



*Interim
Report 2006/07*



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

(Incorporated in Bermuda with limited liability)

Stock Code: 192



CORPORATE INFORMATION

Board of Directors

Executive directors

Mr. Chan Wai Cheung, Glenn, *Chairman*
Mr. Shum Wing Hon, *Deputy-chairman*
Mrs. Chan Wong Man Li, Carrina, *Managing Director*
Mr. Chan Ka Shun, Raymond
Mr. Wong Chung Piu, Billy

Non-executive directors

Mr. Chan Ka Lai, Joseph
Mrs. Chan King Catherine

Independent non-executive directors

Dr. Cheung Wai Lam, William
Dr. Ho Sai Wah, David
Mr. Bingley Wong

Audit Committee

Dr. Cheung Wai Lam, William, *Committee Chairman*
Mr. Chan Ka Lai, Joseph
Dr. Ho Sai Wah, David
Mr. Bingley Wong

Company Secretary

Ms. Wong Tsui Yue, Lucy

Authorized Representatives

Mrs. Chan Wong Man Li, Carrina
Ms. Wong Tsui Yue, Lucy

Registered Office

Clarendon House
2 Church Street Hamilton
HM 11 Bermuda



Head Office and Principal Place of Business in Hong Kong

5/F, Express Industrial Building
43 Heung Yip Road
Wong Chuk Hang
Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Share Registrar and Share Transfer Office

Computershare Hong Kong Investor Services Limited
Shop 1712-6
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Dah Sing Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

Solicitors

Sidley Austin Brown & Wood
Conyers Dill & Pearman

Auditors

PricewaterhouseCoopers

Stock Code

192

Website

<http://www.sthonore.com>



The board of directors (the "Board") of Saint Honore Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2006 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2006

		Unaudited Six months ended 30 September	
			(Restated)
	Note	2006 HK\$'000	2005 HK\$'000
Turnover	3	301,379	315,587
Other revenues	4	2,839	1,543
Cost of inventories consumed		(99,879)	(105,686)
Staff costs		(92,159)	(90,318)
Operating lease rentals		(27,742)	(27,560)
Depreciation of property, plant and equipment		(12,928)	(13,488)
Other operating expenses		(47,869)	(52,644)
Loss on disposal of leasehold land and properties		-	(307)
Profit before income tax	5	23,641	27,127
Income tax expense	6	(4,408)	(5,102)
Profit for the period attributable to shareholders of the Company		19,233	22,025
Dividend	7	6,425	8,696
Earnings per share	8		
Basic		9.0 cents	10.4 cents
Diluted		9.0 cents	10.3 cents



CONSOLIDATED BALANCE SHEET

At 30 September 2006

		Unaudited	Audited
		30 September	31 March
		2006	2006
Note		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
		27,600	27,600
		138,535	142,092
	9	73,297	74,154
	9	15,466	3,875
		12,335	11,554
		338	832
		267,571	260,107
Current assets			
		19,328	11,566
	10	14,636	6,352
		20,311	14,865
		1,005	–
		161,295	145,543
		216,575	178,326
Total assets		484,146	438,433
LIABILITIES			
Current liabilities			
		3,487	5,576
	11	26,066	15,484
		62,604	42,831
		5,657	2,673
		14,935	–
		127,059	132,010
		239,808	198,574



	Unaudited	Audited
	30 September	31 March
	2006	2006
Note	HK\$'000	HK\$'000
Non-current liabilities		
Rental deposits received	96	119
Provision for long service payments	6,379	6,176
Deferred income tax liabilities	1,370	1,370
	7,845	7,665
Total liabilities	247,653	206,239
Total assets less current liabilities	244,338	239,859
Net current liabilities	(23,233)	(20,248)
Net assets	236,493	232,194
EQUITY		
Capital and reserves attributable to the Company's shareholders		
Share capital	12 21,336	21,336
Reserves	208,732	195,923
Dividend reserve	6,425	14,935
Total equity	236,493	232,194



