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

If you have sold or transferred all your shares in Saint Honore (as defined herein), you should at once hand this document and the accompanying forms of proxy and the Election Form (as defined herein) to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This document contains forward-looking statements. Statements that are not historical facts, including statements about CRA's and Saint Honore's beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore readers should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and neither CRA nor Saint Honore undertakes any obligation to update publicly any of them in light of new information or future events. Forward-looking statements involve inherent risks, uncertainties and assumptions. CRA and Saint Honore caution readers that if these risks or uncertainties ever materialize or the assumptions prove incorrect, or if a number of important factors occur or do not occur, actual results may differ materially from those expressed or implied in any forward-looking statement.



**CONVENIENCE RETAIL
ASIA LIMITED**

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8052)



**SAINT HONORE
HOLDINGS LIMITED**

聖安娜控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 192)

**PROPOSED TAKEOVER BY
CONVENIENCE RETAIL ASIA LIMITED
OF
SAINT HONORE HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 99 OF THE COMPANIES ACT)
WITH CANCELLATION CONSIDERATION OF
CASH OF HK\$2.95 FOR EVERY SCHEME SHARE
OR
ONE CRA SHARE PLUS CASH OF HK\$2.95
FOR EVERY TWO SCHEME SHARES**

**Financial adviser to
Convenience Retail Asia Limited**



**Financial adviser to
Saint Honore Holdings Limited**



AMS Corporate Finance Limited

Independent financial adviser to the independent board committee of Saint Honore



SOMERLEY LIMITED

A letter from the Saint Honore Board (as defined herein) is set out on pages 8 to 19 of this document. An explanatory statement regarding the Scheme is set out on pages 58 to 78 of this document. A letter from the Saint Honore Independent Board Committee (as defined herein) containing its advice to the Saint Honore Shareholders (as defined herein) in relation to the Proposal (as defined herein) is set out on page 20 of this document. A letter from Somerley Limited containing its advice to the Saint Honore Independent Board Committee in relation to the Proposal is set out on pages 21 to 57 of this document.

The actions to be taken by the Saint Honore Shareholders (as defined herein) are set out on pages 77 to 78 of this document.

Notices of the Court Meeting (as defined herein) and the Special General Meeting (as defined herein) both to be held on Thursday, 25 January 2007 are set out on pages 242 to 245 of this document. **Whether or not you are able to attend the Court Meeting and/or the Special General Meeting or any adjournment thereof, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the Special General Meeting, in accordance with the respective instructions printed thereon, and to lodge them with the principal office of Saint Honore in Hong Kong at 5th Floor, Express Industrial Building, 43 Heung Yip Road, Wong Chuk Hang, Hong Kong, as soon as possible but in any event not later than the respective times and dates as stated under the paragraph entitled "Actions to be taken by the Saint Honore Shareholders" on pages 77 to 78 of this document. Completion and return of the relevant form of proxy will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish.**

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DEFINITIONS

In this document (other than the Scheme, the notice of the Court Meeting and the notice of the Special General Meeting), the following expressions have the following meanings, unless the context requires otherwise:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“AMS”	AMS Corporate Finance Limited, the financial adviser to Saint Honore and a licensed corporation under the SFO to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
“Announcement”	the announcement issued jointly by Saint Honore and CRA relating to the Proposal on the Announcement Date
“Announcement Date”	17 November 2006
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Proposal
“Cancellation Consideration”	the Cash Alternative or the Share & Cash Alternative (as the case may be)
“Cash Alternative”	the cash alternative under the Proposal, being HK\$2.95 in cash for each Scheme Share cancelled
“Companies Act”	the Companies Act 1981 (as amended) of Bermuda
“Court”	the Supreme Court of Bermuda
“Court Meeting”	a meeting of the Saint Honore Shareholders to be convened at the direction of the Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“CRA”	Convenience Retail Asia Limited, a company incorporated in the Cayman Islands with limited liability, whose issued shares are listed on GEM (Stock Code: 8052)
“CRA Board”	the board of CRA Directors
“CRA Director(s)”	director(s) of CRA
“CRA Group”	CRA and its subsidiaries before the completion of the Scheme
“CRA Last Trading Day”	14 November 2006, being the last trading day prior to the suspension of trading in the CRA Shares on GEM pending the release of the Announcement

DEFINITIONS

“CRA Share(s)”	ordinary share(s) in the share capital of CRA with a nominal value of HK\$0.10 each, trading in board lots of 2,000 CRA Shares on GEM
“CRA Shareholder(s)”	holder(s) of CRA Shares
“CRA Shares Substitution Election”	the facility for the Scheme Shareholders validly electing the Share & Cash Alternative to elect, subject to availability, to increase the number of CRA Shares to be allotted and issued to them in lieu of the cash portion of the Share & Cash Alternative by allocating CRA Substitution Shares to them on a pro-rata basis as mentioned under the paragraph headed “Terms of the Proposal” in the section headed “Letter from the Saint Honore Board” in this document, at HK\$2.95 per CRA Substitution Share
“CRA Substitution Share(s)”	to the extent that one or more Scheme Shareholders choose to take the Cash Alternative, the CRA Share(s) which would otherwise have been taken up by the Scheme Shareholders electing the Cash Alternative if they had chosen to take the Share & Cash Alternative
“Effective Date”	the date on which the Scheme, if sanctioned by the Court, becomes effective, which is expected to be 22 February 2007
“Election Form”	the form of election to be completed by the Scheme Shareholders for election of the Share & Cash Alternative and, if applicable, the CRA Shares Substitution Election
“Enlarged Group”	the CRA Group and the Saint Honore Group
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate for the time being of the Executive Director
“Explanatory Statement”	the explanatory statement set out on pages 58 to 78 of this document and issued in compliance with Section 100 of the Companies Act
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Catering”	Hong Kong Catering Management Limited, a company incorporated in Hong Kong with limited liability, whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 668), and of which WPC was interested in approximately 57.2% of its entire issued capital as at the Latest Practicable Date

DEFINITIONS

“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, the financial adviser to CRA and a registered institution under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities and also a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
“Irrevocable Undertaking”	the irrevocable undertaking dated 15 November 2006 given by WPC in respect of the WPC Committed Shares in favour of CRA as mentioned under the paragraph headed “Irrevocable Undertaking to accept the Proposal” in the Explanatory Statement
“Latest Practicable Date”	29 December 2006, being the latest practicable date prior to the printing of this document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“PRC” or “China”	the People’s Republic of China
“Proposal”	the proposal for takeover of Saint Honore by CRA by way of the Scheme
“Record Date”	16 February 2007, or such other date as shall have been announced to the Saint Honore Shareholders, being the record date for determining entitlements of the Saint Honore Shareholders under the Scheme
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
“Saint Honore”	Saint Honore Holdings Limited, a company incorporated in Bermuda with limited liability, whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 192)
“Saint Honore Board”	the board of Saint Honore Directors
“Saint Honore Director(s)”	director(s) of Saint Honore
“Saint Honore Group”	Saint Honore and its subsidiaries
“Saint Honore Independent Board Committee”	an independent committee of the Saint Honore Board comprising Dr. Cheung Wai Lam, William, Dr. Ho Sai Wah, David and Mr. Bingley Wong, all of whom are independent non-executive Saint Honore Directors, established to advise the Saint Honore Shareholders in relation to the Proposal

DEFINITIONS

“Saint Honore Last Trading Day”	13 November 2006, being the last trading day prior to the suspension of trading in the Saint Honore Shares on the Main Board of the Stock Exchange pending the release of the Announcement
“Saint Honore Registrar”	Computershare Hong Kong Investor Services Limited at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, the branch share registrar and transfer office of Saint Honore in Hong Kong
“Saint Honore Share(s)”	ordinary share(s) in the share capital of Saint Honore with a nominal value of HK\$0.10 each, trading in board lots of 2,000 Saint Honore Shares on the Main Board of the Stock Exchange
“Saint Honore Shareholder(s)”	holder(s) of Saint Honore Shares
“Scheme”	the proposed scheme of arrangement between Saint Honore and the Scheme Shareholders pursuant to Section 99 of the Companies Act involving the cancellation of all the Scheme Shares, particulars of which are set out under the section headed “Scheme of Arrangement” in this document
“Scheme Share(s)”	Saint Honore Share(s) held by the Scheme Shareholders
“Scheme Shareholder(s)”	Saint Honore Shareholder(s) whose name(s) appear on Saint Honore’s register of members on the Record Date
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share & Cash Alternative”	the share and cash alternative under the Proposal, being one CRA Share plus cash of HK\$2.95 for every two Scheme Shares cancelled
“Sommerley”	Sommerley Limited, the independent financial adviser to the Saint Honore Independent Board Committee and a licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
“Special General Meeting”	a special general meeting of Saint Honore to be held immediately after the Court Meeting to consider and, if thought fit, approve, inter alia, the Scheme or any adjournment thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules or the GEM Listing Rules (as the case may be)
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“US\$”	the lawful currency of the United States of America
“WPC”	Well-Positioned Corporation, a company incorporated in the British Virgin Islands and wholly-owned by a trust established by Mr. Chan Wai Cheung, Glenn, the Chairman of Saint Honore. It has a direct interest in approximately 17.4% of the issued Saint Honore Shares and, as the controlling shareholder of Hong Kong Catering, is deemed to be interested in the 55.1% of the issued Saint Honore Shares held through Hong Kong Catering
“WPC Committed Shares”	37,195,152 Saint Honore Shares which are subject to the Irrevocable Undertaking given by WPC
“%”	per cent.

EXPECTED TIMETABLE

The following timetable takes into account the Court procedures for the Scheme. The expected timetable is indicative only and is subject to change. Further announcement(s) will be published in Hong Kong Economic Times and China Daily (Hong Kong edition) if there is any change to the following expected timetable.

2007

Pink form of proxy for the Court Meeting to be lodged no later than (<i>Note 1</i>)	3:30 p.m. on Tuesday, 23 January
White form of proxy for the Special General Meeting to be lodged no later than (<i>Note 1</i>)	4:00 p.m. on Tuesday, 23 January
Latest time for lodging forms of transfer of Saint Honore Shares to qualify for attending and voting at the Court Meeting and the Special General Meeting	4:00 p.m. on Tuesday, 23 January
Register of members of Saint Honore closed	after 4:00 p.m. on Tuesday, 23 January to Thursday, 25 January
Suspension of trading in Saint Honore Shares	9:30 a.m. on Thursday, 25 January
Court Meeting	3:30 p.m. on Thursday, 25 January
Special General Meeting	4:00 p.m. (or at such later time thereafter as the Court Meeting shall have been concluded or adjourned) on Thursday, 25 January
Publication of announcement of the results of the Court Meeting and the Special General Meeting	Friday, 26 January
Resumption of trading in Saint Honore Shares	9:30 a.m. on Friday, 26 January
Court hearing of the petition to sanction the Scheme	Friday, 9 February
Announcement of the result of the hearing of the petition to sanction the Scheme, the Effective Date and the date of withdrawal of listing of Saint Honore Shares on the Stock Exchange	Monday, 12 February
Last day for dealings in Saint Honore Shares on the Stock Exchange	Tuesday, 13 February

EXPECTED TIMETABLE

2007

Latest time for lodging forms of transfer of Saint Honore Shares to qualify for entitlements under the Scheme	4:00 p.m. on Thursday, 15 February
Register of members of Saint Honore closed	after 4:00 p.m. on Thursday, 15 February to Friday, 16 February
Record Date	Friday, 16 February
Chinese New Year holidays	Saturday, 17 February to Tuesday, 20 February
Latest time for lodging the Election Form (<i>Note 2</i>)	4:00 p.m. on Thursday, 22 February
Registration of the order of the Court to sanction the Scheme at the Bermuda Registrar of Companies	Thursday, 22 February
Effective Date	Thursday, 22 February
Withdrawal of the listing of the Saint Honore Shares on the Stock Exchange becomes effective	9:30 a.m. on Friday, 23 February
Cheques for cash entitlements under the Scheme (if applicable) to be despatched on or before	Monday, 5 March
Allotment and issue of CRA Shares pursuant to the Share & Cash Alternative and the CRA Shares Substitution Election (if applicable) and despatch of share certificates of CRA Shares to those Scheme Shareholders entitled thereto on or before	Monday, 5 March
Matching service for odd lots trading of CRA Shares commences	Monday, 5 March
Last day of the matching services for odd lots trading of CRA Shares	Monday, 26 March

Notes:

1. Forms of proxy should be lodged with the principal office of Saint Honore in Hong Kong at 5th Floor, Express Industrial Building, 43 Heung Yip Road, Wong Chuk Hang, Hong Kong, as soon as possible but in any event not later than the respective times and dates stated above or, in the case of the pink forms of proxy for use at the Court Meeting, they may be handed to the Chairman of the Court Meeting. Completion and return of the relevant form of proxy for the Court Meeting or the Special General Meeting will not preclude a Saint Honore Shareholder from attending the relevant meeting and voting in person. In such event, his relevant form of proxy will be deemed to have been revoked.
2. Election Forms, correctly completed in accordance with the instructions thereon, must be lodged with the Saint Honore Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than the time and date stated above (or such later time and/or date as shall have been fixed by CRA and Saint Honore and announced in the newspapers), failing which an Election Form shall not be treated as valid and the Saint Honore Shareholders purporting to make the election shall not, for any purpose, be entitled to receive the Share & Cash Alternative but shall instead receive the Cash Alternative.

LETTER FROM THE SAINT HONORE BOARD



SAINT HONORE HOLDINGS LIMITED

聖安娜控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 192)

Executive Saint Honore 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 Saint Honore Directors:

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

Independent non-executive Saint Honore Directors:

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
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

2 January 2007

To the Saint Honore Shareholders

Dear Sir or Madam,

**PROPOSED TAKEOVER BY
CONVENIENCE RETAIL ASIA LIMITED
OF
SAINT HONORE HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
WITH CANCELLATION CONSIDERATION OF
CASH OF HK\$2.95 FOR EVERY SCHEME SHARE
OR
ONE CRA SHARE PLUS CASH OF HK\$2.95
FOR EVERY TWO SCHEME SHARES**

INTRODUCTION

On 14 November 2006, CRA requested the Saint Honore Board to put forward a proposal to the Saint Honore Shareholders regarding a proposed takeover of Saint Honore by way of the Scheme involving cancellation of all the Scheme Shares and allotment and issue of new Saint Honore Shares to CRA. Under the Proposal, new Saint Honore Shares will be issued to CRA prior to the cancellation of all Scheme Shares and upon the completion of the Scheme, Saint Honore will become a wholly-owned subsidiary of CRA.

LETTER FROM THE SAINT HONORE BOARD

Following the Effective Date, the listing of the Saint Honore Shares on the Main Board of the Stock Exchange will be withdrawn. The Proposal will be implemented by way of a scheme of arrangement under Section 99 of the Companies Act. The Saint Honore Board has agreed to put forward the Proposal to the Saint Honore Shareholders as it considers the Proposal to be appropriate for consideration by the Saint Honore Shareholders.

The Saint Honore Independent Board Committee (comprising all the independent non-executive Saint Honore Directors) has been formed to advise the Saint Honore Shareholders in connection with the Proposal. Mrs. Chan King Catherine and Mr. Chan Ka Lai, Joseph are respectively the spouse and the son of Mr. Chan Wai Cheung, Glenn (the chairman of Saint Honore) and as such, they were not appointed as members of the Saint Honore Independent Board Committee. The Saint Honore Independent Board Committee has approved the appointment of Somerley as the independent financial adviser to the Saint Honore Independent Board Committee to advise the Saint Honore Independent Board Committee in connection with the Proposal.

The purpose of this document is to provide you with information regarding the Proposal and to give you notices of the Court Meeting and the Special General Meeting (and the forms of proxy and the Election Form in relation thereto). Your attention is also drawn to the letter from the Saint Honore Independent Board Committee, the letter from Somerley to the Saint Honore Independent Board Committee, the Explanatory Statement, the Scheme and the Appendices, all of which form part of this document.

TERMS OF THE PROPOSAL

The Proposal will be implemented by way of the Scheme which provides, inter alia, that all Scheme Shares will be cancelled in exchange of either:

- (a) **Cash Alternative:** Cash of HK\$2.95 for every Scheme Share; or
- (b) **Share & Cash Alternative:** One CRA Share plus cash of HK\$2.95 for every two Scheme Shares, valuing each Saint Honore Share at:
 - (i) HK\$2.95, with reference to the closing price of HK\$2.95 per CRA Share on the CRA Last Trading Day; or
 - (ii) HK\$3.03, with reference to the closing price of HK\$3.11 per CRA Share as at the Latest Practicable Date.

In respect of any holding of an odd number of Scheme Shares (i.e. not being a multiple of two), the remaining one Scheme Share will be satisfied in cash at HK\$2.95 per Scheme Share. In addition, Scheme Shareholders who validly elect for the Share & Cash Alternative may also make the **CRA Shares Substitution Election** whereby Scheme Shareholders may, subject to availability, apply for CRA Substitution Shares using the cash portion of the Share & Cash Alternative at HK\$2.95 per CRA Substitution Share.

The Cash Alternative and the Share & Cash Alternative will be financed and provided by CRA. The Scheme Shareholders may elect either the Cash Alternative or the Share & Cash Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two). To the extent that one or more Scheme Shareholders choose to take the Cash Alternative, the number of CRA Shares which would otherwise have been taken up by such Scheme

LETTER FROM THE SAINT HONORE BOARD

Shareholders if they had chosen to take the Share & Cash Alternative will become CRA Substitution Shares. In the event a Scheme Shareholder who validly elects for the Share & Cash Alternative wishes to make a CRA Shares Substitution Election, he may do so only in respect of his entire holding of Scheme Shares, i.e. he may not indicate the additional number of CRA Substitution Share(s) he would like to apply for. The final allocation of CRA Substitution Shares will depend on the number of CRA Substitution Shares available and will so far as practicable be on a pro-rata basis with reference to the respective number of Scheme Shares held by the Scheme Shareholders at the Record Date who have made the CRA Shares Substitution Election. The CRA Substitution Shares will not be issued in fractions and any fractional entitlements shall be rounded down to the nearest whole number.

Scheme Shareholders who wish to elect the Share & Cash Alternative and, if applicable, the CRA Shares Substitution Election should specify the same in the Election Form. **If a Scheme Shareholder does not make a valid election for the Share & Cash Alternative, such Scheme Shareholder will receive the Cash Alternative as the form of Cancellation Consideration in respect of his entire holding of the Scheme Shares.**

Assuming the Scheme becomes effective, any Scheme Shareholder (i) who has not, by 4:00 p.m. on Thursday, 22 February 2007 or such later date and time as may be notified through press announcement(s) of Saint Honore, delivered to the Saint Honore Registrar a duly completed and executed Election Form; or (ii) who has returned an Election Form which is not duly completed or executed, will receive the Cash Alternative in respect of his entire holding of the Scheme Shares.

Upon completion of the Scheme, Saint Honore will become a wholly-owned subsidiary of CRA and the listing of the Saint Honore Shares on the Stock Exchange will be withdrawn after the Effective Date.

