5/F., Express Industrial Building, 43 Heung Yip Road, Wong Chuk Hang, Hong Kong.

## 3. SHARE CAPITAL OF THE COMPANY

### (a) Authorised and issued share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

	<i>HK\$</i>
<i>Authorised:</i>	
400,000,000 ordinary shares of HK\$0.10 each	40,000,000
	<u><u>40,000,000</u></u>
<i>Issued and fully paid or credited as fully paid:</i>	
207,777,000 ordinary shares of HK\$0.10 each	20,777,700
	<u><u>20,777,700</u></u>

11,548,000 Shares have been issued upon the exercise of Options since 31 March 2003, being the date to which the last audited consolidated financial statements of the Group are made up to and up to the Latest Practicable Date.

As at the date of the Announcement, 206,017,000 Shares were in issue, of which 147,143,750 Shares were held by the Offeror or parties acting in concert with it, and accordingly 58,873,250 Shares were intended to be subject to the Share Offer. Following the issue of the Announcement and up to the Latest Practicable Date, a total of 1,760,000 Shares had been issued upon the exercise of 1,760,000 Options, including 1,350,000 Options by the Non-Relative Directors. Based on a total of 207,777,000 Shares were in issue as at the Latest Practicable Date, a total of 60,633,250 Shares are subject to the Share Offer.

All the issued Shares rank *pari passu* with each other in all respects including the right as to dividends, voting rights and right on return of capital. The Shares are listed and traded on the Main Board of the Stock Exchange. The Shares are not listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the Shares being, or proposed to be sought, on any other stock exchange.

#### (b) Share options

Pursuant to a share option scheme adopted by the Company on 25 October 2000, the Directors may invite eligible employees of the Group, including executive Directors, to take up Options to subscribe for new Shares. As at the Latest Practicable Date, the following Options granted under such share option scheme of the Company remained outstanding:

Grant date	Exercise period		Exercise Price HK\$	Number of Options
	From	To		
<b>Directors</b>				
15 January 2001	1 May 2001	31 May 2010	0.50	2,000,000
15 January 2001	1 May 2002	31 May 2010	0.50	2,000,000
31 August 2001	1 March 2002	30 September 2011	0.55	600,000
31 August 2001	1 September 2002	30 September 2011	0.55	600,000
				5,200,000
<b>Other employees</b>				
15 January 2001	1 May 2001	31 May 2010	0.50	170,000
31 August 2001	1 March 2002	30 September 2011	0.55	635,000
31 August 2001	1 September 2002	30 September 2011	0.55	635,000
				1,440,000
				6,640,000

As at the date of the Announcement, a total of 8,400,000 Options were granted by the Company and remained outstanding, of which 2,600,000 Options were held by the Offeror or parties acting in concert with it, and accordingly 5,800,000 Options were intended to be subject to the Option Offer. Following the issue of the Announcement and up to the Latest Practicable Date, a total of 1,760,000 Options were exercised, including 1,350,000 Options by the Non-Relative Directors. Based on a total of 6,640,000 Options were granted and remained outstanding as at the Latest Practicable Date, a total of 4,040,000 Options are subject to the Option Offer.

Save as disclosed above, as at the Latest Practicable Date, the Company did not have any other outstanding options, warrants or other securities convertible or exchangeable into Shares, and save and except for the existing share option scheme adopted by the Company on 25 October 2000, no other share or loan capital of the Company had been put under option or agreed conditionally or unconditionally to be put under option and no other conversion right affecting the Shares or other derivatives in respect of securities which are being offered for or which carry voting rights had been issued or granted or agreed conditionally or unconditionally to be issued or granted.

#### **4. DISCLOSURE OF INTERESTS**

##### **(a) Interests and short positions of the Directors in the Company and its associated corporations**

As at the Latest Practicable Date, the following Directors 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 or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the

Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this Composite Document pursuant to the requirements of the Takeovers Code:

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 b)	Family interest	Trust interest			
The Company	Mr. Chan	-	-	146,463,750 (Note a)	-	146,463,750	70.49
	Mrs. Chan	-	146,463,750 (Note a)	-	-	146,463,750	70.49
	Chan Ka Lai, Joseph	182,000	-	146,463,750 (Note c)	-	146,645,750	70.58
	Chan Ka Shun, Raymond	162,500	-	146,463,750 (Note c)	2,600,000 (Note d)	149,226,250	71.82
	Shum Wing Hon	-	-	-	2,600,000 (Note d)	2,600,000	1.25
	Wong Man Li, Carrina	1,948,000	-	-	-	1,948,000	0.94
	Wong Chung Piu, Billy	230,000	-	-	-	230,000	0.11
HKCM	Mr. Chan	-	-	113,742,609 (Note e)	-	113,742,609	35.12
	Mrs. Chan	-	113,742,609 (Note e)	-	-	113,742,609	35.12
	Chan Ka Lai, Joseph	1,200,000	-	113,742,609 (Note c)	3,000,000 (Note f)	117,942,609	36.42
	Chan Ka Shun, Raymond	650,000	-	113,742,609 (Note c)	-	114,392,609	35.32