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2006

	Unaudited Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Net cash generated from operating activities	35,477	54,225
Net cash used in investing activities	(19,725)	(22,290)
Net cash used in financing activities	-	(18,302)
Net increase in cash and cash equivalents	15,752	13,633
Cash and cash equivalents at 1 April	145,543	129,558
Cash and cash equivalents at 30 September	161,295	143,191



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	Dividend reserve HK\$'000	Total equity HK\$'000
At 1 April 2005	21,156	6,561	104,929	69	66,310	19,040	218,065
Issue of shares upon exercise of share options	180	720	-	-	-	-	900
Profit for the period, as restated	-	-	-	-	22,025	-	22,025
2004/05 final dividend paid	-	-	-	-	(162)	(19,040)	(19,202)
2005/06 interim dividend declared	-	-	-	-	(8,534)	8,534	-
At 30 September 2005, as restated	<u>21,336</u>	<u>7,281</u>	<u>104,929</u>	<u>69</u>	<u>79,639</u>	<u>8,534</u>	<u>221,788</u>
At 1 April 2006	21,336	7,281	104,929	69	83,645	14,935	232,195
Profit for the period	-	-	-	-	19,233	-	19,233
2005/06 final dividend transferred to dividend payable	-	-	-	-	-	(14,935)	(14,935)
2006/07 interim dividend declared	-	-	-	-	(6,425)	6,425	-
At 30 September 2006	<u>21,336</u>	<u>7,281</u>	<u>104,929</u>	<u>69</u>	<u>96,453</u>	<u>6,425</u>	<u>236,493</u>



NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Group manufactures, distributes and sells bakery products and operating eatery business.

The Company is a limited liability company incorporated in Bermuda. The address of its head office is 5/F, Express Industrial Building, 43 Heung Yip Road, Wong Chuk Hang, Hong Kong.

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

These unaudited condensed consolidated interim financial statements should be read in conjunction with the 2005/06 annual report.

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (HK\$), unless otherwise stated.

These unaudited condensed consolidated interim financial statements have been approved for issue by the Board on 16 December 2006.

2. Basis of preparation and principle accounting policies

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

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

The accounting policies used in these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2006.

In the current interim period, the Group has applied the new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for the accounting periods beginning on or after 1 April 2006. The application of these new HKFRSs has had no material effect on the results for the current and prior accounting periods.

The Group has not early applied the new HKFRSs that have been issued but not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position on the Group.

Comparatives were restated to reflect the effect of the adoption of the Hong Kong Financial Reporting Standards issued by the HKICPA. In the 2005/06 annual financial statements, the Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38 and considered the trademarks held by the Group as having indefinite useful lives. Therefore, the trademarks are not amortized but will be tested for impairment; previously the Group amortized its trademarks over 20 years. The transitional provision of HKAS 38 prohibits any adjustments to the carrying amount recognized on first adoption and any assessment of useful life shall be accounted for prospectively as a change in accounting estimate in accordance with HKAS 8.



3. Turnover and segment information

The Group is currently organized into 2 main business segments:

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

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

	Unaudited			Unaudited (Restated)		
	Six months ended 30 September 2006			Six months ended 30 September 2005		
	Bakery HK\$'000	Eatery HK\$'000	Group HK\$'000	Bakery HK\$'000	Eatery HK\$'000	Group HK\$'000
Turnover	<u>295,488</u>	<u>5,891</u>	<u>301,379</u>	<u>301,682</u>	<u>13,905</u>	<u>315,587</u>
Segment results	<u>24,084</u>	<u>(874)</u>	<u>23,210</u>	<u>27,127</u>	<u>(539)</u>	<u>26,588</u>
Unallocated revenue			<u>431</u>			<u>539</u>
Profit before taxation			<u>23,641</u>			<u>27,127</u>
Taxation			<u>(4,408)</u>			<u>(5,102)</u>
Profit for the period attributable to shareholders of the Company			<u>19,233</u>			<u>22,025</u>