Conditions of the Scheme are set out in the paragraph headed "Conditions of the Proposal" in the Explanatory Statement on pages 60 to 63 of this document. **You should be aware that the implementation of the Proposal is subject to the said conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not become effective. You should therefore exercise caution when dealing in Saint Honore Shares.**

It has been stated in the Announcement that the Cancellation Consideration will not be revised, and CRA does not reserve the right to do so.

The Proposal will entail, on the Effective Date, the cancellation of all Scheme Shares in issue at the Record Date. To ensure compliance with Bermuda law and Saint Honore's constitutional documents, subject to the approval of the Scheme at the Court Meeting and the Special General Meeting, 1,000,000 Saint Honore Shares will be allotted and issued to CRA nil paid immediately prior to the cancellation of all Scheme Shares on the Effective Date. As at the Latest Practicable Date, there were 214,157,000 Saint Honore Shares in issue and Saint Honore did not have any outstanding share options, warrants, derivatives or other convertible securities. In addition to the cancellation of 214,157,000 Saint Honore Shares, any further Saint Honore Shares that may be issued between the Latest Practicable Date and the Record Date will also be cancelled.

CRA has received the Irrevocable Undertaking from WPC pursuant to which WPC has conditionally undertaken to vote, or procure the voting, to approve the Scheme at the Court Meeting and the Special General Meeting in respect of the WPC Committed Shares (which represented approximately 17.4% of the Saint Honore Shares in issue as at the Latest Practicable Date).

LETTER FROM THE SAINT HONORE BOARD

Neither Hong Kong Catering nor WPC are parties acting in concert with CRA or its associates. As such, neither Hong Kong Catering nor WPC are required to abstain from voting at the Court Meeting and the Special General Meeting.

The Cash Alternative

Based on 214,157,000 Saint Honore Shares in issue as at the Latest Practicable Date, if all Scheme Shareholders elect for the Cash Alternative, the amount of cash required for the Proposal is HK\$631,763,150.

The cash consideration of HK\$2.95 per Scheme Share under the Cash Alternative represents:

- (a) a premium of approximately 43.9% over the closing price of HK\$2.05 per Saint Honore Share as quoted on the Stock Exchange on the Saint Honore Last Trading Day;
- (b) a premium of approximately 56.9% over the average closing price of HK\$1.88 per Saint Honore Share for the 10 trading days up to and including the Saint Honore Last Trading Day;
- (c) a premium of approximately 58.6% over the average closing price of HK\$1.86 per Saint Honore Share for the 30 trading days up to and including the Saint Honore Last Trading Day;
- (d) a premium of approximately 170.6% over the audited consolidated net asset value per Saint Honore Share of approximately HK\$1.09 as at 31 March 2006; and
- (e) a premium of approximately 1.4% over the closing price of HK\$2.91 per Saint Honore Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Share & Cash Alternative

The maximum number of new CRA Shares to be made available for allotment and issue under the Share & Cash Alternative will be determined at the Record Date but in any event shall not be more than 107,078,500 new CRA Shares, representing approximately 15.8% of the existing issued share capital of CRA as at the Latest Practicable Date, or approximately 13.7% of the enlarged issued share capital of CRA.

Based on 214,157,000 Saint Honore Shares in issue as at the Latest Practicable Date, the aggregate value of the Cancellation Consideration under the Share & Cash Alternative is (i) HK\$631,763,150 based on the closing price of HK\$2.95 per CRA Share as quoted on GEM on the CRA Last Trading Day; or (ii) HK\$648,895,710 based on the closing price of HK\$3.11 per CRA Share as quoted on GEM as at the Latest Practicable Date.

The value of the Share & Cash Alternative of HK\$2.95 per Scheme Share based on the closing price of HK\$2.95 per CRA Share as quoted on GEM on the CRA Last Trading Day represents:

- (a) a premium of approximately 43.9% over the closing price of HK\$2.05 per Saint Honore Share as quoted on the Stock Exchange on the Saint Honore Last Trading Day;
- (b) a premium of approximately 56.9% over the average closing price of HK\$1.88 per Saint Honore Share for the 10 trading days up to and including the Saint Honore Last Trading Day;

LETTER FROM THE SAINT HONORE BOARD

- (c) a premium of approximately 58.6% over the average closing price of HK\$1.86 per Saint Honore Share for the 30 trading days up to and including the Saint Honore Last Trading Day;
- (d) a premium of approximately 170.6% over the audited consolidated net asset value per Saint Honore Share of approximately HK\$1.09 as at 31 March 2006; and
- (e) a premium of approximately 1.4% over the closing price of HK\$2.91 per Saint Honore Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The value of the Share & Cash Alternative of HK\$3.03 per Scheme Share based on the closing price of HK\$3.11 per CRA Share as quoted on GEM as at the Latest Practicable Date represents:

- (a) a premium of approximately 47.8% over the closing price of HK\$2.05 per Saint Honore Share as quoted on the Stock Exchange on the Saint Honore Last Trading Day;
- (b) a premium of approximately 61.2% over the average closing price of HK\$1.88 per Saint Honore Share for the 10 trading days up to and including the Saint Honore Last Trading Day;
- (c) a premium of approximately 62.9% over the average closing price of HK\$1.86 per Saint Honore Share for the 30 trading days up to and including the Saint Honore Last Trading Day;
- (d) a premium of approximately 178.0% over the audited consolidated net asset value per Saint Honore Share of approximately HK\$1.09 as at 31 March 2006; and
- (e) a premium of approximately 4.1% over the closing price of HK\$2.91 per Saint Honore Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The CRA Shares to be issued pursuant to the Proposal will be issued and credited as fully paid up and will rank *pari passu* with the existing CRA Shares at the date of issue and are expected to be allotted and issued at HK\$2.95 per CRA Share under the general mandate granted to the CRA Directors at the annual general meeting of CRA held on 2 May 2006 but will not rank for any dividends or other distributions declared, made or paid by reference to a record date prior to the date of allotment.

CANCELLATION CONSIDERATION AND CONFIRMATION OF FINANCIAL RESOURCES

The maximum number of new CRA Shares to be made available for allotment and issue under the Share & Cash Alternative will be determined at the Record Date but in any event shall not be more than 107,078,500 new CRA Shares, representing approximately 15.8% of the existing issued share capital of CRA as at the Latest Practicable Date, or approximately 13.7% of the enlarged issued share capital of CRA.

Based on 214,157,000 Saint Honore Shares in issue as at the Latest Practicable Date, if all Scheme Shareholders elect for the Cash Alternative, the amount of cash required for the Proposal is HK\$631,763,150.

CRA intends to finance the cash required for the Proposal from internal resources and external financing. HSBC, the financial adviser to CRA, is satisfied that sufficient financial resources are available to CRA for the full implementation of the Proposal.

LETTER FROM THE SAINT HONORE BOARD

In the event the Scheme is not approved at the Court Meeting or the Special General Meeting, Saint Honore and CRA shall bear their own expenses incurred in connection with the Proposal.

SHAREHOLDING STRUCTURE OF SAINT HONORE

As at the Latest Practicable Date, there were 214,157,000 Saint Honore Shares in issue. All Saint Honore Shareholders shall be entitled to attend and vote at the Court Meeting and the Special General Meeting.

The table below sets out the shareholding structure of Saint Honore as at the Latest Practicable Date:

Saint Honore Shareholders	Number of Saint Honore Shares owned	Approximate % of the total issued share capital
Hong Kong Catering (<i>notes a and b</i>)	118,028,098	55.1
WPC (<i>note b</i>)	37,195,152	17.4
DJE Investment S.A. (<i>note c</i>)	15,584,000	7.3
Others	43,349,750	20.2
Total	<u>214,157,000</u>	<u>100.0</u>

Notes:

- (a) Saint Honore Shares are held through Hong Kong Catering's wholly-owned subsidiary, Albion Agents Limited.
- (b) WPC is a controlling shareholder of Hong Kong Catering and thus has a deemed interest in 118,028,098 Saint Honore Shares held by Hong Kong Catering through its wholly-owned subsidiary, Albion Agents Limited. Apart from the said deemed interest, WPC is also directly interested in 37,195,152 Saint Honore Shares.
- (c) DJE Investment S.A. is 81% controlled by Dr. Jens Ehrhardt Kapital AG which in turn is 68.5% controlled by Dr. Jens Alfred Karl Ehrhardt.

Upon the completion of the Scheme, Saint Honore will be wholly-owned by CRA and the listing of Saint Honore Shares on the Stock Exchange will be withdrawn after the Effective Date. As at the Latest Practicable Date, Saint Honore did not have any outstanding share options, warrants, derivatives or other convertible securities.

SHAREHOLDING STRUCTURE OF CRA

As at the Latest Practicable Date, other than share options convertible into 11,756,000 CRA Shares, which were granted under the existing share option scheme of CRA, CRA did not have any outstanding share options, warrants, derivatives or other convertible securities. The table below sets out the shareholding structure of CRA as at the Latest Practicable Date and immediately following completion of the Scheme

LETTER FROM THE SAINT HONORE BOARD

assuming all Scheme Shareholders elect to take the Share & Cash Alternative (assuming no CRA options outstanding as at the Latest Practicable Date are exercised):

CRA Shareholders	As at the Latest Practicable Date		Immediately following completion of the Scheme	
	Number of CRA Shares owned	Approximate % of the total issued share capital	Number of CRA Shares owned	Approximate % of the total issued share capital
King Lun Holdings Limited (<i>Note</i>)	373,692,000	55.2	373,692,000	47.7
Others	303,450,000	44.8	410,528,500	52.3
Total	677,142,000	100.0	784,220,500	100.0

The table below sets out the shareholding structure of CRA as at the Latest Practicable Date and immediately following completion of the Scheme assuming all Scheme Shareholders elect to take the Share & Cash Alternative (assuming all CRA options outstanding as at the Latest Practicable Date are exercised):

CRA Shareholders	As at the Latest Practicable Date		Immediately following completion of the Scheme	
	Number of CRA Shares owned	Approximate % of the total issued share capital	Number of CRA Shares owned	Approximate % of the total issued share capital
King Lun Holdings Limited (<i>Note</i>)	373,692,000	55.2	373,692,000	46.9
Others	303,450,000	44.8	422,284,500	53.1
Total	677,142,000	100.0	795,976,500	100.0

Note: King Lun Holdings Limited through its indirect wholly-owned subsidiary, Li & Fung (Retailing) Limited (a wholly-owned subsidiary of Li & Fung (1937) Limited) held 373,692,000 CRA Shares. 1,332,840 shares in King Lun Holdings Limited, representing 50% of its issued share capital, are owned by J.P. Morgan Trust Company (Jersey) Limited, the trustee of a trust established for the benefit of the family members of Dr. Fung Kwok King, Victor. The remaining 50% of King Lun Holdings Limited is owned by Dr. Fung Kwok Lun, William.

REASONS FOR AND BENEFITS OF THE PROPOSAL

The Saint Honore Board is of the view that the terms of the Proposal are attractive to the Saint Honore Shareholders as the Cancellation Consideration per Scheme Share represents a significant premium over the closing price of Saint Honore Share on the Saint Honore Last Trading Day, the 10-day and 30-day approximate average closing price per Saint Honore Share as detailed in the paragraph headed “Terms of the Proposal” above.

LETTER FROM THE SAINT HONORE BOARD

The trading volume of the Saint Honore Shares has been thin, resulting in the low liquidity of the Saint Honore Shares. The average daily trading volume for the six months prior to the Saint Honore Last Trading Day, i.e. from 18 May 2006 to the Saint Honore Last Trading Day, was approximately 18,876 Saint Honore Shares which is equivalent to approximately 0.03% of the number of Saint Honore Shares held in public hands (the total number of Saint Honore Shares in issue less the number of Saint Honore Shares held by WPC and Hong Kong Catering as at the Latest Practicable Date). Therefore, the Saint Honore Board considers that the ability of Saint Honore to take advantage of its listing status to raise funds from equity market is limited and that the costs associated with the maintenance of Saint Honore's listing on the Stock Exchange may no longer be warranted.

The Proposal represents an opportunity for the Saint Honore Shareholders to realize their investments in Saint Honore. Accordingly, the Saint Honore Board has decided to put forward the Proposal to the Saint Honore Shareholders for their consideration.

A letter from the Saint Honore Independent Board Committee which contains its recommendation to the Saint Honore Shareholders in respect of the Proposal is set out on page 20 of this document. A letter from Somerley containing its advice to the Saint Honore Independent Board Committee in respect of the Proposal is set out on pages 21 to 57 of this document. You are urged to read those letters carefully before you take any action in respect of the Proposal.

INFORMATION ON THE SAINT HONORE GROUP

Saint Honore was incorporated in Bermuda with limited liability, the issued shares of which have been listed on the Main Board of the Stock Exchange since November 2000. The Saint Honore Group is principally engaged in the manufacture of bakery products and operation of a retail chain of bakeries.

A summary of the audited consolidated results of the Saint Honore Group for each of the two years ended 31 March 2006 is set out below:

	For the year	
	ended 31 March	
	2005	2006
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(Restated)</i>	
	<i>(Note)</i>	
Turnover	568,901	589,421
Profit before income tax	71,672	49,645
Profit attributable to shareholders	59,214	40,966

Note: From 1 January 2005, all Hong Kong Statements of Standard Accounting Practice ("HKSSAPs") and interpretations have been withdrawn and replaced by a number of new or revised Hong Kong Financial Reporting Standards ("New HKFRSs"). The Saint Honore Group has adopted the New HKFRSs for the accounting periods commencing on 1 April 2005. Comparative figures were restated as required.

As at 30 September 2006, the unaudited consolidated net assets of the Saint Honore Group were approximately HK\$236,493,000, or approximately HK\$1.11 per Saint Honore Share (based on 213,357,000 Saint Honore Shares in issue as at 30 September 2006).

LETTER FROM THE SAINT HONORE BOARD

INFORMATION ON THE CRA GROUP

CRA was incorporated in the Cayman Islands with limited liability, the issued shares of which have been listed on GEM since January 2001. The CRA Group is engaged in the operation of a chain of convenience stores under the tradename of Circle K in Hong Kong and mainland China.

CRA was a 55.2% owned subsidiary of King Lun Holdings Limited as at the Latest Practicable Date. 50% of the issued share capital in King Lun Holdings Limited is owned by J.P. Morgan Trust Company (Jersey) Limited, the trustee of a trust established for the benefit of the family members of Dr. Fung Kwok King, Victor. The remaining 50% of the issued share capital of King Lun Holdings Limited is owned by Dr. Fung Kwok Lun, William.

A summary of the audited consolidated results of the CRA Group for each of the two years ended 31 December 2005 is set out below:

	For the year ended 31 December	
	2004	2005
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(Restated)</i>	
	<i>(Note)</i>	
Turnover	1,736,491	1,995,206
Profit before income tax	74,918	81,662
Profit before minority interests	61,245	67,614
Profit attributable to shareholders	66,276	73,578

Note: From 1 January 2005, all Hong Kong Statements of Standard Accounting Practice (“HKSSAPs”) and interpretations have been withdrawn and replaced by a number of new or revised Hong Kong Financial Reporting Standards (“New HKFRSs”). The CRA Group has adopted the New HKFRSs for the accounting periods commencing on 1 January 2005. Comparative figures were restated as required.

As at 30 June 2006, the unaudited consolidated net assets of the CRA Group attributable to CRA Shareholders were approximately HK\$491,219,000, or approximately HK\$0.73 per CRA Share (based on 675,838,000 CRA Shares in issue as at 30 June 2006).

CRA’S INTENTION REGARDING SAINT HONORE

Your attention is drawn to the paragraph headed “CRA’s intention regarding Saint Honore” in the Explanatory Statement on page 73 of this document.

WITHDRAWAL OF LISTING OF THE SAINT HONORE SHARES ON THE MAIN BOARD OF THE STOCK EXCHANGE

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. CRA will apply to the Stock Exchange for the withdrawal of the listing of the Saint Honore Shares on the Stock Exchange after the Effective Date. The Scheme Shareholders will be notified by way of press announcement(s) of the exact dates of the last day for dealings in Saint Honore Shares and on which the Scheme and the withdrawal of the listing of Saint Honore Shares will become effective.

LETTER FROM THE SAINT HONORE BOARD

The Saint Honore Board intends that listing of the Saint Honore Shares on the Main Board of the Stock Exchange shall be maintained in the event that the Scheme is not approved or lapses.

SHARE CERTIFICATES, DEALINGS, LISTING, REGISTRATION AND PAYMENT

Your attention is drawn to the paragraphs headed “Share certificates, dealings and listing” and “Registration, payment and despatch of CRA Share certificates” in the Explanatory Statement set out on pages 74 and 75 of this document.

OVERSEAS SCHEME SHAREHOLDERS

The making of the Proposal to and acceptance of the Proposal by the Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to accept the Scheme to satisfy themselves as to the full observance of the laws of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any taxes, duties and other amounts required to be paid in such jurisdictions. Any acceptance by such Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to Saint Honore that those local laws and requirements have been complied with. If you are in doubt as to your position, you should consult your own professional advisers.

COURT MEETING AND SPECIAL GENERAL MEETING

In accordance with the direction of the Court, the Court Meeting will be held on Thursday, 25 January 2007 for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications). The Scheme will be subject to the approval of the Saint Honore Shareholders at the Court Meeting in the manner referred to in the paragraph headed “Conditions of the Proposal” in the Explanatory Statement. The resolution will be passed provided that it is approved by a majority in number of not less than three-fourths of the votes cast by the Saint Honore Shareholders who, being entitled so to do, are present and vote, in person or by proxy, at the Court Meeting. In addition, such resolution will only be considered to have been passed under Rule 2.10 of the Takeovers Code if the Scheme is approved by the Saint Honore Shareholders representing not less than three-fourths in nominal value of the disinterested Saint Honore Shares held by the Saint Honore Shareholders present and voting at the Court Meeting either in person or by proxy provided that the number of votes cast against the resolution to approve the Scheme at the Court Meeting is (by way of poll) not more than 10% of the votes attaching to all disinterested Saint Honore Shares held by the Saint Honore Shareholders.

As at the Latest Practicable Date, the Saint Honore Shareholders held in aggregate 214,157,000 Saint Honore Shares and 10% of the votes attached to all disinterested Saint Honore Shares was 21,415,700 Saint Honore Shares.

The Special General Meeting will be held on Thursday, 25 January 2007 immediately after the Court Meeting for the purpose of considering and, if thought fit, passing a special resolution to approve the Scheme, the allotment and issue of new Saint Honore Shares to CRA and the reduction of share capital of Saint Honore resulting from the cancellation of the Scheme Shares. All Saint Honore Shareholders will be entitled to attend and vote on such special resolution at the Special General Meeting. The special resolution

LETTER FROM THE SAINT HONORE BOARD

will be passed provided that it is approved by a majority of not less than three-fourths of the votes cast by the Saint Honore Shareholders who, being entitled so to do, are present and vote, in person or by proxy, at the Special General Meeting.

Notices of the Court Meeting and the Special General Meeting are set out on pages 242 to 245 of this document. The Court Meeting and the Special General Meeting will be held on Thursday, 25 January 2007 at the respective times specified in such notices at 38th Floor, World Trade Center, 280 Gloucester Road, Causeway Bay, Hong Kong. A pink form of proxy for the Court Meeting and a white form of proxy for the Special General Meeting are enclosed and they should be completed and returned in accordance with the respective instructions printed thereon.