*Notes:*

- (a) These shares were held by the Offeror, a company beneficially owned by a trust established for the benefit of the family members of Mr. & Mrs. Chan in the following manner:

	<b>Number of Shares held</b>
Shares held by the Offeror as beneficial owner	28,435,652
Shares held by the Offeror through HKCM's wholly owned subsidiary, Albion Agents Limited ("Albion")	<u>118,028,098</u>
	<u><u>146,463,750</u></u>

Mr. Chan was interested in these Shares in the capacity as founder of the trust and Mrs. Chan, being the spouse of Mr. Chan, was also deemed to be interested in these Shares.

- (b) These shares were held by the Directors as beneficial owners.
- (c) Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond, being the eligible beneficiaries of the family trust established by Mr. Chan, were also deemed to be interested in the shares held by the Offeror.
- (d) These were underlying Shares in respect of the Options. The aforesaid interests were held by respective Directors as beneficial owners.
- (e) These shares were held by the Offeror and being the founder of the trust, Mr. Chan has the trust interest in HKCM. Mrs. Chan, being the spouse of Mr. Chan, was also deemed to be interested in these shares.
- (f) These were underlying shares in respect of HKCM Options. The aforesaid interests were held by Mr. Chan Ka Lai, Joseph as beneficial owner.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any 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 or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this Composite Document pursuant to the requirements of the Takeovers Code.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of the SFO**

As at the Latest Practicable Date and in addition to those disclosed above in respect of the Directors' interests, so far as was known to any Directors or chief executive of the Company, the following persons had, or were deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial Shareholders	Number of Shares	Percentage of shareholding %
Albion	118,028,098	56.81
HKCM ( <i>Note a</i> )	118,028,098	56.81
The Offeror ( <i>Note b</i> )	146,463,750	70.49

*Notes:*

- (a) Albion was wholly owned by HKCM, hence HKCM had a deemed interest in 118,028,098 Shares by virtue of its interests in the shares of Albion.
- (b) It included the interests held by HKCM through its wholly owned subsidiary, Albion, so the Offeror also had a deemed interest in 118,028,098 Shares by virtue of its interests in the HKCM Shares. Together with the interest in 28,435,652 Shares directly held by the Offeror as beneficial owner, the Offeror had a total interest of 146,463,750 Shares.

Save as disclosed above, the Directors and chief executive of the Company were not aware of any persons who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(c) Other interests in the Company**

As at the Latest Practicable Date,

- (i) save as disclosed in the letter from the Board contained in this Composite Document, the Offeror and parties acting in concert with it did not own or control any other Shares;
- (ii) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers;
- (iii) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders who had any connection with or that was dependent upon the Offers;

- (iv) no benefit (other than statutory compensation) had been or will be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (v) there was no contract or arrangement subsisting at the date of this Composite Document in which a Director is materially interested;
- (vi) no subsidiary or associate of the Company nor any pension fund of the Group had any interests in the Shares;
- (vii) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code or with the Offeror or any parties acting in concert with it;
- (viii) no fund manager connected with the Company had managed any Shares on a discretionary basis;
- (ix) no person had irrevocably committed himself to accept or reject the Offers;
- (x) none of AMS, Access Capital, Altus Capital or BMI Appraisals Limited had any interests in the Shares.

**(d) Interests in the Offeror**

As at the Latest Practicable Date,

- (i) save as disclosed under the paragraph headed “Information on the Offeror” in the joint letter from AMS and Access Capital contained in this Composite Document, neither the Company nor any Directors owned or controlled any shares in the Offeror;
- (ii) no subsidiary or associate of the Company, or any pension fund of the Group, owned or controlled any shares of the Offeror;
- (iii) none of AMS, Access Capital, Altus Capital or BMI Appraisals Limited had any interests in the shares of the Offeror.