4. Other revenues

	Unaudited	
	Six months ended 30 September 2006 HK\$'000	2005 HK\$'000
Interest income	<u>2,408</u>	<u>1,004</u>
Rental income from other properties	<u>431</u>	<u>539</u>
	<u>2,839</u>	<u>1,543</u>



5. Profit before income tax

Profit before income tax is stated after charging the following:

	Unaudited	
	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
Amortization of prepaid operating lease payments	857	851
Loss on disposal of other plant and equipment	167	253
Provision for long service payments included in staff costs	203	191
Retirement benefit costs included in staff costs	3,618	3,670

6. Income tax expense

	Unaudited	
	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	2,332	1,835
Income tax arising from other jurisdictions	1,507	2,205
Under provision in prior years	74	–
Deferred income tax charge	495	1,062
Income tax expenses	4,408	5,102

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period. Income tax arising from other jurisdictions has been calculated on the estimated assessable profits for the period at the rates prevailing in the relevant jurisdictions.



7. Dividend

	Unaudited Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Under-provision of dividend in previous year Interim dividend, declared on 16 December 2006, of HK3 cents (2005: HK4 cents) per ordinary share	-	162
	<u>6,425</u>	<u>8,534</u>
	<u>6,425</u>	<u>8,696</u>

8. Earnings per share

	Unaudited Six months ended 30 September	
	2006	(Restated) 2005
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to the shareholders of the Company	<u>19,233</u>	<u>22,025</u>
	<u>2006</u>	<u>2005</u>

Number of shares

Weighted average number of ordinary shares in issue	<u>213,357,000</u>	212,117,656
Effect of dilutive potential ordinary shares (<i>Note</i>)	<u>578,351</u>	<u>1,644,731</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>213,935,351</u>	<u>213,762,387</u>

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



9. Capital Expenditure

	Unaudited	Leasehold
	Property, plant and equipment	land and land use rights
	HK\$'000	HK\$'000
Net book value, 1 April 2006	142,092	74,154
Additions	9,602	–
Disposals	(231)	–
Depreciation and amortization	(12,928)	(857)
	<u>138,535</u>	<u>73,297</u>
Net book value, 30 September 2006	<u>138,535</u>	<u>73,297</u>

10. Trade receivables

Details of the ageing analysis are as follows:

	Unaudited	Audited
	30 September	31 March
	2006	2006
	HK\$'000	HK\$'000
Current to 30 days	13,695	5,258
31 to 60 days	791	443
Over 60 days	150	651
	<u>14,636</u>	<u>6,352</u>

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



11. Trade payables

Details of the ageing analysis are as follows:

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Current to 30 days	14,832	11,265
31 to 60 days	7,041	2,294
Over 60 days	4,193	1,925
	<u>26,066</u>	<u>15,484</u>

12. Share capital

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorized At 1 April 2006 and 30 September 2006	<u>400,000,000</u>	<u>40,000</u>
Issued and fully paid At 1 April 2006 and 30 September 2006	<u>213,357,000</u>	<u>21,336</u>



13. Commitments

Unaudited	Audited
30 September	31 March
2006	2006
HK\$'000	HK\$'000

(a) Capital commitments

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

Contracted but not provided for	837	1,741
Approved but not contracted for	6,824	14,275
	<hr/> 7,661 <hr/>	<hr/> 16,016 <hr/>

(b) Operating lease commitments

At 30 September 2006, the Group had future aggregate lease payments under non-cancellable operating leases in respect of properties as follows:

Within one year	44,890	46,406
After one year and within 5 years	46,641	46,692
Over 5 years	2,225	2,276
	<hr/> 93,756 <hr/>	<hr/> 95,374 <hr/>

The actual payment in respect of certain 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.