Pursuant to the bye-laws of Saint Honore, a poll may be demanded in relation to any resolution put to the vote at the Special General Meeting before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll:–

- (a) by the chairman of the meeting; or
- (b) by at least three Saint Honore Shareholders present in person (or in the case of a Saint Honore Shareholder being a corporation by its duly authorised representative) or by proxy and entitled to vote at the meeting; or
- (c) by a Saint Honore Shareholder or Saint Honore Shareholders present in person (or in the case of a Saint Honore Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Saint Honore Shareholders having the right to vote at the meeting; or
- (d) by a Saint Honore Shareholder or Saint Honore Shareholders present in person (or in the case of a Saint Honore Shareholder being a corporation by its duly authorised representative) or by proxy and holding Saint Honore Shares conferring a right to vote at the meeting being Saint Honore Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Saint Honore Shares conferring that right; or
- (e) by any Saint Honore Director or Saint Honore Directors who, individually or collectively, hold proxies in respect of Saint Honore Shares representing five per cent. (5%) or more of the total voting rights at such meeting.

ACTIONS TO BE TAKEN BY THE SAINT HONORE SHAREHOLDERS

Your attention is drawn to the paragraph headed “Actions to be taken by the Saint Honore Shareholders” in the Explanatory Statement on pages 77 to 78 of this document.

RECOMMENDATIONS

Somerley has been appointed to advise the Saint Honore Independent Board Committee in connection with the Proposal. The text of the letter of advice from Somerley containing its recommendation and the principal factors and reasons that it has taken into consideration in arriving at its recommendation is set out on pages 21 to 57 of this document. We would advise you to read this letter carefully before you take any action in respect of the Proposal.

LETTER FROM THE SAINT HONORE BOARD

The Saint Honore Independent Board Committee has considered the terms of the Proposal and taken into account the advice of Somerley, in particular the factors, reasons and recommendation as set out in the letter from Somerley on pages 21 to 57 of this document. The Saint Honore Independent Board Committee's recommendation is set out in the section headed the "Letter from the Saint Honore Independent Board Committee" on page 20 of this document.

TAXATION

Your attention is drawn to the paragraph headed "Taxation" in the Explanatory Statement on page 76 of this document.

It is emphasised that none of Saint Honore, CRA, HSBC, AMS, their respective professional advisers or any of their respective directors or associates or any other person involved in the Scheme accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Scheme.

FURTHER INFORMATION

You are urged to read carefully the letter from the Saint Honore Independent Board Committee, the letter from Somerley, the Explanatory Statement, the Scheme and the notices of the Court Meeting and the Special General Meeting contained in this document and the Appendices to this document.

Yours faithfully,
For and on behalf of the
Saint Honore Holdings Limited
Chan Wai Cheung, Glenn
Chairman



SAINT HONORE HOLDINGS LIMITED

聖安娜控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 192)

2 January 2007

To the Saint Honore Shareholders

Dear Sir or Madam,

**PROPOSED TAKEOVER BY
CONVENIENCE RETAIL ASIA LIMITED
OF
SAINT HONORE HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
WITH CANCELLATION CONSIDERATION OF
CASH OF HK\$2.95 FOR EVERY SCHEME SHARE
OR
ONE CRA SHARE PLUS CASH OF HK\$2.95
FOR EVERY TWO SCHEME SHARES**

We refer to the document of even date issued jointly by Saint Honore and CRA (the “Document”), of which this letter forms part. Terms defined in the Document shall have the same meaning in this letter unless the context requires otherwise.

We have been appointed as members of the Saint Honore Independent Board Committee to give a recommendation to the Saint Honore Shareholders in respect of the Proposal. Somerley has been appointed as the independent financial adviser to advise us in connection with the Proposal.

Having considered the terms of the Proposal, and having taken into account the advice of Somerley, in particular, the factors, reasons and recommendation as set out in the letter from Somerley on pages 21 to 57 of the Document, we consider that the terms of the Proposal are fair and reasonable so far as the Saint Honore Shareholders are concerned, and the Proposal is in the interests of the Saint Honore Shareholders. Accordingly, we recommend the Saint Honore Shareholders to vote in favour of the Scheme to be considered at the Court Meeting and the special resolution to be proposed at the Special General Meeting to approve and implement the Scheme. We further recommend the Saint Honore Shareholders to elect the Cash Alternative.

The Saint Honore Independent Board Committee draws the attention of the Saint Honore Shareholders to (i) the letter from the Saint Honore Board; (ii) the Explanatory Statement; and (iii) the letter of advice from Somerley which set out the factors and reasons taken into account in arriving at its recommendation to the Saint Honore Independent Board Committee, each contained in the Document.

Yours faithfully,
For and on behalf of the Saint Honore
Independent Board Committee
Dr. Cheung Wai Lam, William
Dr. Ho Sai Wah, David
Mr. Bingley Wong

Independent non-executive Saint Honore Directors

LETTER FROM SOMERLEY



SOMERLEY LIMITED

10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

2 January 2007

To: The Saint Honore Independent Board Committee

Dear Sirs,

**PROPOSED TAKEOVER BY CONVENIENCE RETAIL ASIA LIMITED
OF
SAINT HONORE HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT 1981
(AS AMENDED) OF BERMUDA**

INTRODUCTION

We refer to our appointment to advise the Saint Honore Independent Board Committee in connection with the proposed takeover of Saint Honore by CRA by way of a scheme of arrangement under Section 99 of the Companies Act. Details of the Proposal are contained in the composite document to the Saint Honore Shareholders dated 2 January 2007 (the “Document”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Document unless the context herein otherwise requires.

The Saint Honore Board comprises five executive Saint Honore Directors, two non-executive Saint Honore Directors and three independent non-executive Saint Honore Directors. The Saint Honore Independent Board Committee, comprising all three independent non-executive Saint Honore Directors, namely Dr. Cheung Wai Lam, William, Dr. Ho Sai Wah, David and Mr. Bingley Wong, has been formed to consider and to make recommendations to the Saint Honore Shareholders in respect of the Proposal. The two non-executive Saint Honore Directors, Mrs. Chan King Catherine and Mr. Chan Ka Lai, Joseph are respectively the spouse and the son of Mr. Chan Wai Cheung, Glenn (the chairman of the Saint Honore Board), and therefore they have not been appointed as members of the Saint Honore Independent Board Committee. The Saint Honore Independent Board Committee has approved the appointment of Somerley as the independent financial adviser to the Saint Honore Independent Board Committee in connection with the Proposal.

Somerley is not associated or connected with Saint Honore, CRA, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Proposal. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from Saint Honore, CRA, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

LETTER FROM SOMERLEY

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Saint Honore Directors or the CRA Directors, which we have assumed to be true, accurate and complete as at the date of this letter. We have reviewed the published information on the Saint Honore Group and the CRA Group, including their respective annual reports and unaudited half-yearly and quarterly (in respect of CRA) reports. We have also reviewed the trading performance of Saint Honore Shares and CRA Shares on the Stock Exchange and considered the future intention of the CRA Group regarding the Saint Honore Group.

We have sought and received confirmation from the Saint Honore Directors that no material facts have been omitted from the information supplied and opinions expressed by them to us in connection with the Proposal. We consider that the information which we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth and accuracy of the information provided to us or that any material facts have been omitted or withheld. We have also assumed that all representations contained or referred to in the Document were true as at the date of the Document and will continue to be true as at the date of the Court Meeting and the Special General Meeting. We have, however, not conducted any independent investigation into the businesses and affairs of the Saint Honore Group and the CRA Group, nor have we carried out any independent verification of the information supplied.

We have not considered the tax implications on the Scheme Shareholders of approving and accepting the Proposal since these depend on their individual circumstances. In particular, Scheme Shareholders who are residents in overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position and, if in doubt, consult their professional advisers.

PRINCIPAL TERMS OF THE PROPOSAL

In summary, the Proposal involves the following principal steps:

- (i) All the Scheme Shares will be cancelled and each Scheme Shareholder will be entitled to receive either:
 - (a) **Cash Alternative:** Cash of HK\$2.95 for every Scheme Share; or
 - (b) **Share & Cash Alternative:** One CRA Share plus cash of HK\$2.95 for every two Scheme Shares.

The Scheme Shareholders may elect either the Cash Alternative or the Share & Cash Alternative but not a combination of the two.

In this letter, the Cancellation Consideration refers to (i) the Cash Alternative which values each Scheme Share at HK\$2.95; or (ii) the Share & Cash Alternative which, based on the closing price of HK\$2.95 per CRA Share on the CRA Last Trading Day, also values each Scheme Share at HK\$2.95.

It has been stated in the Announcement that the Cancellation Consideration will not be revised, and CRA does not reserve the right to do so.

LETTER FROM SOMERLEY

If one or more Scheme Shareholders choose to take the Cash Alternative, the number of new CRA Shares which would otherwise have been taken up by such Scheme Shareholders if they had chosen to take the Share & Cash Alternative will become CRA Substitution Shares. Scheme Shareholders who validly elect for the Share & Cash Alternative may also make the CRA Shares Substitution Election whereby they may, subject to availability, apply for CRA Substitution Shares using the cash portion of the Share & Cash Alternative at HK\$2.95 per CRA Substitution Share. In the event that a Scheme Shareholder who validly elects for the Share & Cash Alternative wishes to make a CRA Shares Substitution Election, he must do so only in respect of his entire holding of the Scheme Shares.

The final allocation of CRA Substitution Shares will depend on the number of CRA Substitution Shares available and will so far as practicable be made on a pro-rata basis with reference to the respective number of Scheme Shares held by those Scheme Shareholders who have made the CRA Shares Substitution Election.

As at the Latest Practicable Date, there were 214,157,000 Saint Honore Shares in issue and Saint Honore did not have any outstanding options, warrants, derivatives or other convertible securities. On this basis, the amount payable under the Cash Alternative will be HK\$631,763,150. CRA intends to finance the cash required for the Proposal from internal resources and external financing. The maximum number of new CRA Shares to be made available for allotment and issue under the Share & Cash Alternative will be 107,078,500, representing 50% of the number of the Saint Honore Shares in issue as at the Latest Practicable Date.

- (ii) All Scheme Shares will be cancelled and the authorised and issued share capital of Saint Honore will be reduced pursuant to Section 46 of the Companies Act.
- (iii) Subject to the approval of the Scheme at the Court Meeting and the Special General Meeting, 1,000,000 new Saint Honore Shares will be allotted and issued to CRA nil paid immediately prior to the cancellation of all Scheme Shares on the Effective Date. Upon completion of the Scheme, Saint Honore will become a wholly-owned subsidiary of CRA and the listing of the Saint Honore Shares on the Stock Exchange will be withdrawn after the Effective Date. However, in the event that the Proposal is not approved or lapses, Saint Honore will maintain the listing of the Saint Honore Shares on the Stock Exchange.

The Scheme is subject to a number of conditions, including but not limited to:

- (a) sanction of the Scheme (with or without modifications) by the Court;
- (b) the approval (by way of a poll) of the Scheme by a majority in number of Saint Honore Shareholders present and voting either in person or by proxy at the Court Meeting holding not less than three-fourths in nominal value of the Saint Honore Shares that are voted either in person or by proxy by the Saint Honore Shareholders at the Court Meeting, provided that the Scheme is not disapproved at the Court Meeting by the Saint Honore Shareholders holding more than 10% in value of all the Saint Honore Shares held by the Saint Honore Shareholders. As at the Latest Practicable Date, Saint Honore Shareholders held 214,157,000 Saint Honore Shares, 10% of which amounted to 21,415,700 Saint Honore Shares; and

LETTER FROM SOMERLEY

- (c) the passing by the Saint Honore Shareholders (other than those who are prohibited from voting under relevant laws, rules or regulations) of a special resolution to approve and give effect to the Scheme (including the cancellation of the Scheme Shares and the reduction of the share capital of Saint Honore) by a majority of at least three-fourths of the votes cast by the Saint Honore Shareholders present and voting, in person or by proxy, at the Special General Meeting.

Details of the conditions to which the Scheme is subject are set out in the paragraph headed “Conditions of the Proposal” in the Explanatory Statement.

CRA has received the Irrevocable Undertaking pursuant to which WPC has undertaken to vote, or procure the voting, to approve the Scheme at the Court Meeting and the Special General Meeting in respect of the WPC Committed Shares (which represented approximately 17.4% of the Saint Honore Shares in issue as at the Latest Practicable Date).

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation with regard to the Proposal, we have taken into account the following principal factors and reasons:

1. Background to and reasons for the Proposal

(a) Background

The Saint Honore Group is the bakery division of Hong Kong Catering and is principally engaged in the manufacture of bakery products and operation of a retail chain of bakeries in Hong Kong, Macau and the PRC. It is one of the dough and bakery products suppliers to the CRA Group. For the years ended 31 March 2004, 2005 and 2006, sales of dough and bakery products by the Saint Honore Group to the CRA Group amounted to approximately HK\$12.1 million, HK\$17.3 million and HK\$24.0 million respectively, representing 2.3%, 3.0% and 4.1% of the Saint Honore Group’s turnover in the respective years.

(b) Reasons for the Proposal

The reasons for the Saint Honore Board to put forward the Proposal to the Saint Honore Shareholders for their consideration, as set out in the letter from the Saint Honore Board included in the Document, are as follows:

- (i) the Saint Honore Board is of the view that given the Cancellation Consideration per Scheme Share represents a significant premium over the closing price of Saint Honore Share on the Saint Honore Last Trading Day and the 10-day and 30-day approximate average closing prices per Saint Honore Share, the terms of the Proposal are attractive to the Saint Honore Shareholders;
- (ii) the trading volume of the Saint Honore Shares has been thin, resulting in the low liquidity of the Saint Honore Shares; and
- (iii) the Proposal represents an opportunity for the Saint Honore Shareholders to realise their investments in Saint Honore.

(c) Intention of CRA regarding the Saint Honore Group

Following implementation of the Proposal, CRA intends that the Saint Honore Group will continue to carry on its current business in manufacture of bakery products and operation of a retail chain of bakeries. The CRA Directors recognise the strong brand value of Saint Honore and believe its expertise in the baking business will enhance the business proposition for the CRA Group's convenience stores as well as underpinning its China strategy. The Saint Honore Group is an existing dough and baked products supplier to the CRA Group and the implementation of the Proposal will further facilitate the business integration between the two groups and capture revenue synergies and greater operational efficiency.

2. Business operations of the Saint Honore Group

The Saint Honore Group offers cakes, breads and other festive food products, including mooncake, Chinese New Year fortune products and rice dumplings. The Saint Honore Group also had operated an eatery chain since 1999 which ceased operation in November 2006. Core cake and bread products are the major revenue contributors of the Saint Honore Group. For the year ended 31 March 2006, cake and bread products accounted for approximately 82% of the Saint Honore Group's turnover, while the festive products and the eatery operation accounted for approximately 15% and 3% respectively.

Hong Kong is the largest market for the Saint Honore Group. For the year ended 31 March 2006, the Hong Kong market accounted for close to 90% of the turnover of the Saint Honore Group, while the Macau, PRC and overseas markets in aggregate accounted for approximately 10%. The Saint Honore Group operates a retail bakery chain under the tradenames of "Saint Honore Cake Shop" and "Bread Boutique". As at 30 September 2006, there were 72 shops operated under the tradename of "Saint Honore Cake Shop", of which 60 in Hong Kong, six in Macau and six in Guangzhou, the PRC. As at 30 September 2006, there were 15 shops operated under the tradename of "Bread Boutique" in Hong Kong. The "Saint Honore Cake Shop" has been the largest revenue contributor of the Saint Honore Group. It accounted for about 77% of the turnover of the Saint Honore Group for the year ended 31 March 2006 while "Bread Boutique" contributed about 20%. The eatery business, which contributed the remaining 3% of the turnover of the Saint Honore Group for the year ended 31 March 2006, was completely phased out in November 2006 as the management decided to concentrate on the development of its bakery business.

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3. Financial performance of the Saint Honore Group

The following table summarises the audited consolidated profit and loss accounts of Saint Honore for the last three financial years and the unaudited consolidated profit and loss accounts for the six months ended 30 September 2006 and 2005 respectively:

Consolidated profit and loss accounts of Saint Honore

	For the six months ended 30 September		For the year ended 31 March		
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	301,379	315,587	589,421	568,901	537,516
Growth / (Decline) in turnover	(5)% (Note)	6% (Note)	4%	6%	9%
Other revenues	2,839	1,543	4,018	2,592	1,702
Costs of inventories consumed	(99,879)	(105,686)	(192,332)	(176,790)	(158,127)
Gross profit	201,500	209,901	397,089	392,111	379,389
Growth / (Decline) in gross profit	(4)% (Note)	3% (Note)	1%	3%	8%
Gross profit margin	67%	67%	67%	69%	71%
Staff costs	(92,159)	(90,318)	(172,700)	(171,719)	(170,163)
Operating lease rentals	(27,742)	(27,560)	(54,615)	(55,744)	(48,542)
Depreciation of property, plant and equipment	(12,928)	(13,488)	(27,484)	(27,300)	(29,823)
Other operating expenses	(47,869)	(52,644)	(96,356)	(89,781)	(82,192)
Amortisation of trademarks	–	–	–	(4,600)	(4,600)
(Loss)/Gain on disposal of leasehold land and/or properties	–	(307)	(307)	26,113	7,159
Profit before income tax	23,641	27,127	49,645	71,672	52,930
Operating profit margin	8%	9%	8%	13%	10%
Income tax expense	(4,408)	(5,102)	(8,679)	(12,458)	(7,571)
Profit for the period/year attributable to the Saint Honore Shareholders	19,233	22,025	40,966	59,214	45,359
Growth / (Decline) in net profit	(13)% (Note)	(46)% (Note)	(31)%	31%	145%
Net profit margin	6%	7%	7%	10%	8%
Dividends	6,425	8,696	23,631	29,627	27,342
Earnings per Saint Honore Share for profit attributable to the Saint Honore Shareholders during the period/year					
Basic	9.0 cents	10.4 cents	19.3 cents	28.0 cents	22.6 cents
Diluted	9.0 cents	10.3 cents	19.2 cents	27.7 cents	21.9 cents

Note: The growth or decline in turnover, gross profit and net profit for the six months ended 30 September 2006 and 2005 are calculated based on the turnover, gross profit and net profit of the corresponding period in the prior year.

(a) Analysis of turnover and gross profit margin

Turnover

As illustrated in the table above, the Saint Honore Group's turnover demonstrated a consistent upward trend for the past three financial years and registered a compound average growth rate ("CAGR") of approximately 5% per annum.

For the year ended 31 March 2004, the Saint Honore Group's turnover reached approximately HK\$537.5 million, equivalent to a growth rate of approximately 9%. For the year ended 31 March 2005, the turnover generated from sales of the core cake and bread products only increased slightly by approximately 3% due to intense market competitions. Turnover generated from sales of mooncakes declined as a result of competitors offering bigger discounts. The Saint Honore Group however achieved a 6% growth in turnover, which was mainly due to the introduction of new festive products. The turnover for the year ended 31 March 2006 marginally increased by 4% due to saturation in supply and escalated competition in the Hong Kong market. The decrease in turnover for the six months ended 30 September 2006 as compared to the corresponding period in the prior year was mainly attributable to (i) the gradual closure of eatery outlets; and (ii) a portion of mooncake sales was recognised in the second half of the financial year as the Mid-autumn festival in 2006 fell in October, as opposed to September in 2005.