## 5. DEALINGS IN SECURITIES

- (a) The following table sets out the dealings in the Shares, Options, HKCM Shares or HKCM Options by the Non-Relative Directors, the Offeror or parties acting in concert with it, in the six months prior to the date of the Announcement (i.e. from 3 July 2003) and up to the Latest Practicable Date:

Name	Date (dd-mth-yy)	Type of transaction	Unit price paid/received HK\$	Option grant date (dd-mth-yy)	Exercise period		Number of Shares	Number of Options	Number of HKCM Shares	Number of HKCM Options
					From (dd-mth-yy)	To (dd-mth-yy)				
Chan Ka Lai, Joseph	Balance as at 03-Jul-03						182,000	-	1,186,000	3,000,000
	01-Sep-03	Purchase of HKCM Shares	0.66				-	-	14,000	-
	Balance as at the Latest Practicable Date						<u>182,000</u>	<u>-</u>	<u>1,200,000</u>	<u>3,000,000</u>
Wong Chung Piu, Billy	Balance as at 03-Jul-03						-	1,500,000	-	-
	22-Dec-03	Exercise of Options	0.50	15-Jan-01	01-May-01	31-May-10	750,000	(750,000)	-	-
	05-Jan-04	Sale of Shares	1.25				(250,000)	-	-	-
	05-Jan-04	Sale of Shares	1.24				(200,000)	-	-	-
	05-Jan-04	Sale of Shares	1.30				(100,000)	-	-	-
	05-Jan-04	Sale of Shares	1.28				(106,000)	-	-	-
	05-Jan-04	Sale of Shares	1.26				(70,000)	-	-	-
	05-Jan-04	Sale of Shares	1.25				(24,000)	-	-	-
	09-Jan-04	Exercise of Options	0.55	31-Aug-01	01-Mar-02	30-Sep-11	375,000	(375,000)	-	-
	09-Jan-04	Exercise of Options	0.55	31-Aug-01	01-Sep-02	30-Sep-11	375,000	(375,000)	-	-
	14-Jan-04	Sale of Shares	1.36				(220,000)	-	-	-
	15-Jan-04	Sale of Shares	1.36				(300,000)	-	-	-
Balance as at the Latest Practicable Date						<u>230,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	



Name	Date (dd-mth-yy)	Type of transaction	Unit price paid/received HK\$	Option grant date (dd-mth-yy)	Exercise period		Number of Shares	Number of Options	Number of HKCM Shares	Number of HKCM Options	
					From (dd-mth-yy)	To (dd-mth-yy)					
Wong Man Li, Carrina	Balance as at 03-Jul-03						-	2,600,000	-	-	
	27-Oct-03	Exercise of Options	0.50	15-Jan-01	01-May-01	31-May-10	1,000,000	(1,000,000)	-	-	
	27-Oct-03	Exercise of Options	0.50	15-Jan-01	01-May-02	31-May-10	1,000,000	(1,000,000)	-	-	
	05-Nov-03	Sale of Shares	1.03				(50,000)	-	-	-	
	05-Nov-03	Sale of Shares	1.02				(50,000)	-	-	-	
	18-Dec-03	Sale of Shares	1.45				(20,000)	-	-	-	
	07-Jan-04	Sale of Shares	1.36				(70,000)	-	-	-	
	07-Jan-04	Sale of Shares	1.37				(64,000)	-	-	-	
	08-Jan-04	Sale of Shares	1.36				(50,000)	-	-	-	
	09-Jan-04	Exercise of Options	0.55	31-Aug-01	01-Mar-02	30-Sep-11	300,000	(300,000)	-	-	
	09-Jan-04	Exercise of Options	0.55	31-Aug-01	01-Sep-02	30-Sep-11	300,000	(300,000)	-	-	
	12-Jan-04	Sale of Shares	1.37				(100,000)	-	-	-	
	12-Jan-04	Sale of Shares	1.38				(98,000)	-	-	-	
	13-Jan-04	Sale of Shares	1.36				(50,000)	-	-	-	
	14-Jan-04	Sale of Shares	1.36				(100,000)	-	-	-	
		Balance as at the Latest Practicable Date						1,948,000	-	-	-

- (b) Save as disclosed above, the Non-Relative Directors, the Offeror and parties acting in concert with it had no other dealings in the Shares in the six-month period prior to the date of the Announcement and up to the Latest Practicable Date.
- (c) None of the Company or its subsidiaries or the Directors had dealt for value in the shares of the Offeror in the six-month period prior to the date of the Announcement and up to the Latest Practicable Date.
- (d) None of the Company, its subsidiaries or any pension fund of the Group or any person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associates under the Takeovers Code had dealt for value in the Shares in the six-month period prior to the date of the Announcement and up to the Latest Practicable Date.
- (e) No fund managers (other than exempted fund managers) who were connected with the Company had dealt for value in the Shares in the six-month period prior to the date of the Announcement and up to the Latest Practicable Date.
- (f) AMS, Access Capital, Altus Capital and BMI Appraisals Limited had not dealt for value in the Shares in the six-month period prior to the date of the Announcement and up to the Latest Practicable Date.