14. Related-party transactions

The Company is directly controlled by Hong Kong Catering Management Limited ("HKCM") which owns 55.32% of the Company's shares. HKCM in turn is 56.61% held by Well-Positioned Corporation ("Well-Positioned") which also directly holds 17.43% of the Company's shares resulting in an effective share holding of 72.75%. The directors regard Well-Positioned, a British Virgin Island incorporated company, as the ultimate holding company of the Company. The remaining 27.25% of the Company's shares is widely held. During the period, the Group had the following significant related party transactions with HKCM and its subsidiaries other than the Group (the "HKCM Group"):

Sales and purchase of goods and services

	Unaudited	
	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
Sales of bakery and related products <i>(note (a))</i>	4,474	3,592
Rental expenses in respect of land and buildings <i>(note (b))</i>	747	92
Management fees paid <i>(note (c))</i>	2,283	2,174
Commission expenses for distribution of festive products coupons <i>(note(d))</i>	31	237

Notes:

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

15. Subsequent event

On 14 November 2006, the Board received a request from Convenience Retail Asia Limited to put forward a proposal to the Company's shareholders regarding a proposed takeover of the Company by way of a scheme of arrangement under Section 99 of the Company Act 1981 of Bermuda (the "Proposal"). Details of the Proposal was announced on 17 November 2006. The Company expects to send to shareholders a scheme document containing further details about the Proposal on or before 12 January 2007.



RESULTS

Consolidated turnover decreased by 4.5% to HK\$301.4 million (2005: HK\$315.6 million) while the profit attributable to shareholders of the Company decreased by 12.7% to HK\$19.2 million (2005: HK\$22.0 million).

INTERIM DIVIDENDS

The Board declared an interim dividend of HK3 cents (2005: HK4 cents) per ordinary share for the period ended 30 September 2006. The dividend will be payable to the shareholders whose names appear in the register of members of the Company on 12 January 2007. The dividend will be payable on or about 24 January 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 January 2007 to 18 January 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Transfer Office, Computershare Hong Kong Investor Services Limited, at Shops 1712-6, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 12 January 2007.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

Business review

Overall Review

With the Mid-autumn Festival fell in the month of October in 2006, more than 30% of mooncake sales will be recognized in the second half of this fiscal year. As a result, turnover of the Group for the period ended 30 September 2006 dropped by 4.5% to HK\$301.4 million (2005: HK\$315.6 million). Excluding sales of festive products, normal cake and bread business of the Group increased by 5%. Overall, gross profit margin slightly improved from 66.4% to 66.9% as prices of major raw materials except sugar have stabilized and the Group also benefited from direct sourcing at the origins of the supply chain. At 30 September 2006, the Group operated a total of 76 outlets in Hong Kong, 6 in Macau and 6 in Guangzhou as compared to 73 outlets in Hong Kong, 5 in Macau and 5 in Guangzhou at the end of September last year.

Apart from the effect of having profit contributed to mooncake sales still not fully reflected in the interim results, our profit attributable to shareholders suffered a decrease to HK\$19.2 million (2005: HK\$22.0 million) which owed also to rising staff and occupancy costs. We adjusted our wage scale upward by 2.5% during the last annual review at the beginning of the fiscal year. Rental expenses for bakery business shown an increase of 4% though offset by savings from the closure of one eatery thus resulted in a net increase 0.7% for the Group. Nevertheless, we managed to achieve savings in marketing expenses.