The turnover attributable to eatery operation for the years ended 31 March 2004, 2005 and 2006 was approximately HK\$29.1 million, HK\$29.5 million and HK\$20.2 million respectively. The substantial decline in turnover in 2006 for the eatery operation as compared to previous years was because of the closure of one of the restaurants upon the expiration of its lease.

Gross profit margin

Despite the turnover for the year ended 31 March 2004 increased by approximately 9%, the gross profit margin fell slightly to 71% due to greater sale discounts given to boost sales. The gross profit margin for the year ended 31 March 2005 further eroded from 71% to 69%. The management attributed the narrowed margin to (i) price increases in main ingredients like flour, sugar and dairy products; and (ii) inability to pass on the increased costs to customers who were price sensitive to bakery products. The Saint Honore Group continued to suffer from diminishing gross profit margin as raw material costs continued to increase in 2006. For the year ended 31 March 2006 and for the six months ended 30 September 2006, the gross profit margin further decreased to 67%.

(b) Operating results and the net profit attributable to the Saint Honore Shareholders

For the year ended 31 March 2004, the Saint Honore Group achieved HK\$52.9 million profit before income tax. After adjustment for the one-off gain on the disposal of an investment property of HK\$7.1 million, the profit before income tax and net profit were HK\$45.8 million and HK\$38.2 million respectively, representing the adjusted operating profit margin and the adjusted net profit margin of approximately 9% and 7% respectively. For the year ended 31 March 2005, the Saint Honore Group recorded a profit before income tax of HK\$71.7 million, including a HK\$26.1 million gain (before tax) on disposal of a shop. After adjustment for such windfall gain, the adjusted profit before income tax and the adjusted net profit were HK\$45.6 million and HK\$37.2 million respectively, representing the adjusted operating profit margin and the adjusted net profit margin of 8% and 7% respectively. The decline in operating profit margin, as compared to previous year, was mainly due to cessation of the rental concession granted by landlords to the Saint Honore Group after the outbreak of Severe Acute Respiratory Syndrome (“SARS”) in 2003. For the year ended 31 March 2006, the Saint Honore Group succeeded in controlling staff costs and rental expenses in spite of inflation pressure. Consequently, the operating profit margin and net profit margin were successfully maintained at 8% and 7% respectively. The net profit margin for the six months ended 30 September 2006 dropped slightly from that of the corresponding period in prior year. The management attributed the decrease to the shift of the Mid-autumn festival from September in 2005 to October in 2006, which resulted in reduction in turnover in September 2006, and the major fixed operating expenses such as staff costs and rentals.

The CAGR of the net profit (after adjustment for one-off items, if any) of the Saint Honore Group for the three years ended 31 March 2006 was approximately 4% per annum.

In summary, for the three and a half years we have reviewed, the Saint Honore Group achieved growth in turnover and gross profit. However, the rate of such growth was diminishing due to the escalated market competition and rising production and operating costs. If keen competition persists and the production and operating costs remain at high level, the existing net profit margin, which is chiefly attributable to the successful implementation of stringent cost control measures, may not be sustainable.

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4. Financial position of the Saint Honore Group

Set out below is a summary of the consolidated balance sheets of Saint Honore as at 30 September 2006, 31 March 2006 and 31 March 2005 as extracted from the published unaudited financial statements of the Saint Honore Group for the six months ended 30 September 2006 and the published audited financial statements of the Saint Honore Group for the year ended 31 March 2006:

Consolidated balance sheets of Saint Honore

	As at 30 September 2006 HK\$'000	As at 31 March 2006 HK\$'000	As at 31 March 2005 HK\$'000
Non-current assets			
Trademarks	27,600	27,600	27,600
Property, plant and equipment	138,535	142,092	136,354
Leasehold land and land use rights	73,297	74,154	74,398
Others	28,139	16,261	17,500
	<u>267,571</u>	<u>260,107</u>	<u>255,852</u>
Current assets			
Inventories	19,328	11,566	10,105
Trade and other receivables	35,952	21,218	19,465
Cash and cash equivalents	161,295	145,543	129,558
	<u>216,575</u>	<u>178,327</u>	<u>159,128</u>
Total assets	<u>484,146</u>	<u>438,434</u>	<u>414,980</u>
Less:			
Current liabilities			
Trade and other payables	112,749	66,564	72,163
Cake coupon liabilities	127,059	132,010	116,491
	<u>239,808</u>	<u>198,574</u>	<u>188,654</u>
Net current liabilities	<u>(23,233)</u>	<u>(20,247)</u>	<u>(29,526)</u>
Total assets less current liabilities	<u>244,338</u>	<u>239,860</u>	<u>226,326</u>
Non-current liabilities	7,845	7,665	8,261
Net assets/Equity	<u>236,493</u>	<u>232,195</u>	<u>218,065</u>

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(a) **Assets**

(i) *Cash and cash equivalents*

Similar to other retail business operators, cash and cash equivalents form a substantial part of the Saint Honore Group's assets. As at 30 September 2006 and 31 March 2006, the Saint Honore Group held cash and cash equivalents of approximately HK\$161.3 million and HK\$145.5 million respectively. Based on the cash position of the Saint Honore Group of HK\$161.3 million as at 30 September 2006 and 214,157,000 Saint Honore Shares in issue as at the Latest Practicable Date, cash and cash equivalents per Saint Honore Share was approximately HK\$0.75. We have been informed by the management of the Saint Honore Group that the significant cash balance is reserved for operating purpose, as well as for a more aggressive business expansion ahead in the PRC. The Saint Honore Group is currently considering different growth strategies in the PRC including acquisition of or cooperation with other bakery chains or expansion of its production facilities.

(ii) *Trade and other receivables*

The trade and other receivables of the Saint Honore Group largely consisted of trade receivables, deposits, prepayments and other receivables, representing approximately 16.6% and 11.9% of the Saint Honore Group's total current assets as at 30 September 2006 and 31 March 2006 respectively.

The majority of the Saint Honore Group's sales are conducted in cash or through redemption of cake coupons. Consequently, the trade receivables balance to total current assets or total assets of the Saint Honore Group was relatively lower than other types of business. Credit sales are provided mainly to corporate customers for purchases of bakery products, cake coupons or festive products. The credit granted to these corporate customers were for the terms of 30 days or 61 to 120 days. Based on the 2006/07 interim results announcement and the 2005/06 annual report of the Saint Honore Group, the ageing of the trade receivables balance as at 30 September 2006 and 31 March 2006 were largely in line with the credit policies of the Saint Honore Group with over 94% and 83% of the balances respectively being current or due within 30 days from the respective balance sheet dates.

(iii) *Intangible assets*

As set out in the unaudited pro forma statements of assets and liabilities and the statement of adjusted net tangible assets of the Enlarged Group in Appendix III to the Document, the CRA Directors have estimated the fair value of the Saint Honore Group's intangible assets, comprising trademarks and distribution network, to be HK\$110 million assuming that the Proposal was completed on 30 June 2006. This represents an increase of HK\$82.4 million as compared to the carrying value of the intangible assets in the financial statements of the Saint Honore Group as at 30 September 2006.

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(iv) *Property, plant and equipment, leasehold land and land use rights*

Property, plant and equipment of the Saint Honore Group mainly comprise various manufacturing plants, production workshops, warehouse, outlets and staff quarter located in Hong Kong, Macau and Shenzhen, the PRC. The aggregate value of property, plant and equipment, leasehold land and land use rights of the Saint Honore Group was approximately HK\$211.8 million and HK\$216.2 million as at 30 September 2006 and 31 March 2006 respectively, representing approximately 43.8% and 49.3% of the Saint Honore Group's total assets.

All freehold and leasehold land, buildings and land use rights of the Saint Honore Group were revalued on 31 October 2006 by an independent professional valuer. The valuation report, as set out in Appendix IV to the Document, indicates that the latest valuation exceeds the book value as at 30 September 2006 by approximately HK\$99.3 million.

(b) Liabilities

(i) *Borrowing*

The Saint Honore Group did not have any outstanding borrowings as at 30 September 2006 and 31 March 2006.

(ii) *Current liabilities*

Saint Honore has been in net current liability position as at the respective balance sheet dates mainly due to significant cake coupon liabilities. Cake coupon liabilities accounted for approximately 51.3% and 64.0% of the total liabilities of the Saint Honore Group as at 30 September 2006 and 31 March 2006 respectively.

Cake coupons allow holders thereof to redeem and exchange for the Saint Honore Group's products. Based on our review of the management accounts for each of the three years ended 31 March 2006, we note that the amount of redemption in each year was less than half of the opening balance of cake coupon liabilities of the same year, which suggests that a majority of the cake coupon liabilities would only be required to be settled at least one year after the year end date. In other words, a certain portion of current liabilities is, in substance, of long-term nature. This also implies that the liquidity of the Saint Honore Group would be improved if we have taken into consideration such effect.

(iii) *Non-current liabilities*

The non-current liabilities comprised provision for long service payments, deferred income tax liabilities and rental deposits received.

(c) Net asset value and net tangible asset value

The consolidated net asset value ("NAV") of the Saint Honore Group remained stable as at 31 March 2006 and 30 September 2006. As at 30 September 2006, the NAV and the consolidated net tangible asset value ("NTAV") of the Saint Honore Group were approximately HK\$236.5 million and HK\$208.9 million respectively. Based on 214,157,000 Saint Honore Shares in issue as at the Latest Practicable Date and after adjustments for (i) the revaluation surpluses of HK\$99.3 million in respect of land, buildings and land use rights; and (ii) the fair value of HK\$82.4 million for intangible assets (as assessed by the CRA Directors and set out in Appendix III to the Document), the adjusted NAV per Saint Honore Share and adjusted NTAV per Saint Honore Share were approximately HK\$1.95 and HK\$1.44 respectively.

(d) Prospects of the Saint Honore Group

The future prospects of the Saint Honore Group will, to a certain degree, hinge on the success of, among other things, (i) achieving expansion in the Macau and PRC markets; and (ii) containing the rising raw materials and operating costs.

(i) Expansion plan

As stated in Saint Honore's 2005/06 annual report, the Hong Kong market has reached saturation and the competition has led to price cut in order to maintain the turnover. Sales of mooncakes also showed a declining trend in 2006 due to price competition. The management of the Saint Honore Group expects the growth in turnover will be restrained in the Hong Kong market in the foreseeable future.

To overcome the limited growth in the Hong Kong market and the diminishing profit margin, Saint Honore has been looking for opportunities to expand its business in other markets, primarily Macau and the PRC.

Saint Honore resumed its expansion in Macau in 2004 as the local economy was expected to flourish from the booming casino business. The chain had expanded from two outlets as at 31 March 2004 to six outlets and one centralised factory as at 30 September 2006. The turnover from the Macau market grew from HK\$19.2 million for the year ended 31 March 2004 to HK\$32.7 million for the year ended 31 March 2006. However, the acute labor shortage recently experienced has held back further expansion in Macau.

Saint Honore has not been proactively expanding its retail operation in the PRC domestic market after its first outlet opened in Guangzhou in 2002. Since then, the Saint Honore Group had opened five more outlets in Guangzhou up to 30 September 2006. Although the turnover generated from the PRC operation grew significantly from HK\$8.9 million for the year ended 31 March 2003 to HK\$31 million for the year ended 31 March 2006, both turnover and net profit contribution of the PRC operation remained insignificant and represented less than 5% of those of the Saint Honore Group for the year ended 31 March 2006. A sales and marketing team has been set up in the latter half of 2006 to further develop the PRC domestic market, its contribution to the Saint Honore Group's revenue and profit is still uncertain to date. In our opinion, the Saint Honore Group is yet to exploit its presence in the PRC market to reap the benefits of the growing economy and purchasing power in order to gain an additional source of income and profit from the PRC market, which has not been a material contribution to the Saint Honore Group.

(ii) Cost controls

Raw materials, labour costs and rental expenses have been the major cost drivers of the Saint Honore Group's operations. As discussed in the Saint Honore Group's 2005/06 annual report, the Saint Honore Group has suffered from erosion of gross margin as direct food costs were bidden up along with world commodity prices. In addition, the

hike in the property price in Hong Kong, due to recovery of the economy, has driven up the rental as well as wages, which are expected to further pressurise the already diminishing margins.

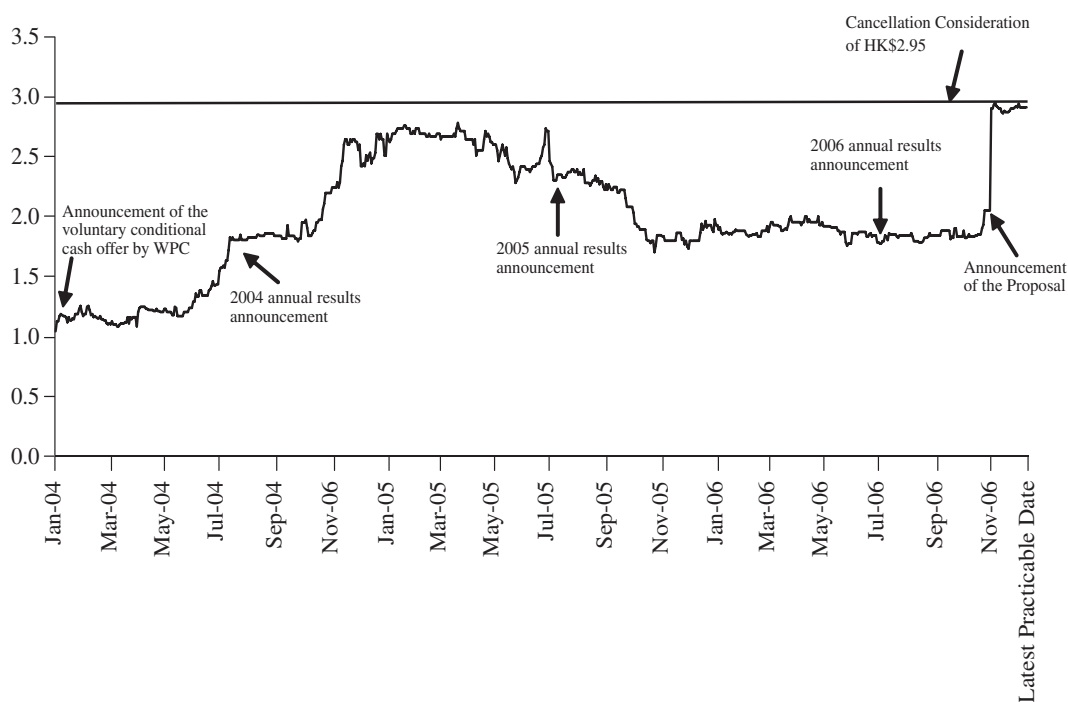
In Macau, the new casinos and hotels had put pressure on the relatively limited labour market. Consequently, the labour cost was driven up. During the year ended 31 March 2006, the labour costs already had a double-digit rise. The Saint Honore Group planned to relocate part of the production processes to its PRC factories as well as to import PRC labour to its Macau operations in order to alleviate the impact of the rising labour cost.

In summary, the Saint Honore Group's growth in turnover and profit margin has been diminishing due to intensified competition, rising production, operation and administrative costs, and saturation in the Hong Kong market. Despite its strong balance sheet, i.e. abundant cash reserve and no borrowings, the PRC market has not been fully exploited and is yet to generate any material contribution to the Saint Honore Group. As a result, the performance of the Saint Honore Group has been declining.

5. Trading performance of Saint Honore Shares

(a) Price performance of Saint Honore Shares

The chart below illustrates the daily closing prices per Saint Honore Share from 1 January 2004 up to and including the Latest Practicable Date (the "Review Period"). The period selected is reflective of the consolidation of control in Saint Honore subsequent to the voluntary conditional cash offer made by WPC in January 2004, which we consider significant in the financial and share price performance of Saint Honore in recent years.



Source: Bloomberg

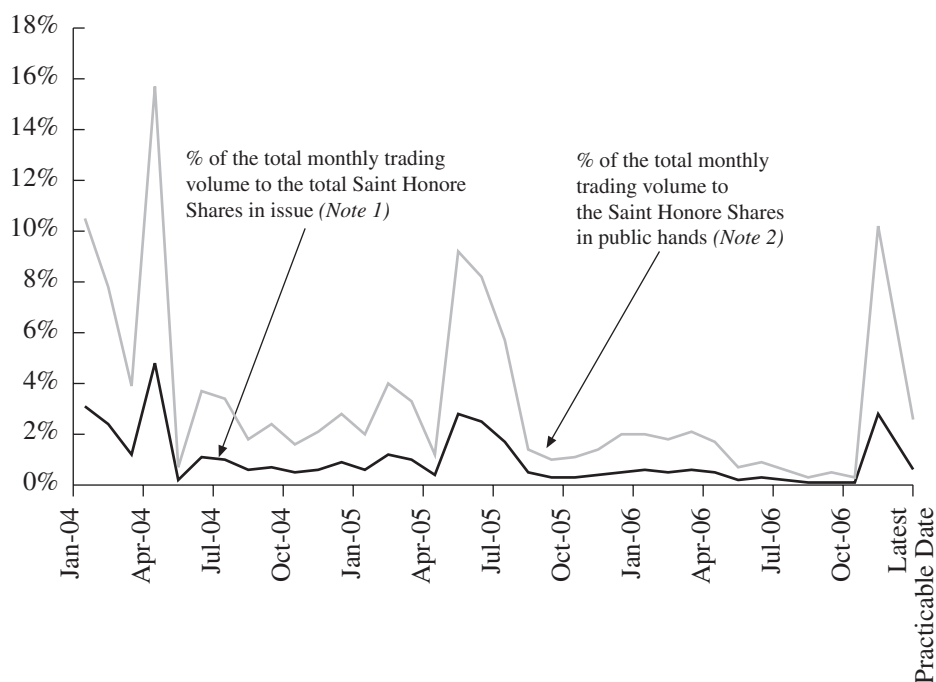
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The price of Saint Honore Share showed an upward trend during 2004. It rose from HK\$1.10 at the beginning of 2004 to HK\$2.688 as at 29 December 2004. During the first half of 2005, the price of Saint Honore Share fluctuated in the range between HK\$2.279 and HK\$2.780. After the Saint Honore Group announced its results for the year ended 31 March 2005 in July 2005, the price of Saint Honore Share began to fall and dropped below HK\$2.0 in October 2005. Since then, the price of Saint Honore Share remained at below HK\$2.0 before the Saint Honore Last Trading Day.

The price of Saint Honore Share rose from HK\$2.05 on the Saint Honore Last Trading Day to HK\$2.90 on the Announcement Date. In our opinion, such increment in Saint Honore Share price was mainly due to the Proposal. Since the publication of the Announcement, the price of Saint Honore Share has fluctuated within a narrow range between HK\$2.86 and HK\$2.95. The closing price of Saint Honore Share on the Latest Practicable Date was HK\$2.91. Given the price of Saint Honore Share had been traded at substantial discount to the Cancellation Consideration of HK\$2.95 for most of the time during the year preceding the Saint Honore Last Trading Day, we consider that the price of Saint Honore Share is unlikely to sustain at the current level if the Proposal is withdrawn or lapses.