## 6. MARKET PRICES

- (a) The highest and lowest closing prices per Share as quoted on the Stock Exchange in the six months period prior to the Last Trading Date, up to and including the Latest Practicable Date, were HK\$1.46 on 3 February 2004 and HK\$0.65 throughout the period from 30 June 2003 to 10 July 2003, respectively.
- (b) The table below sets out the closing prices per Share as quoted on the Main Board of the Stock Exchange on (i) the last business day of each of the six calendar months immediately preceding the date of the Announcement on which trading of the Shares took place; (ii) the Last Trading Date; and (iii) the Latest Practicable Date:

Date	Closing price <i>HK\$</i>
30 June 2003	0.65
31 July 2003	0.86
29 August 2003	0.87
30 September 2003	0.91
31 October 2003	1.02
28 November 2003	1.02
29 December 2003 (being the Last Trading Date)	1.32
10 February 2004 (being the Latest Practicable Date)	1.45

## 7. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

## 8. MATERIAL CONTRACTS

As at the Latest Practicable Date, there was no contract (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the commencement of the Offers up to and including the Latest Practicable Date which are or may be material.

## 9. CONSENTS

Each of AMS, Access Capital, Altus Capital and BMI Appraisals Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of the report or letter (as the case may be) and references to its names, in the form and context in which they appear.

**10. SERVICE CONTRACTS**

On 7 July 2003, the Company entered into a service agreement with Mr. Bingley Wong in relation to the appointment of the latter as an independent non-executive Director. The term of appointment is not specified but the service agreement is terminable by either party giving to the other party not less than one month's prior written notice. Save as disclosed in this paragraph, none of the Directors has any existing or proposed service contracts with any member of the Group or any associated company of the Company which has more than 12 months to run nor any Director entered into or amended any service contract with any member of the Group or any associated company of the Company within six months before 2 January 2004, being the date of the Announcement.

**11. QUALIFICATIONS**

The following are the qualifications of the experts who have given opinions or advice which are contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
AMS	Deemed licensed corporation under the SFO
Access Capital	Deemed licensed corporation under the SFO
Altus Capital	Deemed licensed corporation under the SFO
BMI Appraisals Limited	Professional valuers, Chartered Surveyors

**12. GENERAL**

- (a) The registered office of the Offeror is at P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, the British Virgin Islands. The correspondence address of the Offeror and the principal members of its concert group in Hong Kong is 27th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong.
- (b) The registered office of AMS is at 20th Floor, Hong Kong Diamond Exchange Building, 8-10 Duddell Street, Central, Hong Kong.
- (c) The registered office of Access Capital is at Suite 606, 6th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- (d) The registered office of Altus Capital is at 8th Floor, Hong Kong Diamond Exchange Building, 8-10 Duddell Street, Central, Hong Kong.
- (e) The directors of the Offeror are Mr. & Mrs. Chan.
- (f) The secretary of the Company is Ms. Wong Tsui Yue, Lucy, a fellow member of the Hong Kong Society of Accountants and an associate member of the Institute of Chartered Certified Accountants in Australia.

- (g) The Company's branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (h) All time references contained in this Composite Document refer to Hong Kong time.
- (i) The English text of this Composite Document and the Forms of Acceptance shall prevail over the Chinese text.

### 13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on any weekday (except for public holidays) at the office of Iu, Lai & Li at 20th Floor, Gloucester Tower, The Landmark, Central, Hong Kong, from the date of this Composite Document up to and including the First Closing Date:

- (a) the bye-laws/memorandum and articles of association of the Company and the Offeror;
- (b) the annual report of the Company for each of the two years ended 31 March 2003;
- (c) the interim report of the Company for the six months ended 30 September 2003;
- (d) the joint letter from AMS and Access Capital, the text of which is set out on pages 14 to 25 of this Composite Document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 26 to 27 of this Composite Document;
- (f) the letter from Altus Capital, the full text of which is set out on pages 28 to 45 of this Composite Document;
- (g) the valuation report prepared by BMI Appraisals Limited in relation to the property interests of the Group, the text of which is set out on pages 94 to 116 of this Composite Document; and
- (h) the letter of consent from each of AMS, Access Capital, Altus Capital and BMI Appraisals Limited referred to in the section headed "Consents" in this appendix.