Hong Kong Operations

With improved economic conditions and better consumer sentiment, turnover for normal cake and bread business increased by 3%. As an ongoing image revamp process, we have redecorated 5 outlets to a more contemporary and stylish look during the period. We have introduced over 140 new products to the market and most of them are well received by the customers including the new series Xylitol low calorie cream cakes and mini bread. Our mooncake sales for the period recorded an encouraging double-digit growth largely due to an effective marketing campaign which had proven to generate high brand awareness and positive customer feedback. Riding on the theme of "The Smartest Choice" for 2004-05, we launched this year's new TV commercial under the theme of "The Emperor Choice" featuring a professional, energetic and flamboyant artist, Aaron Kwok, a parallel image of our brand. We have started installing Octopus as part of our continuous efforts to enhance service excellence and operational efficiency. A total of 48 outlets have been installed with the system to date and full installation in all outlets is expected to be completed by end of next year. The Group has participated in the Mystery Shoppers Program organized by Hong Kong Retail Management Association and achieved satisfactory improvement year-on-year. Periodic in-house and offsite workshops were organized as part of our training programs in service quality for all frontline staff. On production, we continue to upgrade our production line to ensure our capacity and efficiency can keep pace with future growth demand.

Macau Operations

Our Macau normal cake and bread business recorded a 30% growth compared to the same period of last year. The number of shops had increased from 5 to 6. Like many small and medium enterprises in Macau, we're also facing a serious labor shortage. Labor cost has risen substantially amidst limited supply. As counter measures, the Group has successfully applied for the import of mainland workers from PRC and this will alleviate the situation to some extent. We're also contemplating other measure such as relocating certain production process especially for products with longer shelf lives to our Shenzhen plant and shipped them over to Macau. We have installed additional frozen and chill storage facilities in our newly acquired factory to cope with this mode of operation.

PRC Operations

The production throughput of our mooncakes was at its record high this year with the new extension added to our Shenzhen plant commenced operation this year. A new sales and marketing team has been set up during the period to develop and promote our cookies products in the PRC domestic markets.

With the remaining tenancies for our recently acquired factory block expiring in the next few months; the Group has approved in principal a fitting-out blue print to invest in additional production capacity that can cater for the future demand growth in Hong Kong, Macau and the Pearl River Delta ("PRD") region. The increase in minimum wages and other welfare expenses for staff has inevitably posed pressure to the operating costs in PRC. To combat this, the management will continue streamline our production processes for better cost savings and efficiency and the full deployment of an Enterprise Resources Planning system in early next year is one of the various measures embarked for this purpose.



The retail market growth in Guangzhou has been encouraging. We operated 6 stores in Guangzhou at the close of September 2006. The overall turnover growth was 29% and same store sales also shown a double-digit increase. At the back of this strong market sentiment, we will pursue a more aggressive store development program in the PRD region while our Guangzhou food processing plant will be expanded simultaneously to accommodate the fast growing business there.

Prospect

Despite a positive outlook, the Board will still adopt a prudent and pragmatic approach on store development strategies in Hong Kong and Macau. We will continue exercising strict control over operating expenses as rising rental, public utility and staff costs has already borne impact on our bottom line. We are confident that there are tremendous growth opportunities in the PRC domestic market and will divert our efforts particularly in product development and marketing to speed up the expansion pace there.

The Board has agreed to put forward for all shareholders' consideration a proposal from Convenience Retail Asia Limited to privatize the Company. Shareholders can refer to the announcement dated 17 November 2006 for details and further information will be included in a scheme document which is expected to be despatched to shareholders on or before 12 January 2007.

Liquidity and capital resources

At 30 September 2006 the Group's freehold cash on hand reached a record level of HK\$161.3 million (31 March 2006: HK\$145.5 million) with zero gearing. The capital commitments of HK\$7.7 million as at 30 September 2006 are mainly for the expansion of production facilities and also for enhancing the retail networks. All these projects will be financed internally.

Pledge of assets

No assets were pledged throughout the period.

Employees

At 30 September 2006, the Group had a total of 2,210 (31 March 2006: 1,950) full time employees of which 985 (31 March 2006: 770) were local staff of PRC and Macau. Employees' remuneration package was determined with reference to prevailing market practices and individual performance. Remuneration package includes basic salaries, sales incentives (which are only payable to some operational staff), medical and retirement benefit schemes. Discretionary bonus may be granted to eligible employees based on the performance of the Group and individual employees.

Contingent liabilities

The Group had no significant contingent liabilities as at 30 September 2006.