(b) Trading volume of Saint Honore Shares

The following chart sets out the percentages of the total monthly trading volume of Saint Honore Shares to the total number of the Saint Honore Shares in issue and the number of Saint Honore Shares in public hands during the Review Period:



Source: Bloomberg and information provided by Saint Honore

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Notes:

1. The percentages are calculated based on the trading volume of Saint Honore Shares and the number of Saint Honore Shares in issue as at the end of the respective months provided by Saint Honore.
2. The number of Saint Honore Shares in public hands is calculated from the then total number of Saint Honore Shares in issue less the number of Saint Honore Shares held by WPC and Hong Kong Catering.

As illustrated in the above chart, trading in Saint Honore Shares had been active during early 2004 when the voluntary conditional cash offer made by WPC was announced on 2 January 2004. Except for mid-2005, the monthly trading volume of Saint Honore Shares had been kept at below 4% of Saint Honore Shares in public hands. Given the relatively thin trading volume of Saint Honore Shares, it may be difficult for the Saint Honore Shareholders with significant holdings in Saint Honore Shares to realise their investment in the market without putting pressure on the market price of Saint Honore Shares. In this regard, we concur with the Saint Honore Board and the CRA Directors' view that the Proposal, in particular the Cash Alternative, represents a good opportunity for the Saint Honore Shareholders to realise their investments.

(c) Historical market price compared to fully diluted NAV per Saint Honore Share

We have compared the prices of Saint Honore Share against the fully diluted NAV per Saint Honore Share since 8 July 2004, being the date of the first results announcement during the Review Period. We have assumed that the fully diluted NAV per Saint Honore Share was available to the market from the respective dates of release of the relevant annual or interim results announcements although such figures might not have been explicitly stated in those announcements.

Period (Note 1)	Fully diluted NAV per Saint Honore Share (Note 2) HK\$	Closing price per Saint Honore Share		Premium over fully diluted NAV per Saint Honore Share	
		High HK\$	Low HK\$	High %	Low %
8 July 2004 – 8 December 2004	0.87	2.643	1.545	203.8	77.6
9 December 2004 – 12 July 2005	0.97	2.780	2.279	186.6	134.9
13 July 2005 – 12 December 2005	1.01	2.712	1.701	168.5	68.4
13 December 2005 – 17 July 2006	1.02	2.000	1.730	96.1	69.6
18 July 2006 – Saint Honore Last Trading Day	1.08	2.050	1.773	89.8	64.2

Source: Bloomberg and Saint Honore's respective annual and interim reports

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Notes:

1. The beginning date of the relevant period represents the date on which Saint Honore released its annual or interim results.
2. The fully diluted NAV figures are calculated based on the NAV of Saint Honore and the number of Saint Honore Shares in issue as at the relevant year or period end date as disclosed in Saint Honore's corresponding annual or interim reports adjusted for the exercise of share options of Saint Honore on the assumption that the share options of Saint Honore had been fully exercised as at the respective year or period end date.

During the period from 8 July 2004 to the Saint Honore Last Trading Day, Saint Honore Shares had been consistently traded at premium over the fully diluted NAV per Saint Honore Share. As set out above, the premium of the closing price of Saint Honore Share over the fully diluted NAV per Saint Honore Share ranged from 64.2% to 203.8%.

(d) Dividend yields

During the three years ended 31 March 2004, 2005 and 2006, Saint Honore paid dividends to its shareholders in the amounts of approximately HK\$27.3 million (HK\$0.13 per Saint Honore Share), HK\$29.6 million (HK\$0.14 per Saint Honore Share) and HK\$23.6 million (HK\$0.11 per Saint Honore Share) respectively. These dividends represented a yield of approximately 8.3%, 5.7% and 6.2% for the respective years based on the closing price of Saint Honore Share on the respective dates of publication of the annual results announcements.

6. Value implied by the Proposal

The Proposal involves the cancellation of each Scheme Share for the Cancellation Consideration. We set out below the comparison of certain valuation parameters based on the value of the Cancellation Consideration:

(a) Price-to-earnings ("P/E") multiples

The Saint Honore Group reported a net profit of approximately HK\$41.0 million for the year ended 31 March 2006. The basic earnings per share ("EPS"), based on 214,157,000 Saint Honore Shares in issue as at the Latest Practicable Date, would be HK\$0.191. The P/E multiple per Saint Honore Share at the closing price of HK\$2.05 on the Saint Honore Last Trading Day, based on 214,157,000 Saint Honore Shares as at the Latest Practicable Date, would be approximately 10.7 times. The P/E multiple per Scheme Share as implied by the Cancellation Consideration is approximately 15.4 times.

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(b) Comparison to NAV and NTAV

Set out below are comparisons between the Cancellation Consideration and (i) the unaudited unadjusted NAV per Saint Honore Share; and (ii) the unaudited adjusted NAV and NTAV per Saint Honore Share as at 30 September 2006:

	As at 30 September 2006		
	Unaudited unadjusted NAV per Saint Honore Share HK\$	Unaudited adjusted NAV per Saint Honore Share (Note) HK\$	Unaudited adjusted NTAV per Saint Honore Share (Note) HK\$
On the basis of 214,157,000 Saint Honore Shares in issue as at the Latest Practicable Date	1.10	1.95	1.44
Premium of the Saint Honore Share price of HK\$2.05 as at the Saint Honore Last Trading Day over the respective NAV or NTAV	86.4%	5.1%	42.4%
Premium of the Cancellation Consideration over the respective NAV or NTAV	168.2%	51.3%	104.9%

Note: The unaudited adjusted NAV and NTAV per Saint Honore Share have been adjusted for the revaluation surpluses in respect of land, buildings and land use rights and fair values of intangible assets of the Saint Honore Group of approximately HK\$99.3 million and HK\$82.4 million (as assessed by the CRA Directors and set out in Appendix III to the Document) respectively.

Based on the table above, the Cancellation Consideration represents a significant premium of approximately 168.2% over the unaudited unadjusted NAV per Saint Honore Share, which was within the range of the historical market prices to NAV per Saint Honore Share between 64.2% and 203.8% as set out in sub-section 5(c) above.

Having taken into account the adjustments for the revaluation surpluses of land, buildings and land use rights and the fair values of intangible assets (as assessed by the CRA Directors and set out in Appendix III to the Document) of the Saint Honore Group, the Cancellation Consideration still represents a substantial premium over the NAV and NTAV of the Saint Honore Group as compared to the premium represented by the Saint Honore Share price of HK\$2.05 as at the Saint Honore Last Trading Day.

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7. Comparison with comparable companies

The Saint Honore Group is principally engaged in the manufacture, distribution and sale of cakes, breads and other festive food products, including mooncakes, Chinese New Year fortune products and rice dumplings, with integrated operation of a retail chain of bakeries. Based on our review of all companies listed on the Stock Exchange, we did not identify any other listed companies which are principally engaged in similar business. For illustration purpose, we have selected companies listed on the Stock Exchange which (i) are principally engaged in food and beverage business with retail chains; and (ii) have profitable operations in their latest financial year. Based on these criteria, we have reviewed all companies listed on the Stock Exchange and identified Café de Coral Holdings Limited (“Café de Coral”, stock code: 341); Fairwood Holdings Limited (“Fairwood”, stock code: 52); Chevalier iTech Holdings Limited (“Chevalier iTech”, stock code: 508) and Hong Kong Catering (stock code: 668) as comparable companies (collectively the “Comparable Companies”).

Café de Coral and Fairwood both are primarily engaged in the operation of fast food chain. Chevalier iTech acquired the operation of “Pacific Coffee” chain, which should be a closer comparable to the business of the Saint Honore Group. However, Chevalier iTech is also engaged in information system related operation with asset base largely different from companies in the catering business, therefore we have not included Chevalier iTech in our comparison below. Hong Kong Catering is principally engaged in restaurant business and, through Saint Honore, operates a bakery retail chain.

(a) Comparison of closing price to NAV per share

The table below illustrates the closing share prices of the Comparable Companies and Saint Honore to their respective underlying NAV per share:

	Closing share price as at the Latest Practicable Date	NAV per share	Premium of closing share price over NAV per share
	<i>HK\$ (Note 1)</i>	<i>HK\$ (Note 2)</i>	<i>%</i>
Café de Coral	13.20	3.31	298.8%
Fairwood	9.30	2.45	279.6%
Hong Kong Catering (Note 3)	1.44	1.13	27.4%
Saint Honore (Note 3)	2.05	1.10	86.4%
The Cancellation Consideration	2.95	1.10	168.2%

Notes:

- The closing share prices of Café de Coral and Fairwood are sourced from Bloomberg.

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2. The NAV per share are calculated based on the NAV (less minority interests, if any) and the weighted average number of shares in issue as stated in the latest published interim results announcement of the respective companies. As for Saint Honore and the Cancellation Consideration, the NAV per share is calculated based on the NAV as stated in the 2006/07 interim results announcement of Saint Honore and the number of Saint Honore Shares in issue as at the Latest Practicable Date.
3. We have taken the closing prices of the Saint Honore Share and the share of Hong Kong Catering (“Hong Kong Catering Share”) on the Saint Honore Last Trading Day. We have not referred to the closing prices of Saint Honore Share or Hong Kong Catering Share on the Latest Practicable Date because, in our opinion, it is unlikely that the recent significantly higher price levels of Saint Honore Share or Hong Kong Catering Share will be sustained if the Proposal is withdrawn or lapses.

All Comparable Companies were traded at premium over their respective NAV per share in the range of 27.4% to 298.8%.

The premium of approximately 86.4% represented by the closing price of Saint Honore Share on the Saint Honore Last Trading Day falls within the above range. At the Cancellation Consideration, Saint Honore Share is rated at a more significant premium of 168.2%. In the absence of the Proposal and having taken into consideration the past financial performance of the Saint Honore Group and the historical pattern of Saint Honore Shares as discussed in sub-section 5(c) above, in our opinion, it is unlikely that the premium over the underlying NAV of 168.2% as implied by the Cancellation Consideration could be achieved.

(b) Comparison of P/E multiple

	P/E multiple (times)
Café de Coral (<i>Note 1</i>)	22.2
Fairwood (<i>Note 1</i>)	15.5
Hong Kong Catering (<i>Note 2</i>)	11.9
Saint Honore (<i>Note 3</i>)	10.7
The Cancellation Consideration (<i>Note 3</i>)	15.4

Notes:

1. The P/E multiples above are calculated based on the audited basic EPS of the Café de Coral and Fairwood as published in their latest respective annual reports for the year ended 31 March 2006 and the respective closing share prices on the Latest Practicable Date.
2. The P/E multiples of Hong Kong Catering is calculated by reference to its closing price of HK\$1.44 on the Saint Honore Last Trading Day and based on the audited basic EPS of Hong Kong Catering as published in its latest annual report for the year ended 31 March 2006.
3. The P/E multiples of Saint Honore and the Cancellation Consideration are calculated by reference to the closing price of HK\$2.05 per Saint Honore Share, the value of the Cancellation Consideration, the net profit of the Saint Honore Group of approximately HK\$41.0 million for the year ended 31 March 2006 and the 214,157,000 Saint Honore Shares in issue as at the Latest Practicable Date.

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As shown above, the P/E multiples of the Comparable Companies ranged from 11.9 times to 22.2 times. The P/E multiple of Saint Honore Share as at the Saint Honore Last Trading Day was 10.7 times. The value implied by the Cancellation Consideration again is rated at a higher P/E multiple of 15.4 times.

8. Considerations in relation to CRA

The Share & Cash Alternative under the Proposal will result in the Scheme Shareholders receiving cash of HK\$2.95 and one CRA Share for their holdings of every two Scheme Shares. Therefore, it is important for the Scheme Shareholders to evaluate the business and prospects of the CRA Group and the performance of price and trading volume of CRA Shares when considering the Proposal.

(a) Business operations of the CRA Group

The CRA Group is principally engaged in the operation of a chain of convenience stores under the tradename of Circle K in Hong Kong, the PRC and Macau. Circle K is one of the leading convenience store chains in Hong Kong. At the time of its listing, Circle K store chain of the CRA Group comprised 124 stores in Hong Kong. As a result of its rapid expansion plan, the number of stores increased by 2.5 times in about six years. As at 30 September 2006, the CRA Group operates 249 stores in Hong Kong, 47 stores in Guangzhou, the PRC, seven stores in Dongguan, the PRC, and two stores in Shenzhen, the PRC. In addition, there are six franchised stores in Zhuhai, the PRC and 15 franchised stores in Macau.

Apart from conventional items such as cigarettes, packaged drinks, confectionary, grocery, magazines and newspapers, Circle K stores also offer a wide range of fast-food products which include chilled meal boxes under the house brands of “一叮飯” and “飯飯店”, sandwiches, fresh fruit juice, hot dogs and hot drinks. In addition, Circle K stores also offer in-store bakery products. Other products available in Circle K stores include phone cards, online game cards and media products such as video compact discs and digital video discs.

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(b) Historical financial performance of the CRA Group

The following table summarises the audited consolidated profit and loss accounts of CRA for the last three financial years and the unaudited consolidated profit and loss accounts of CRA for the nine months ended 30 September 2005 and 2006 respectively:

Consolidated profit and loss accounts of CRA

	For the nine months ended 30 September		For the year ended 31 December		
	2006 HK\$'000	2005 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	1,665,016	1,471,018	1,995,206	1,736,491	1,526,099
Growth in turnover	13% <i>(Note)</i>	14% <i>(Note)</i>	15%	14%	10%
Cost of sales	(1,252,617)	(1,114,839)	(1,509,403)	(1,312,920)	(1,141,575)
Gross profit	412,399	356,179	485,803	423,571	384,524
Gross profit margin	25%	24%	24%	24%	25%
Other revenues	146,442	131,365	187,901	146,084	120,111
Store expenses	(406,191)	(354,056)	(488,364)	(402,155)	(354,832)
Distribution costs	(29,155)	(25,483)	(34,625)	(29,128)	(24,548)
Administrative expenses	(59,628)	(49,441)	(69,053)	(63,454)	(56,409)
Profit before income tax	63,867	58,564	81,662	74,918	68,846
Income tax expenses	(12,670)	(10,047)	(14,048)	(13,673)	(12,769)
Profit for the period/year	<u>51,197</u>	<u>48,517</u>	<u>67,614</u>	<u>61,245</u>	<u>56,077</u>
Profit attributable to:					
CRA Shareholders	55,579	52,640	73,578	66,276	60,707
Growth in net profit attributable to the CRA Shareholders	6% <i>(Note)</i>	12% <i>(Note)</i>	11%	9%	1%
Net profit margin (based on profit attributable to the CRA Shareholders)	3%	4%	4%	4%	4%
Minority interests	(4,382)	(4,123)	(5,964)	(5,031)	(4,630)
	<u>51,197</u>	<u>48,517</u>	<u>67,614</u>	<u>61,245</u>	<u>56,077</u>
Dividends	<u>10,138</u>	<u>10,091</u>	<u>40,483</u>	<u>33,590</u>	<u>26,772</u>
EPS for profit attributable to the CRA Shareholders					
Basic EPS	<u>HK8.2 cents</u>	<u>HK7.8 cents</u>	<u>HK10.9 cents</u>	<u>HK9.9 cents</u>	<u>HK9.1 cents</u>
Diluted EPS	<u>HK8.2 cents</u>	<u>HK7.8 cents</u>	<u>HK10.9 cents</u>	<u>HK9.8 cents</u>	<u>HK9.0 cents</u>

Note: The growth in turnover and net profit attributable to the CRA Shareholders for the nine months ended 30 September 2006 and 2005 are calculated based on the turnover and net profit attributable to the CRA Shareholders of the corresponding period in the prior year.

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(i) *Analysis of turnover and gross profit margin*

Turnover

As illustrated in the table above, the CRA Group's turnover continued growing in the last three financial years and achieved a CAGR of approximately 14% per annum.

Despite the outbreak of the SARS, the CRA Group recorded a turnover of approximately HK\$1,526.1 million for the year ended 31 December 2003, representing an increase of 10% as compared with approximately HK\$1,393.5 million for the prior year. Although the sales of food items were affected by the SARS outbreak, the CRA Group compensated such sales loss by timely introduction of protective products such as facemasks, antiseptic wipes and hand sanitizers. In addition, several new stores were opened in the third and fourth quarters to take advantage of the fall on retail rental subsequent to the SARS. For the year ended 31 December 2004, the CRA Group recorded a 14% increase in turnover, which was attributed to the increase in number of new stores in both Hong Kong and Guangzhou, the PRC and the increase in sales of the existing stores. Turnover of the CRA Group for the year ended 31 December 2005 further increased by 15%. Once again, such sales growth was attributed to the increase in number of new stores in both Hong Kong and Southern China and the increase in sales of the existing stores.

Turnover of the CRA Group for the nine months ended 30 September 2005 and 2006 demonstrated a consistency in growth and recorded an increase of 14% and 13% respectively as compared with the corresponding period in prior year.

Gross profit margin

During the periods under review, the CRA Group recorded gross profit margins ranging from 24% to 25%. The gross profit margins remained stable due to the effective control on cost of sales.

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(ii) *Operating results and net profit attributable to the CRA Shareholders*

	For the nine months ended		For the year ended		
	30 September		31 December		
	2006	2005	2005	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>1,665,016</u>	<u>1,471,018</u>	<u>1,995,206</u>	<u>1,736,491</u>	<u>1,526,099</u>
Store expenses	406,191	354,056	488,364	402,155	354,832
% of turnover	24%	24%	24%	23%	23%
Distribution costs	29,155	25,483	34,625	29,128	24,548
% of turnover	2%	2%	2%	2%	2%
Administrative expenses	59,628	49,441	69,053	63,454	56,409
% of turnover	4%	3%	4%	4%	4%

Store expenses, distribution costs and administrative expenses

Despite the escalating retail rental and the increased spending on marketing and promotion to maintain competitiveness, the CRA Group was able to keep its operating expenses under control by implementing various cost saving measures including, among others, optimisation of delivery frequency, closing down of operations of distribution centre and warehouse on Sundays and minimisation of store renovation costs. As a percentage to turnover, store expenses and administrative expenses varied within a narrow range of 23% to 24% and 3% to 4% respectively and distribution costs remained stable at around 2% during the periods under review. In general, the increase in operating expenses during the periods under review was in line with the growth in turnover and increase in number of stores.

Net profit

As compared with the net profit attributable to the CRA Shareholders of approximately HK\$60.7 million for the year ended 31 December 2003, the net profit attributable to the CRA Shareholders of approximately HK\$73.6 million for the year ended 31 December 2005 represented a CAGR of approximately 10% per annum. The net profit attributable to the CRA Shareholders for the nine months ended 30 September 2006 of approximately HK\$55.6 million also showed an increase of approximately 6% as compared with that for the nine months ended 30 September 2005 of approximately HK\$52.6 million. With consistent growth in turnover and effective cost control measures, the CRA Group maintained a net profit margin ranging from 3% to 4%.