Exposure to fluctuations in exchange rates and related hedges

The Group conducts most of its business transactions in Hong Kong dollars and Renminbi ("RMB"). The Group hedges its RMB exchange exposure by holding surplus cash in RMB deposits. At 30 September 2006, the Group had RMB fixed deposits amounted to RMB13.2 million (31 March 2006: RMB26.5 million).



PURCHASE, SALE OR REDEMPTION OF SHARES

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

SHARE OPTIONS

The Company's share option scheme was adopted on 25 October 2000 (the "Share Option Scheme"). The requirements of the Listing Rules on share option scheme invalidated the Share Option Scheme on 1 September 2001 and no further share option has since been granted. Further details of the Share Option Scheme as required to be disclosed under Rule 17.09 of the Listing Rules have not been included as, in the opinion of the Board, the information is obsolete and of no more value.

During the period, there was no movement of share options previously granted under the Share Option Scheme ("Share Option") and the details of the Share Option that remain unexercised are summarized below:

Name of director	Grant date	Exercise period		Exercise price HK\$	Number of Share Options At 1 April 2006 and 30 September 2006
		From	To		
Chan Ka Shun, Raymond	15 January 2001	1 May 2002	31 May 2010	0.50	200,000
	31 August 2001	1 March 2002	30 September 2011	0.55	300,000
	31 August 2001	1 September 2002	30 September 2011	0.55	300,000
				Grand total	800,000

Mr. Chan Ka Shun, Raymond subsequently exercised the remainder of his outstanding 800,000 Share Options on 3 November 2006.



One director of the Company was holding share options previously granted under the share scheme of HKCM ("HKCM Options") and there was no movement of HKCM Options during the period and HKCM Options outstanding as at 30 September 2006 are summarized below:

Name of director	Grant date	Exercise Period		Exercise price HK\$	Number of HKCM Options At 1 April 2006 and 30 September 2006
		From	To		
Chan Ka Lai, Joseph	30 August 2001	1 October 2001	30 September 2011	0.48	1,000,000
	30 August 2001	1 March 2002	30 September 2011	0.48	1,000,000
	30 August 2001	1 September 2002	30 September 2011	0.48	1,000,000
					<u>3,000,000</u>

Mr. Chan Ka Lai, Joseph subsequently exercised the remainder of his outstanding 3,000,000 HKCM Options on 1 November 2006.



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

At 30 September 2006, the following directors and chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange:

Name of company	Name of director	Number of ordinary shares held			Number of underlying ordinary shares held under equity derivatives	Total number of shares interested or deemed to be interested (long position)	Percentage of shareholding %
		Personal interest <i>(note a)</i>	Family interest	Trust interest			
The Company	Chan Wai Cheung, Glenn	-	-	155,223,250 <i>(note b)</i>	-	155,223,250	72.75
	Chan King Catherine	-	155,223,250 <i>(note b)</i>	-	-	155,223,250	72.75
	Chan Ka Lai, Joseph	182,000	-	155,223,250 <i>(note c)</i>	-	155,405,250	72.84
	Chan Ka Shun, Raymond	162,500	-	155,223,250 <i>(note c)</i>	800,000 <i>(note d)</i>	156,185,750	73.20
	Chan Wong Man Li, Carrina	206,000	-	-	-	206,000	0.10
HKCM	Chan Wai Cheung, Glenn	-	-	186,224,609 <i>(note e)</i>	-	186,224,609	56.61
	Chan King Catherine	-	186,224,609 <i>(note e)</i>	-	-	186,224,609	56.61
	Chan Ka Lai, Joseph	1,200,000	-	186,224,609 <i>(note c)</i>	3,000,000 <i>(note f)</i>	190,424,609	57.89
	Chan Ka Shun, Raymond	650,000	-	186,224,609 <i>(note c)</i>	-	186,874,609	56.81



Notes:

- a. These shares are held by the directors as beneficial owners.
- b. These shares are held by Well-Positioned, a company beneficially owned by a trust established for the benefit of the family members of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine, in the following manner:

	Number of ordinary shares held
SHHL shares held by Well-Positioned as beneficial owner	37,195,152
SHHL shares held by Well-Positioned through its wholly owned subsidiary, Albion Agents Limited ("Albion")	<u>118,028,098</u>
	<u>155,223,250</u>

Mr. Chan Wai Cheung, Glenn is interested in these shares in the capacity as founder of the trust and Mrs. Chan King Catherine, being the spouse of Mr. Chan Wai Cheung, Glenn is also deemed to be interested in these shares.

- c. Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond, being the eligible beneficiaries of the family trust established by Mr. Chan Wai Cheung, Glenn, are also deemed to be interested in these shares held by Well-Positioned.
- d. These are underlying shares in respect of share options granted under the Share Option Scheme. The aforesaid interests are held by Mr. Chan Ka Shun, Raymond as beneficial owner.
- e. These shares are held by Well-Positioned and being the founder of the trust, Mr. Chan Wai Cheung, Glenn has the trust interest in HKCM, Mrs. Chan King Catherine, being the spouse of Mr. Chan Wai Cheung, Glenn, is also deemed to be interested in these shares.
- f. These are underlying shares in respect of share options granted under the share option scheme of HKCM adopted on 13 March 2000. The aforesaid interest is held by Mr. Chan Ka Lai, Joseph as beneficial owner.

Save as disclosed above, at 30 September 2006, none of the directors or chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.



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

At 30 September 2006, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the directors or chief executives of the Company, the following persons, other than directors or chief executives of the Company, had an interest or short position in the shares or underlying shares which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

Name of substantial shareholders	Number of shares held	Percentage of shareholding %
Albion	118,028,098	55.32
HKCM (<i>note a</i>)	118,028,098	55.32
Well-Positioned (<i>note b</i>)	155,223,250	72.75
DJE Investment S.A. (<i>note c</i>)	12,900,000	6.05

Notes:

- a. Albion is wholly owned by HKCM, hence HKCM has a deemed interest in 118,028,098 shares by virtue of its interest in the shares of Albion.
- b. This included the interest held by HKCM through its wholly owned subsidiary, Albion, therefore Well-Positioned also had a deemed interest in 118,028,098 shares by virtue of its interest in the shares of HKCM. Together with the interest in 37,195,152 shares directly held by Well-Positioned as beneficial owner, Well-Positioned has a total interest of 155,223,250 shares in the Company.
- c. DJE Investment S.A. is 81% controlled by Dr. Jens Ehrhardt Kapital AG which in turn is 83.5% controlled by Dr. Jens Alfred Karl Ehrhardt.

Save as disclosed above, at 30 September 2006, the directors and the chief executives of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares which would require to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.



COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Code on Corporate Governance Practices (the "CG Code") issued by the Stock Exchange came into effect on 1 January 2005. For the period ended 30 September 2006, the Company was in compliance with the CG Code except for the following:

- a. The independent non-executive directors ("INEDs") are not appointed with specific term as required by code provision A.4.1, but their appointments are determinable by either party with at least one month written notice in advance. The Board considers the one-month notice period for termination of INEDs' contracts provided adequate protection to either party and would not impose undue pressure of possible compensation liable by the Group for the termination. Besides, INEDs are also subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company.
- b. The Board is in the opinion that the establishment of a remuneration committee as required by code provision B.1.1 is not justified after consideration of the size of the Group and the associated costs involved.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the directors. Having made specific enquiry of the directors, the Company confirmed that they all have complied with the required standard as set out in the Model Code during the period ended 30 September 2006.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the period ended 30 September 2006 and has also discussed the internal control, the accounting principles and practices adopted by the Group.

On behalf of the Board
Chan Wai Cheung, Glenn
Chairman

Hong Kong, 16 December 2006