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(c) Financial position of the CRA Group

Set out below is a summary of the consolidated balance sheets of CRA Group as at 30 June 2006, 31 December 2005 and 31 December 2004 as extracted from the published unaudited financial statements of the CRA Group for the six months ended 30 June 2006 and the published audited financial statements of the CRA Group for the year ended 31 December 2005:

Consolidated balance sheets of CRA

	As at 30 June 2006		As at 31 December 2005		As at 31 December 2004	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Non-current assets						
Intangible assets	–	–	–	–	19	0.1
Fixed assets	95,620	10.5	89,827	10.2	81,339	10.4
Other assets	43,967	4.8	42,026	4.8	39,514	5.1
	<u>139,587</u>	<u>15.3</u>	<u>131,853</u>	<u>15.0</u>	<u>120,872</u>	<u>15.6</u>
Current assets						
Inventories	82,030	9.0	79,065	9.0	67,361	8.6
Rental deposits	13,947	1.5	11,680	1.3	8,672	1.1
Trade and other receivables, deposits and prepayments	49,567	5.4	59,116	6.7	50,433	6.4
Lease premium for land	426	0.1	425	0.1	422	0.1
Bank balances and cash	625,899	68.7	597,310	67.9	531,360	68.2
	<u>771,869</u>	<u>84.7</u>	<u>747,596</u>	<u>85.0</u>	<u>658,248</u>	<u>84.4</u>
Total assets	<u>911,456</u>	<u>100.0</u>	<u>879,449</u>	<u>100.0</u>	<u>779,120</u>	<u>100.0</u>
Less:						
Current liabilities						
Amount due to immediate holding company	879		177		676	
Trade payables, accruals and other payables	415,554		389,825		333,766	
	<u>416,433</u>		<u>390,002</u>		<u>334,442</u>	
Non-current liabilities						
Long service payment liabilities	7,967		7,862		7,721	
Deferred tax liabilities	1,632		–		1,065	
	<u>9,599</u>		<u>7,862</u>		<u>8,786</u>	
Net assets	<u>485,424</u>		<u>481,585</u>		<u>435,892</u>	
Attributable to:						
CRA Shareholders	491,219		484,497		442,505	
Minority interests	(5,795)		(2,912)		(6,613)	
	<u>485,424</u>		<u>481,585</u>		<u>435,892</u>	

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(i) *Fixed assets*

Fixed assets mainly comprise equipment, furniture and fixtures, leasehold improvements and motor vehicles. The increase in fixed assets over the periods under review was mainly attributable to the increase in number of new stores. In addition, a new food factory producing food items such as fish balls for sale in Circle K stores was completed in Guangzhou, the PRC in the last quarter of 2005. In percentage terms, the fixed assets balances remained stable and represented approximately 10% of the CRA's total assets over the periods under review.

(ii) *Other assets*

Other assets largely comprise lease premium for land and rental deposits. For the periods under review, the balances were maintained at around 5% of the CRA Group's total assets.

(iii) *Inventories*

Inventories of the CRA Group primarily represent merchandises for sale in the stores. The increase in inventories over the periods under review was in line with the increase in turnover and increase in number of stores. In percentage terms, the inventories balances were fairly stable and remained at about 9% of the CRA Group's total assets over the periods under review.

(iv) *Trade and other receivables, deposits and prepayments*

The majority of the balances represent trade receivables. Given the CRA Group's turnover was primarily generated from cash sales, trade receivables therefore represented a relatively small percentage of the CRA Group's total assets. According to the ageing analysis of the CRA Group, over 95% of its trade receivables fall into the range of 30 days to 60 days, which is the normal credit terms of the CRA Group. The CRA Group has not experienced any significant recoverability problem in respect of its trade receivables in the past years. For the periods under review, the balances varied between 5% and 7% of the total assets of the CRA Group.

(v) *Bank balances and cash*

Bank balances and cash were maintained at about 68% of the CRA Group's total assets over the periods under review. The strong cash position of the CRA Group was largely due to the fact that the business kept generating free cash to the CRA Group.

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(vi) *NAV*

As disclosed in the half-yearly report 2006 of CRA, the CRA Group did not have any balance of intangible assets. The unaudited NAV, attributable to the CRA Shareholders as at 30 June 2006 having taken into account the interim dividend of HK\$10.1 million which has been paid out as at the Latest Practicable Date, was approximately HK\$491.2 million. This represents approximately HK\$0.73 per CRA Share based on approximately 677.1 million CRA Shares in issue as at the Latest Practicable Date.

In general, the CRA Group has a strong financial position with significant net assets and net current assets and no bank borrowings.

(d) Prospects of the CRA Group

(i) *Hong Kong*

The sustained economic revival during 2006 provided a favourable market environment for the CRA Group's operations in Hong Kong. The CRA Group's financial performance improved both in terms of turnover and net profit attributable to its shareholders.

Traditionally, the competitors of Circle K stores in Hong Kong were other convenience stores which also offered 24-hour convenient shopping. However, with an increasing number of supermarkets switching to 24-hour operations, competition faced by the CRA Group has become more intense. In particular, the CRA Group is often facing head-on confrontations with its competitors both in close proximity of geographical store sites and co-incidental timing of promotional activities. To increase its competitiveness, the CRA Group will continue to improve its core competencies, upgrade all aspects of the Circle K shopping experience and steadily increase the number of Circle K stores.

The CRA Group's management notes that shopping behaviour and retail outlet selection are largely promotion-driven in the retail market, with the proven success of its chain-wide thematic promotions in 2005 and 2006 which generated substantial incremental sales to the CRA Group, the CRA Group will allocate more resources in the planning and implementation of non-stop marketing and promotional activities to promote customer loyalty and increase frequency of purchases and average transactional value.

(ii) *The PRC*

At present, Guangzhou is the base camp of the CRA Group's PRC operations with 47 stores as at 30 September 2006. As disclosed in the CRA Group's 2005 annual report, key players in the convenience store business in Guangzhou, the PRC include 7-Eleven, Quik, C-store and Kedi. Despite the competitors in the convenience store market in the PRC have become more rational and conservative in opening of new stores and therefore store numbers for competitive chains are expected to remain fairly stable, the major

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challenge for all these chain operators is to achieve store profitability because of the inherent price sensitive nature of the Chinese consumers and the extending operating hours of mega stores. Nevertheless, the CRA Group's management believes that lifestyle changes resulting from urbanisation and an increasingly hectic pace of living offer great opportunity for retail outlets offering location convenience.

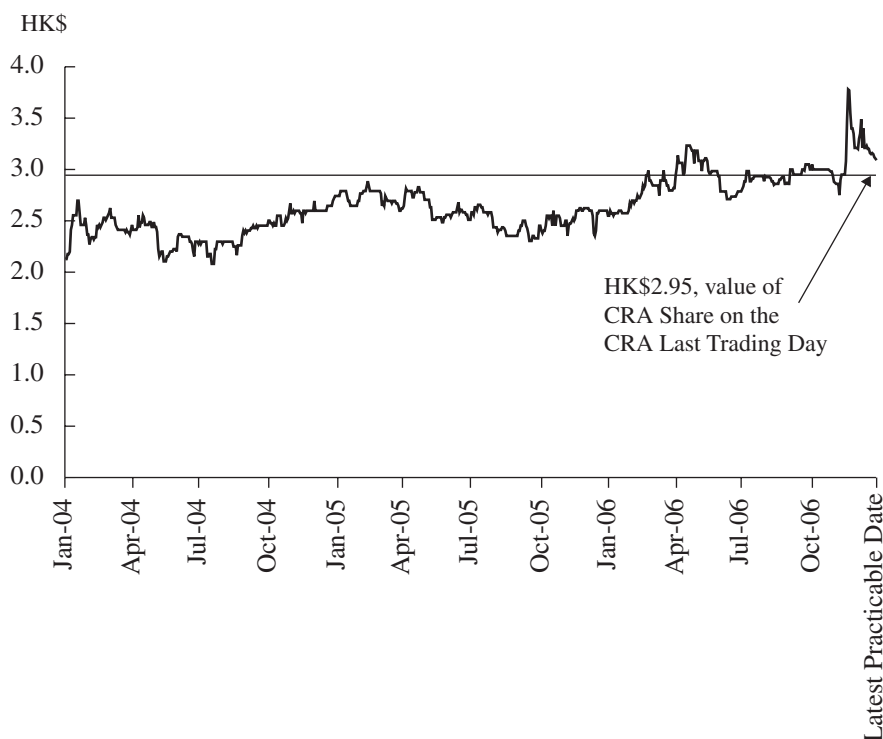
The CRA Group opened its first Circle K store in Shenzhen, the PRC in May 2006 and established an infrastructure support team, which will take the form of a local market office. The Shenzhen office is set up ready for a higher level of operational activity and may serve as a service support centre for the Circle K chain in Hong Kong. The CRA Group also ventured into Dongguan, the PRC by an acquisition of 60% in DG Sun-High, a franchised convenience store chain in Dongguan, the PRC, with the intention of developing franchising in the area. The completion of the acquisition of DG Sun-High is pending the relevant approval from the local government.

(iii) Other countries

Apart from investments in the PRC, the CRA Group also pursued investment opportunities in other countries in Asia. In November 2006, the CRA Group entered into a share purchase and shareholders agreement and an option agreement with COFOX B.V. to acquire an approximately 2.5% equity interest in Korea Retail Holdings B.V., the indirect holding company of Buytheway Inc., which ranks number four in the convenience store market in South Korea, for a cash consideration of approximately US\$2.97 million (equivalent to approximately HK\$23.2 million), with an option to acquire an additional approximately 30.5% equity interest over a two-year period. The CRA Group also provides management consultancy services to Korea Retail Holdings B.V. for a term of one year. The arrangements with Korea Retail Holdings B.V. enable the CRA Group to closely evaluate the market opportunities and growth potential of the business in South Korea for the consideration of possible further investment in the future. The CRA Group intends to continue developing its convenience store business in Hong Kong and will further explore new business opportunities in other countries.

(e) Price performance of CRA Share

The chart below illustrates the daily closing prices of CRA Shares during the Review Period.



Source: Bloomberg

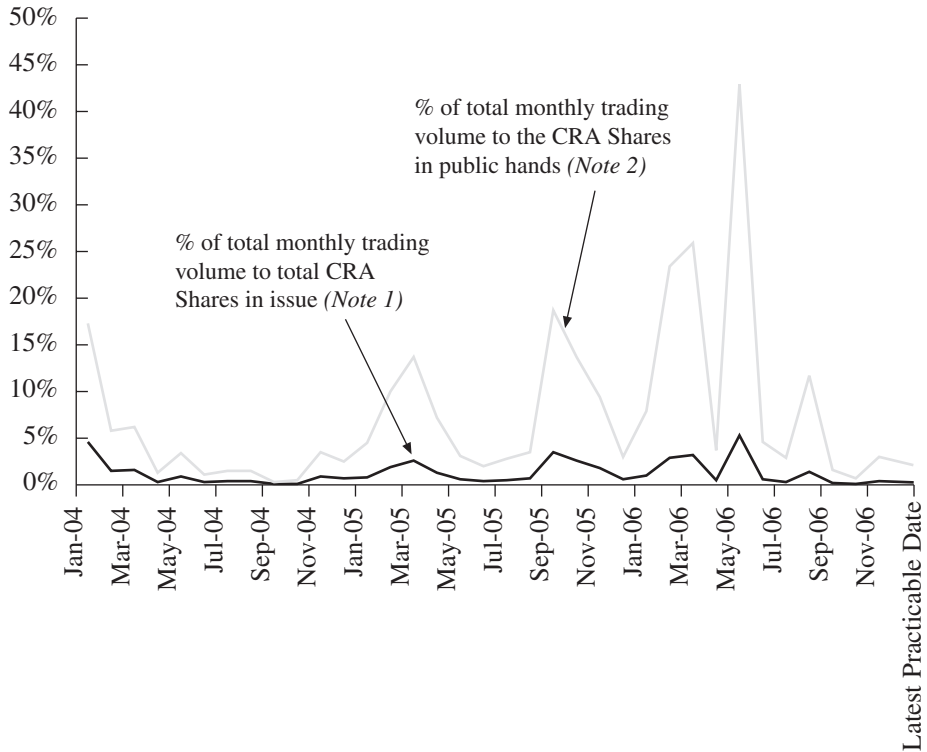
During the two years ended 31 December 2005, the closing price of CRA Share fluctuated in the range between HK\$2.081 and HK\$2.886. Since the beginning of 2006, the closing price of CRA Share gradually increased from around HK\$2.50 to near HK\$3.00 in March 2006 prior to the announcement of the annual results of CRA for the year ended 31 December 2005 on 9 March 2006. Subsequent to such results announcement, the closing price of CRA Share continued to climb and reached its historical peak of HK\$3.233 on 26 April 2006. However, the increase in the closing price of CRA Share was not sustainable, and the closing price of CRA Share dropped to around HK\$2.7 in June 2006 and remained close to HK\$3.00 before the publication of the Announcement.

The closing price of CRA Share surged, from HK\$2.95 on the CRA Last Trading Day to HK\$3.08 or by 4.4% after the publication of the Announcement on 20 November 2006. The closing price of CRA Share went up further to HK\$3.78 on 22 November 2006, representing an increase of approximately 28.1% from the CRA Last Trading Day. In our opinion, the significant increase in the closing price of CRA Share was mainly due to the market anticipation of favourable effects on CRA following the completion of the Scheme. From the Announcement Date to the Latest Practicable Date, the closing price of CRA Share fluctuated within a range of HK\$3.08 to HK\$3.78. As at the Latest Practicable Date, the price of CRA Share closed at HK\$3.11.

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(f) Trading volume of CRA Shares

The following chart sets out the percentages of the total monthly trading volume of CRA Shares to the total number of CRA Shares in issue and the number of CRA Shares in public hands during the Review Period:



Source: Bloomberg

Notes:

1. The percentages are calculated based on the trading volume of CRA Shares and the number of CRA Shares in issue as at the end of each month.
2. The number of the CRA Shares in public hands is calculated from the then total number of CRA Shares in issue less the number of CRA Shares held by the CRA Directors and substantial CRA Shareholders.

As illustrated in the above chart, trading in CRA Shares usually became active during the period near to the announcement of CRA's annual results, which was around March every year. For the rest of the times, trading of the CRA Shares remained relatively thin except for May 2006, during which the significant increase in trading volume was not resulted from any corporate exercises. The sudden surge in the trading volume in November 2006, in our opinion, was likely due to the release of the Announcement on 20 November 2006.

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(g) Dividend yields

During the three years ended 31 December 2003, 2004 and 2005, CRA paid dividends to its shareholders in the amounts of approximately HK\$26.8 million (HK\$0.04 per CRA Share), HK\$33.6 million (HK\$0.05 per CRA Share) and HK\$40.5 million (HK\$0.06 per CRA Share) respectively. These dividends represented a yield of 1.5%, 1.8% and 2.1% for the respective years based on the closing prices of CRA Shares on the respective dates of publication of the annual results announcements.

(h) P/E multiples of CRA

The CRA Group recorded net profits attributable to its shareholders of HK\$73.6 million for the year ended 31 December 2005. Based on approximately 677.1 million CRA Shares in issue as at the Latest Practicable Date, the EPS would be approximately HK\$0.109. Based on the closing price of HK\$2.95 per CRA Share on the CRA Last Trading Day, the P/E multiple of CRA Shares as at the CRA Last Trading Day would be approximately 27.1.

(i) Comparison with comparable companies

The structure of the Share & Cash Alternative in essence offers the Scheme Shareholders to acquire one CRA Share at a consideration of HK\$2.95. To assess such offer, we have reviewed companies listed on the Stock Exchange and have tried to identify companies that are also principally engaged in the operation of a chain of convenience stores in Hong Kong like the CRA Group. We are unable to identify any listed companies on the Stock Exchange that satisfy the aforesaid criteria. However, we identify three companies with their H Shares listed on the Stock Exchange, which are engaged in the operation of a chain of retail outlets including supermarkets and convenience stores in China (the “CRA Comparable Companies”). Given the CRA Group also has operations in China, we consider the CRA Comparable Companies are the closest available comparables for our comparison purpose. The CRA Comparable Companies include:

- Lianhua Supermarket Holdings Co. Ltd. (“Lianhua”, stock code: 980) – H Shares;
- Beijing Jingkelong Co. Ltd. (“Jingkelong”, stock code: 8245) – H Shares; and
- Wumart Stores, Inc. (“Wumart”, stock code: 8277) – H Shares.

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(i) *Comparison of closing price to NAV per share*

The table below illustrates the comparison of the share price of the CRA Comparable Companies and CRA to their respective underlying NAV per share:

	Closing share price as at the Latest Practicable Date	NAV per share	Premium of closing share price over NAV per share
	<i>HK\$ (Note 1)</i>	<i>HK\$ (Note 2)</i>	<i>%</i>
Lianhua	9.30	2.98	212.1%
Jingkelong	6.11	2.39	155.6%
Wumart (Note 3)	6.88	4.42	55.7%
CRA (Note 4)	2.95	0.72	309.7%

Notes:

1. Except for CRA, the closing share prices are sourced from Bloomberg.
2. The audited NAV per share for the CRA Comparable Companies (except for Jingkelong) and CRA are derived from their latest published annual reports for the year ended 31 December 2005. Renminbi is translated into Hong Kong dollars at the rate of RMB1.02 = HK\$1.00 for illustrative purpose.

The NAV per share for Jingkelong is derived from the accountants' report of Jingkelong as contained in its prospectus dated 12 September 2006 having taken into account the H Shares were offered at HK\$4.50 each (with net proceeds amounted to approximately HK\$496.8 million) and the over-allotment option was exercised (with net proceeds amounted to approximately HK\$78.2 million).

3. Trading in the H Shares of Wumart has been suspended since 13 November 2006. The closing price of Wumart's H Shares on 13 November 2006 (being the last trading day before suspension) is used in the above analysis for illustrative purpose.
4. We have taken the value of the Cancellation Consideration but have not referred to the closing price of the CRA Shares on the Latest Practicable Date in the above analysis because, in our opinion, it is unlikely that the recent significantly higher price of the CRA Shares will be sustained if the Proposal is withdrawn or lapses.

All of the CRA Comparable Companies were traded at substantial premium over their respective NAV per share ranging from 55.7% to 212.1%. We note that the premium of approximately 309.7% represented by the value of the Cancellation Consideration over the NAV per CRA Share is above this range.

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(ii) *Comparison of P/E multiple*

	P/E multiple (times) <i>(Note 1)</i>
Lianhua	24.2
Jingkelong	20.4
Wumart	12.1
CRA (Note 2)	27.1

Notes:

1. The P/E multiples for the CRA Comparable Companies are calculated based on the audited EPS of the companies as published in their respective latest annual reports for the year ended 31 December 2005 or prospectus as in the case of Jingkelong and the closing price of their respective shares on the Latest Practicable Date (except for Wumart which is based on the closing price of its shares on 13 November 2006).
2. This P/E multiple is calculated based on the audited EPS as published in CRA's annual report for the year ended 31 December 2005 and the value of the Cancellation Consideration.

As shown above, the P/E multiples of the CRA Comparable Companies range from 12.1 times to 24.2 times. The P/E multiple of CRA is above the high-end of this range.

(iii) *Comparison of dividend yield*

	Dividend yield <i>(%)</i> <i>(Note 1)</i>
Lianhua	1.4
Jingkelong	3.7
Wumart	2.6
CRA (Note 2)	2.0

Notes:

1. The dividend yield for the CRA Comparable Companies are calculated based on the dividend per share of the relevant companies as disclosed in their respective latest annual reports for the year ended 31 December 2005 or prospectus as in the case of Jingkelong and the closing price of their respective shares on the Latest Practicable Date (except for Wumart which is based on the closing price of its shares on 13 November 2006).
2. This dividend yield is calculated based on the dividend per CRA Share as disclosed in CRA's annual report for the year ended 31 December 2005 and the value of the Cancellation Consideration.

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As shown above, the dividend yields of the CRA Comparable Companies range from 1.4% to 3.7%. The dividend yield of CRA falls within the above range but is closer to the lower end.

(j) Financial effects of the Proposal on the Enlarged Group

Earnings

As set out in the audited consolidated financial statements of the CRA Group for the year ended 31 December 2005 and the unaudited results of the CRA Group for the nine months ended 30 September 2006 in Appendix II to the Document, the profit attributable to CRA Shareholders was approximately HK\$73.6 million for the year ended 31 December 2005 and approximately HK\$55.6 million for the nine months ended 30 September 2006 respectively.

As set out in the unaudited pro forma financial information on the Enlarged Group in Appendix III to the Document, the pro forma profit attributable to shareholders of the Enlarged Group for the year ended 31 December 2005 would have been increased by approximately HK\$39.3 million to HK\$112.8 million, representing an increase of 53.4%.

Assets and liabilities

An unaudited pro forma statement of assets and liabilities of the Enlarged Group is set out in Appendix III to the Document to illustrate the financial effects of the Proposal as if the Proposal had been completed on 30 June 2006.

On the basis of 214,157,000 Saint Honore Shares in issue as at the Latest Practicable Date and that all Saint Honore Shareholders elect the Cash Alternative, upon implementation of the Proposal, the pro forma total assets and total liabilities of the Enlarged Group would have been increased by approximately HK\$260.1 million to HK\$1,171.6 million and by HK\$260.1 million to HK\$686.2 million, respectively.

On the basis of 214,157,000 Saint Honore Shares in issue as at the Latest Practicable Date and that all Scheme Shareholders elect the Share & Cash Alternative, upon implementation of the Proposal, the pro forma total assets and total liabilities of the Enlarged Group would have been increased by approximately HK\$576.0 million to HK\$1,487.5 million and HK\$260.1 million to HK\$686.2 million, respectively. The pro forma net assets of the Enlarged Group as at 30 June 2006 would have been increased from approximately HK\$485.4 million to HK\$801.3 million.

Gearing position and working capital

As at 31 October 2006, both the CRA Group and the Saint Honore Group had no outstanding borrowings and were in net cash position.

As stated in Appendix III to the Document, as at 31 October 2006, the Enlarged Group had no outstanding borrowings and was in a net cash position.

(k) Risks profile of the CRA Group

Business of the Saint Honore Group comprises mainly the bakery business while that of the CRA Group comprises primarily the convenience store business. Despite both the Saint Honore Group and the CRA Group operate a chain of retail outlets offering mainly food products, we set out below the additional risks to which the Enlarged Group will be subject after the Scheme becoming effective:

- The trademarks and device of Circle K were licensed to the CRA Group up to March 2025 in accordance with a licence agreement entered into between Circle K (US) and Circle K (HK) in 1985 as amended on 1 July 2000 and 1 December 2000. There is no assurance that such licence arrangement will not be terminated prior to its expiry, although we have confirmed with the management of the CRA Group that they are not aware of any incident that will result in early termination of the licence agreement.
- It is the intention of the CRA Group to further expand both its existing operation and the operation of the Saint Honore Group in the PRC. Upon successful implementation of such expansion plan, the Enlarged Group will be more susceptible to risks associated with the change in economic conditions and regulatory environment in the PRC.
- The nature of businesses of the CRA Group and the Saint Honore Group although complementary may not be compatible in terms of customers, suppliers and targeted market and is subject to different market conditions. There is no assurance of the successful integration of the two businesses and the failure of which may result in adverse impact on the business, operation and results of the Enlarged Group.

SUMMARY OF DISCUSSION AND ANALYSIS

General

The Saint Honore Group has in recent years achieved growth in turnover, gross profit and net profit, but the rates of such growth are declining. For the three financial years under review, the rate of growth of turnover decrease from 9% in 2004 as compared to 2003, to 4% in 2006 as compared to 2005; the rate of growth of gross profit decreased from 8% in 2004 as compared to 2003, to 1% in 2006 as compared to 2005; and the rate of growth of net profit (after adjustment for one-off items) decreased from 65 % in 2004 as compared to 2003, to 11% in 2006 as compared to 2005. The declines in these rates of growth are reflective of the escalating competition, rising production, operating and administrative costs and saturation in the Hong Kong market, the Saint Honore Group's principal market. The Saint Honore Group has been investing in the PRC market since 2002 and is yet to fully exploit the benefits of the huge consumer market in view of the growing purchasing power. Up to 31 March 2006, the PRC operation remained insignificant to the Saint Honore Group. Given the Saint Honore Group is facing pricing pressure, escalating costs and market saturation in Hong Kong, we consider that in the short run, the Saint Honore Group will be able to maintain its profitability. However, in the long run, the growth in profitability of the Saint Honore Group may be further restricted unless the aforesaid expansion into the PRC could generate a material contribution.

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Cash Alternative

The Cash Alternative values each Scheme Share at HK\$2.95.

Saint Honore Share was traded at a price below the Cash Alternative of HK\$2.95 per Scheme Share at all times during the three years under review and was traded at a price below HK\$2.0 since October 2005 up to and before the Saint Honore Last Trading Day. The monthly trading volume of Saint Honore Shares at most of the time during the same period represented not more than 4% of the Saint Honore Shares in public hands.

The Cash Alternative represents an assured opportunity for the Scheme Shareholders to realise their investments in Saint Honore at a price which is substantially higher than the market prices before the publication of the Announcement.

The Cash Alternative represents a premium of 168.2% over the unaudited unadjusted NAV per Saint Honore Share, which is close to the upper end of the premium of the closing prices over the fully diluted NAV of the Saint Honore Shares ranging between 64.2% and 203.8% during the past three years under review. After adjustments of revaluation surpluses in respect of land, buildings and land use rights and the fair value of the intangible assets (as assessed by the CRA Directors and set out in Appendix III to the Document) of the Saint Honore Group, the Cash Alternative remains substantially above the NAV and the NTAV of the Saint Honore Group. The Cash Alternative represents a P/E multiple of 15.4 times, which is about 43.9% higher than the 10.7 times P/E multiple based on the closing price of Saint Honore Share as quoted on the Saint Honore Last Trading Day. The P/E multiple of 15.4 times and 168.2% premium over the unaudited unadjusted NAV per Saint Honore Share implied by the Cash Alternative are within the range of those of the Comparable Companies. However, given the differences between the principal businesses of the Saint Honore Group and that of the Comparable Companies, we have not put significant weight on this factor.

The price of Saint Honore Share has increased substantially on the date of the publication of the Announcement, and the closing price of Saint Honore Share has been maintained at about HK\$2.90 for most of the time between the date of publication of the Announcement and the Latest Practicable Date. In our opinion, it is not likely that the market price of Saint Honore Share will remain at current level in the short term if the Scheme is withdrawn or lapses.

Share & Cash Alternative

Under the Share & Cash Alternative, Scheme Shareholders will receive HK\$2.95 in cash and one CRA Share for every two Scheme Shares held. Scheme Shareholders who elect the Share & Cash Alternative are giving up the Cash Alternative for one of every two Scheme Shares they held in exchange for one CRA Share at HK\$2.95. In essence, Scheme Shareholders are buying one CRA Share at HK\$2.95.

Based on approximately 677.1 million CRA Shares in issue as at the Latest Practicable Date, the earnings per CRA Share would be approximately HK\$0.109. The P/E multiple of each CRA Share implied by the Cash Alternative of HK\$2.95 would be 27.1 times, which is higher than the P/E multiples of the CRA Comparables Companies ranging between 12.1 times and 24.2 times. Based on the NAV per CRA Share of HK\$0.72 as at 30 June 2006, the Cash Alternative represents a premium of 309.7% over the NAV per CRA Share, which is also higher than those of the CRA Comparable Companies ranging from 55.7% to 212.1%. Based on the above valuation parameters, the Share & Cash Alternative which values each CRA Share at HK\$2.95 is considered "over-priced". On the assumption that all Scheme Shareholders elect the Share & Cash Alternative, 107,078,500 CRA Shares will be issued, resulting in 784,220,500 CRA Shares in issue after the Scheme becoming effective. On this basis, the P/E multiple of each CRA Share implied by the Cash Alternative based on the pro forma earnings per CRA Share after the Scheme becoming effective would be 20.5 times. On the same basis, the Cash Alternative would represent a premium of 189% over the pro forma

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NAV per CRA Share after the Scheme becoming effective. Although the valuation parameters fall within those of the CRA Comparable Companies on a pro forma basis, they are closer to the higher end.

The dividend yield of CRA for 2005 was 2.0%. The dividend yield of the CRA Comparable Companies ranged from 1.4% to 3.7%. The dividend yield of CRA falls within the above range but is closer to the lower end.

Comparison of the two alternatives

The Cash Alternative offers the Scheme Shareholders an assured chance to realise their investments in Saint Honore. In contrary to the Share & Cash Alternative, the monetary value of the Cash Alternative will not be subject to fluctuations of the market price of the CRA Shares, which we consider may not be sustainable at current level given its closing price had been below HK\$2.95 for most of the time during 2004 to 2006 and it is considered “over-priced” as compared to the CRA Comparable Companies.

Scheme Shareholders who wish to elect the Cash Alternative are reminded to monitor the price of CRA Shares. In the event that CRA Shares are traded at a price substantially above HK\$2.95 and the Scheme Shareholders are confident that it will maintain at such level until the day the allotment and issue of the CRA Shares pursuant to the Share & Cash Alternative takes place, which is currently expected to be on or before 5 March 2007, such Scheme Shareholders should consider to elect the Share & Cash Alternative and dispose of the CRA Shares at open market subsequently. Scheme Shareholders who consider taking this approach must bear in mind the risks relating to the price volatility and the liquidity of CRA Shares and potentially the odd lots of CRA Shares they may receive and the costs associated with the disposal. This approach however may not be appropriate for Scheme Shareholders who have substantial shareholding in Saint Honore as they may have difficulty in realising their entire interest in CRA Shares without causing a downward pressure on the price of CRA Share.

Based on the closing price of CRA Share of HK\$3.11 as at the Latest Practicable Date, the Share & Cash Alternative values each Scheme Share at HK\$3.03. Scheme Shareholders who are optimistic about the prospects of the Enlarged Group may consider electing the Share & Cash Alternative but should be mindful of:

- (i) their need for cash;
- (ii) the risks involved in holding CRA Shares;
- (iii) the lack of assurance on the sustainability of the price of CRA Share at current level based on its historical price performance up to the CRA Last Trading Day and its pricing as compared to the CRA Comparable Companies;
- (iv) the lack of assurance on the possibility to dispose of their entire holding in CRA Shares in the market without creating a downward pressure on the price of CRA Shares, if they have substantial holding in CRA Shares; and
- (v) the price movement of CRA Shares before the latest time to lodge the Election Form, which is currently expected to be at 4:00 p.m. on 22 February 2007. In the event that CRA Share is traded at a price below HK\$2.95 on or before 22 February 2007, they should consider to elect the Cash Alternative and acquire CRA Shares from open market.

We have not considered the different tax implications on the Scheme Shareholders for electing different alternatives since these depend on their individual circumstances. Scheme Shareholders should consider their own tax position and, if in doubt, consult their professional advisers.

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OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, we consider the terms of the Proposal are fair and reasonable so far as the Saint Honore Shareholders are concerned. Accordingly, we recommend the Saint Honore Independent Board Committee to advise the Saint Honore Shareholders to vote in favour of the Scheme to be considered at the Court Meeting and the special resolution to be proposed at the Special General Meeting to approve and implement the Scheme.

We further recommend the Saint Honore Independent Board Committee to advise the Scheme Shareholders to elect the Cash Alternative.

Yours faithfully,
For and on behalf of
SOMERLEY LIMITED
Mei H. Leung
Deputy Chairman

EXPLANATORY STATEMENT

This Explanatory Statement constitutes the statement required under Section 100 of the Companies Act.

SCHEME OF ARRANGEMENT TO CANCEL ALL THE SCHEME SHARES

INTRODUCTION

It was jointly announced by CRA and Saint Honore on 17 November 2006 that on 14 November 2006, CRA had requested the Saint Honore Board to put forward the Proposal to the Saint Honore Shareholders for consideration.

The purpose of this Explanatory Statement is to set out the terms and effects of the Proposal and to give the Saint Honore Shareholders other relevant information in relation to the Proposal.

A letter from the Saint Honore Board is set out on pages 8 to 19 of this document. A letter of recommendation from the Saint Honore Independent Board Committee in connection with the Proposal is set out on page 20 of this document. A letter of advice from Somerley in connection with the Proposal is set out on pages 21 to 57 of this document. The Scheme is set out on pages 235 to 241 of this document.

THE PROPOSAL

It is proposed that, subject to the fulfilment or waiver (as applicable) of the conditions as described in the paragraph entitled “Conditions of the Proposal” below, the Proposal will be implemented by way of the Scheme, which will involve the allotment and issue of new Saint Honore Shares to CRA, cancellation of all the Scheme Shares and a reduction of share capital of Saint Honore under Section 46 of the Companies Act. Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and Saint Honore will become a wholly-owned subsidiary of CRA.

The Proposal will be implemented by way of the Scheme which provides, inter alia, that all Scheme Shares will be cancelled in exchange of either:

- (a) **Cash Alternative:** Cash of HK\$2.95 for every Scheme Share; or
- (b) **Share & Cash Alternative:** One CRA Share plus cash of HK\$2.95 for every two Scheme Shares, valuing each Saint Honore Share at:
 - (i) HK\$2.95, with reference to the closing price of HK\$2.95 per CRA Share on the CRA Last Trading Day; or
 - (ii) HK\$3.03, with reference to the closing price of HK\$3.11 per CRA Share as at the Latest Practicable Date.

In respect of any holding of an odd number of Scheme Shares (i.e. not being a multiple of two), the remaining one Scheme Share will be satisfied in cash at HK\$2.95 per Scheme Share. In addition, Scheme Shareholders who validly elect for the Share & Cash Alternative may also make the **CRA Shares Substitution Election** whereby Scheme Shareholders may, subject to availability, apply for CRA Substitution Shares using the cash portion of the Share & Cash Alternative at HK\$2.95 per CRA Substitution Share.

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The Cancellation Consideration per Scheme Share will not be revised, and CRA does not reserve the right to do so.

The Cash Alternative and the Share & Cash Alternative will be financed and provided by CRA. The Scheme Shareholders may elect either the Cash Alternative or the Share & Cash Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two). To the extent that one or more Scheme Shareholders choose to take the Cash Alternative, the number of CRA Shares which would otherwise have been taken up by such Scheme Shareholders if they had chosen to take the Share & Cash Alternative will become CRA Substitution Shares. In the event a Scheme Shareholder who validly elects for the Share & Cash Alternative wishes to make a CRA Shares Substitution Election, he may do so only in respect of his entire holding of Scheme Shares, i.e. he may not indicate the additional number of CRA Substitution Share(s) he would like to apply for. The final allocation of CRA Substitution Shares will depend on the number of CRA Substitution Shares available and will so far as practicable be on a pro-rata basis with reference to the respective number of Scheme Shares held by the Scheme Shareholders at the Record Date who have made the CRA Shares Substitution Election. The CRA Substitution Shares will not be issued in fractions and any fractional entitlements shall be rounded down to the nearest whole number.

Scheme Shareholders who wish to elect the Share & Cash Alternative and, if applicable, the CRA Shares Substitution Election should specify the same in the Election Form. **If a Scheme Shareholder does not make a valid election for the Share & Cash Alternative, such Scheme Shareholder will receive the Cash Alternative as the form of Cancellation Consideration in respect of his entire holding of the Scheme Shares.**

Assuming the Scheme becomes effective, any Scheme Shareholder (i) who has not, by 4:00 p.m. on Thursday, 22 February 2007 or such later date and time as may be notified through press announcement(s) of Saint Honore, delivered to the Saint Honore Registrar, a duly completed and executed Election Form; or (ii) who has returned an Election Form which is not duly completed or executed, will receive the Cash Alternative in respect of his entire holding of the Scheme Shares.

Saint Honore Shares, outstanding Saint Honore share options, warrants, derivatives or other convertible securities

As at the Latest Practicable Date, there were 214,157,000 Saint Honore Shares in issue and Saint Honore did not have any outstanding share options, warrants, derivatives or other convertible securities.

The Cash Alternative

Based on 214,157,000 Saint Honore Shares in issue as at the Latest Practicable Date, if all Scheme Shareholders elect for the Cash Alternative, the amount of cash required for the Proposal is HK\$631,763,150.

EXPLANATORY STATEMENT

The Share & Cash Alternative

The maximum number of new CRA Shares to be made available for allotment and issue under the Share & Cash Alternative will be determined at the Record Date but in any event shall not be more than 107,078,500 new CRA Shares, representing approximately 15.8% of the existing issued share capital of CRA as at the Latest Practicable Date, or approximately 13.7% of the enlarged issued share capital of CRA.

Based on 214,157,000 Saint Honore Shares in issue as at the Latest Practicable Date, the aggregate value of the Cancellation Consideration under the Share & Cash Alternative is (i) HK\$631,763,150 based on the closing price of HK\$2.95 per CRA Share as quoted on GEM on the CRA Last Trading Day; or (ii) HK\$648,895,710 based on the closing price of HK\$3.11 per CRA Share as quoted on GEM as at the Latest Practicable Date.

The CRA Shares to be issued pursuant to the Proposal will be issued and credited as fully paid up and will rank *pari passu* with the existing CRA Shares at the date of issue and are expected to be allotted and issued at HK\$2.95 per CRA Share under the general mandate granted to the CRA Directors at the annual general meeting of CRA held on 2 May 2006 but will not rank for any dividends or other distributions declared, made or paid by reference to a record date prior to the date of allotment.

CRA Shares are listed on GEM and therefore the CRA Shareholders are afforded the protections given to them under the GEM Listing Rules, the constitution of CRA and the laws of the Cayman Islands.

An application has been made to the Stock Exchange for the listing of, and permission to deal in, the CRA Shares to be issued in satisfaction of the Share & Cash Alternative and the CRA Shares Substitution Election on GEM.

Upon completion of the Scheme, Saint Honore will become a wholly-owned subsidiary of CRA and the listing of the Saint Honore Shares on the Stock Exchange will be withdrawn after the Effective Date.

The listing of the Saint Honore Shares on the Stock Exchange shall be maintained in the event the Scheme is not approved or lapses. Assuming that the Scheme becomes effective on Thursday, 22 February 2007, cheques for cash entitlements and share certificates for CRA Shares under the Cash Alternative, the Share & Cash Alternative and the CRA Shares Substitution Election respectively are expected to be despatched to the relevant Scheme Shareholders on or before Monday, 5 March 2007.

CONDITIONS OF THE PROPOSAL

The Proposal will become effective and binding on Saint Honore and all Scheme Shareholders subject to fulfilment or waiver, as applicable, of the following conditions:

- (a) the CRA Shareholders passing, at a general meeting convened for that purpose (or by written resolution in lieu thereof, as permitted under the GEM Listing Rules), such resolutions as may be necessary to implement the Proposal;
- (b) the shareholders of Hong Kong Catering (other than those who are prohibited from voting under relevant laws, rules or regulations) passing, at a general meeting convened for that purpose (or by written resolution in lieu thereof, as permitted under the Listing Rules), such resolutions as may be necessary to implement the Proposal;

EXPLANATORY STATEMENT

- (c) the approval (by way of a poll) of the Scheme by a majority in number of Saint Honore Shareholders present and voting either in person or by proxy at the Court Meeting holding not less than three-fourths in nominal value of those Saint Honore Shares that are voted either in person or by proxy by the Saint Honore Shareholders at the Court Meeting, provided that the Scheme is not disapproved at the Court Meeting by the Saint Honore Shareholders holding more than 10% in value of all the Saint Honore Shares held by the Saint Honore Shareholders;
- (d) the passing by the Saint Honore Shareholders (other than those who are prohibited from voting under relevant laws, rules or regulations) of a special resolution to approve and give effect to the Scheme (including the cancellation of the Scheme Shares, the reduction of the share capital of Saint Honore) by a majority of at least three-fourths of the votes cast by the Saint Honore Shareholders present and voting, in person or by proxy, at the Special General Meeting;
- (e) the sanction of the Scheme (with or without modifications) by the Court and delivery to the Registrar of Companies in Bermuda of a copy of the order of the Court for registration;
- (f) the necessary compliance with the procedural requirements of Section 46(2) of the Companies Act in relation to the reduction of the share capital of Saint Honore;
- (g) the granting by the Stock Exchange of the listing of, and permission to deal in, the CRA Shares which fall to be issued pursuant to the Proposal on GEM;
- (h) the Authorisations having been obtained or made from, with or by (as the case may be) the Relevant Authorities, in Bermuda, Hong Kong and/or any other relevant jurisdictions;
- (i) the Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (j) if required, the obtaining by CRA of such other necessary consent, approval, authorisation, permission, waiver or exemption which may be required from any Relevant Authorities or other third parties which are necessary or desirable for the performance of the Scheme under applicable laws and regulations;
- (k) other than tenancy agreements, leases, licences and other similar arrangements in relation to properties occupied by any member of the Saint Honore Group, there being no provision of any arrangement, agreement, licence or other instrument to which any member of the Saint Honore Group is a party or by or to which any of them is or are or may be bound, entitled or subject which as a consequence of the implementation of the Proposal or because of a change in control or management of Saint Honore could or might reasonably result in, to an extent which is material in the context of the Saint Honore Group taken as a whole;

EXPLANATORY STATEMENT

- (i) any monies borrowed by or other indebtedness (actual or contingent) of any member of the Saint Honore Group being repayable or being capable of being declared payable prior to their stated maturity;
 - (ii) the creation of any mortgage, charge or other security interest over the whole or any material part of the business, property or assets of any member of the Saint Honore Group or any such security (whether arising or having arisen) becoming enforceable;
 - (iii) any such arrangement, agreement, licence, permit, franchise or other instrument being terminated or adversely modified or any material action being taken or any material obligation arising thereunder;
- (l) save as publicly announced prior to the Announcement Date, no member of the Saint Honore Group having since 31 March 2006 (being the date to which the latest published audited accounts of Saint Honore were made up):
- (i) issued, agreed or authorised or proposed the issue of additional shares of any class, or securities convertible into, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities (save as between Saint Honore and its wholly-owned subsidiaries) and including, for the avoidance of doubt, any scrip dividend;
 - (ii) recommended, declared, paid or made any bonus, dividend or other distribution other than between members of the Saint Honore Group (other than the declaration and payment of an interim dividend by Saint Honore in the ordinary course for the six months ended 30 September 2006, if not disallowed by the Executive);
 - (iii) to an extent which is material in the context of the Saint Honore Group as a whole, merged with any body corporate or acquired or disposed of any assets or authorised, proposed or announced any intention to propose any merger, demerger, acquisition or disposal;
 - (iv) issued, authorised or proposed the issue of any debentures or, save in the ordinary course of business, incurred or increased any indebtedness or contingent liability in each case to an extent which is material in the context of the Saint Honore Group taken as a whole;
 - (v) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or redeemed or reduced or made any other change to any part of its share capital to an extent which is material in the context of the Saint Honore Group taken as a whole;
 - (vi) entered into any contract, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which is of a long-term, onerous or unusual nature or magnitude, and which involves or is likely to involve an obligation of a nature or magnitude which, in any case, is material in the context of the Saint Honore Group taken as a whole; or

EXPLANATORY STATEMENT

- (vii) made or authorised or proposed or announced an intention to propose any change in its loan capital to an extent which is material in the context of the Saint Honore Group taken as a whole;
- (m) save as publicly announced prior to the Announcement Date, since 31 March 2006 (being the date to which the latest published audited accounts of Saint Honore were made up):
 - (i) there having been no material adverse change in the business, financial or trading position or prospects of any member of the Saint Honore Group to an extent which is material in the context of the Saint Honore Group taken as a whole; and
 - (ii) there not having been instituted or remaining outstanding any material litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Saint Honore Group is a party (whether as plaintiff or defendant or otherwise) and no such proceedings having been threatened in writing against any such member and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member in each case which is material and adverse in the context of the Saint Honore Group taken as a whole; and
- (n) each member of the Saint Honore Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any substantial part of the assets and undertakings of any member of the Saint Honore Group from the Announcement Date up to the date when all the conditions are satisfied or waived, as applicable.

CRA reserves the right to waive conditions (k), (l), (m) and (n) above, either in whole or in respect of any particular matter. All of the above conditions will have to be fulfilled or waived, as applicable, on or before 31 May 2007 (or such later date as CRA and Saint Honore may agree in writing), otherwise the Scheme will lapse.

Saint Honore Shareholders and/or potential investors shall be aware that the implementation of the Proposal is subject to the above conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not become effective. They should therefore exercise caution when dealing in Saint Honore Shares.

CRA is not a party to any agreements or arrangements which relate to the circumstances in which it may or may not invoke or seek to invoke any of the above conditions to the Proposal.

EXPLANATORY STATEMENT

SCHEME UNDER SECTION 99 OF THE COMPANIES ACT AND THE COURT MEETING

According to Section 99 of the Companies Act, where an arrangement is proposed between a company and its members or any class of them, the Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Court directs.

It is provided in Section 99 of the Companies Act that if a majority in number representing three-fourths in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting summoned as directed by the Court agree to any arrangement, the arrangement shall, if sanctioned by an order of the Court, be binding on all members or class of members, as the case may be, and also on the company. Section 99 of the Companies Act further provides that any order of the Court sanctioning such a scheme shall have no effect until a copy of the court order has been delivered to the Registrar of Companies in Bermuda for registration.

THE ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements imposed by the law of Bermuda as summarised above, but except with the consent of the Executive to dispense with compliance or strict compliance therewith, Rule 2.10 of the Takeovers Code requires that the Scheme may only be implemented if:–

- (a) the Scheme is approved by at least 75% of the votes attaching to the disinterested Saint Honore Shares that are cast either in person or by proxy by poll at a duly convened meeting of the holders of the disinterested Saint Honore Shares (such holders being the Saint Honore Shareholders); and
- (b) the number of votes cast against the resolution to approve the Scheme at such meeting is not more than 10% of the votes attaching to all disinterested Saint Honore Shares (namely, the Saint Honore Shares held by the Saint Honore Shareholders).

As at the Latest Practicable Date, the Saint Honore Shareholders held in aggregate 214,157,000 Saint Honore Shares and 10% of the votes attached to all disinterested Saint Honore Shares referred to in paragraph (b) above was 21,415,700 Saint Honore Shares.

BINDING EFFECT OF THE SCHEME

Notwithstanding the fact that there may be a dissenting minority, if the Scheme is approved at the Court Meeting by a majority in number of the Scheme Shareholders present and voting in person or by proxy, representing not less than three-fourths in nominal value of the Saint Honore Shares of the Saint Honore Shareholders, and provided that the Scheme is not disapproved at the Court Meeting by the Saint Honore Shareholders holding more than 10% in nominal value of all the Saint Honore Shares held by the Saint Honore Shareholders, the Scheme will, so long as it is sanctioned by the Court and the Court order is delivered to the Registrar of Companies in Bermuda for registration, become binding on Saint Honore and all the Saint Honore Shareholders.

EXPLANATORY STATEMENT

IRREVOCABLE UNDERTAKING TO ACCEPT THE PROPOSAL

CRA has received the Irrevocable Undertaking from WPC pursuant to which WPC has conditionally undertaken to vote, or procure the voting, to approve the Proposal at the Court Meeting and the Special General Meeting in respect of the WPC Committed Shares (which represented approximately 17.4% of the Saint Honore Shares in issue as at the Latest Practicable Date). WPC's undertaking does not lapse in the event of a competing offer but is conditional upon WPC not being prohibited, under the Takeovers Code, by the SFC or any other competent authority (for example, the Court), from voting or otherwise procuring the voting in respect of the WPC Committed Shares, to approve the Proposal at the Court Meeting, the Special General Meeting and all other shareholders' meetings relating to the Proposal.

FINANCIAL EFFECTS OF THE PROPOSAL

Earnings

As set out in the audited consolidated financial statements of the CRA Group in Section 2 of Appendix II to this document, the CRA Group had profit attributable to shareholders of approximately HK\$73.6 million for the year ended 31 December 2005. As set out in the unaudited results of the CRA Group as extracted from the published unaudited third quarterly results of the CRA Group for the nine months ended 30 September 2006 in Section 4 of Appendix II to this document, the profit attributable to shareholders of the CRA Group for the nine months ended 30 September 2006 was approximately HK\$55.6 million.

An unaudited pro forma profit attributable to shareholders of the Enlarged Group (as set out in Appendix III to this document), based upon the net profits attributable to equity holders for the year ended 31 December 2005 of the CRA Group and for the year ended 31 March 2006 of the Saint Honore Group, has been prepared to illustrate the financial effect of the Proposal as if the Proposal had been completed on 1 January 2005. The pro forma profit attributable to shareholders of the Enlarged Group for the year ended 31 December 2005 would have been increased by approximately HK\$39.3 million to HK\$112.8 million, representing an increase of 53.4%.

Assets and liabilities

An unaudited pro forma statement of assets and liabilities of the Enlarged Group (as set out in Appendix III to this document), based upon the unaudited consolidated balance sheet of the CRA Group and the Saint Honore Group as at 30 June 2006 and 30 September 2006 respectively, has been prepared to illustrate the financial effect of the Proposal as if the Proposal had been completed on 30 June 2006.

The total assets and total liabilities of the CRA Group as at 30 June 2006 were approximately HK\$911.5 million and HK\$426.0 million, respectively.

On the basis of 214,157,000 Saint Honore Shares in issue as at the Latest Practicable Date and that all Scheme Shareholders elect the Cash Alternative, upon implementation of the Proposal, the pro forma total assets and total liabilities of the Enlarged Group would have been increased by approximately HK\$260.1 million and HK\$260.1 million, respectively. The pro forma total assets and total liabilities of the Enlarged Group as at 30 June 2006 would have been approximately HK\$1,171.6 million and HK\$686.2 million, respectively.

EXPLANATORY STATEMENT

On the basis of 214,157,000 Saint Honore Shares in issue as at the Latest Practicable Date and that all Scheme Shareholders elect the Share & Cash Alternative, upon implementation of the Proposal, the pro forma total assets and total liabilities of the Enlarged Group would have been increased by approximately HK\$576.0 million and HK\$260.1 million, respectively. The pro forma total assets and total liabilities of the Enlarged Group as at 30 June 2006 would have been approximately HK\$1,487.5 million and HK\$686.2 million, respectively.

Gearing position and working capital

It is CRA's policy to use its cash flow generated from operations and an appropriate level of borrowings as the principal source of funding to finance growth and expansion.

At the close of business on 31 October 2006, being the latest practicable date for the indebtedness statement of the CRA Group, the CRA Group had no outstanding borrowings and was in a net cash position.

At the close of business on 31 October 2006, being the latest practicable date for the indebtedness statement of the Saint Honore Group, the Saint Honore Group had no outstanding borrowings and was in a net cash position.

As stated in Section 2 of Appendix III to this document, as at the close of business on 31 October 2006, being the latest practicable date for the indebtedness statement of the Enlarged Group, the Enlarged Group had no outstanding borrowings and was in a net cash position.

OTHER EFFECTS OF THE PROPOSAL

Shareholding structure of Saint Honore

The table below sets out the shareholding structure of Saint Honore as at the Latest Practicable Date:

Saint Honore Shareholders	Number of Saint Honore Shares owned	Approximate % of the total issued share capital
Hong Kong Catering (<i>notes a and b</i>)	118,028,098	55.1
WPC (<i>notes b</i>)	37,195,152	17.4
DJE Investment S.A. (<i>note c</i>)	15,584,000	7.3
Others	43,349,750	20.2
Total	<u>214,157,000</u>	<u>100.0</u>

EXPLANATORY STATEMENT

Notes:

- (a) Saint Honore Shares are held through Hong Kong Catering's wholly-owned subsidiary, Albion Agents Limited.
- (b) WPC is a controlling shareholder of Hong Kong Catering and thus has a deemed interest in 118,028,098 Saint Honore Shares held by Hong Kong Catering through its wholly-owned subsidiary, Albion Agents Limited. Apart from the said deemed interest, WPC is also directly interested in 37,195,152 Saint Honore Shares.
- (c) DJE Investment S.A. is 81% controlled by Dr. Jens Ehrhardt Kapital AG which in turn is 68.5% controlled by Dr. Jens Alfred Karl Ehrhardt.

Following the Effective Date and the withdrawal of the listing of Saint Honore Shares on the Stock Exchange, Saint Honore will be wholly-owned by CRA.

Shareholding structure of CRA

As at the Latest Practicable Date, other than share options convertible into 11,756,000 CRA Shares, which were granted under the existing share option scheme of CRA, CRA did not have any outstanding share options, warrants, derivatives or other convertible securities. The table below sets out the shareholding structure of CRA as at the Latest Practicable Date and immediately following completion of the Scheme assuming all Scheme Shareholders elect to take the Share & Cash Alternative (assuming no CRA options outstanding as at the Latest Practicable Date are exercised):

	As at the Latest Practicable Date		Immediately following completion of the Scheme	
	Number of CRA Shares owned	Approximate % of the total issued share capital	Number of CRA Shares owned	Approximate % of the total issued share capital
CRA Shareholders				
King Lun Holdings Limited (<i>Note</i>)	373,692,000	55.2	373,692,000	47.7
Others	303,450,000	44.8	410,528,500	52.3
Total	<u>677,142,000</u>	<u>100.0</u>	<u>784,220,500</u>	<u>100.0</u>

EXPLANATORY STATEMENT

The table below sets out the shareholding structure of CRA as at the Latest Practicable Date and immediately following completion of the Scheme assuming all Scheme Shareholders elect to take the Share & Cash Alternative (assuming all CRA options outstanding as at the Latest Practicable Date are exercised):

CRA Shareholders	As at the Latest Practicable Date		Immediately following completion of the Scheme	
	Number of CRA Shares owned	Approximate % of the total issued share capital	Number of CRA Shares owned	Approximate % of the total issued share capital
King Lun Holdings Limited (<i>Note</i>)	373,692,000	55.2	373,692,000	46.9
Others	303,450,000	44.8	422,284,500	53.1
Total	677,142,000	100.0	795,976,500	100.0

Note: King Lun Holdings Limited through its indirect wholly-owned subsidiary, Li & Fung (Retailing) Limited (a wholly-owned subsidiary of Li & Fung (1937) Limited) held 373,692,000 CRA Shares. 1,332,840 shares in King Lun Holdings Limited, representing 50% of its issued share capital, are owned by J. P. Morgan Trust Company (Jersey) Limited, the trustee of a trust established for the benefit of the family members of Dr. Fung Kwok King, Victor. The remaining 50% of King Lun Holdings Limited is owned by Dr. Fung Kwok Lun, William.

Capital Value

The cash consideration of HK\$2.95 per Scheme Share under the Cash Alternative represents:

- a premium of approximately 43.9% over the closing price of HK\$2.05 per Saint Honore Share as quoted on the Stock Exchange on the Saint Honore Last Trading Day;
- a premium of approximately 56.9% over the average closing price of HK\$1.88 per Saint Honore Share for the 10 trading days up to and including the Saint Honore Last Trading Day;
- a premium of approximately 58.6% over the average closing price of HK\$1.86 per Saint Honore Share for the 30 trading days up to and including the Saint Honore Last Trading Day;
- a premium of approximately 170.6% over the audited consolidated net asset value per Saint Honore Share of approximately HK\$1.09 as at 31 March 2006; and
- a premium of approximately 1.4% over the closing price of HK\$2.91 per Saint Honore Share as quoted on the Stock Exchange as at the Latest Practicable Date.

On the basis of the consideration of HK\$2.95 per Scheme Share under the Cash Alternative, the Proposal values the entire Scheme Shares at HK\$631,763,150.

EXPLANATORY STATEMENT

The financial effects of the Proposal on CRA are disclosed in the paragraph headed “Financial effects of the Proposal” in this Explanatory Statement on pages 65 to 66 of this document. Irrespective of the proportions in which the Saint Honore Shareholders elect to take the Cash Alternative or the Share & Cash Alternative, the method of settlement of the Cancellation Consideration is not expected to have a material impact on CRA.

The value of the Share & Cash Alternative of HK\$2.95 per Scheme Share based on the closing price of HK\$2.95 per CRA Share as quoted on GEM on the CRA Last Trading Day represents:

- a premium of approximately 43.9% over the closing price of HK\$2.05 per Saint Honore Share as quoted on the Stock Exchange on the Saint Honore Last Trading Day;
- a premium of approximately 56.9% over the average closing price of HK\$1.88 per Saint Honore Share for the 10 trading days up to and including the Saint Honore Last Trading Day;
- a premium of approximately 58.6% over the average closing price of HK\$1.86 per Saint Honore Share for the 30 trading days up to and including the Saint Honore Last Trading Day;
- a premium of approximately 170.6% over the audited consolidated net asset value per Saint Honore Share of approximately HK\$1.09 as at 31 March 2006; and
- a premium of approximately 1.4% over the closing price of HK\$2.91 per Saint Honore Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The value of the Share & Cash Alternative of HK\$3.03 per Scheme Share based on the closing price of HK\$3.11 per CRA Share as quoted on GEM as at the Latest Practicable Date represents:

- a premium of approximately 47.8% over the closing price of HK\$2.05 per Saint Honore Share as quoted on the Stock Exchange on the Saint Honore Last Trading Day;
- a premium of approximately 61.2% over the average closing price of approximately HK\$1.88 per Saint Honore Share for the 10 trading days up to and including the Saint Honore Last Trading Day;
- a premium of approximately 62.9% over the average closing price of approximately HK\$1.86 per Saint Honore Share for the 30 trading days up to and including the Saint Honore Last Trading Day;
- a premium of approximately 178.0% over the audited consolidated net asset value per Saint Honore Share of approximately HK\$1.09 as at 31 March 2006; and
- a premium of approximately 4.1% over the closing price of HK\$2.91 per Saint Honore Share as quoted on the Stock Exchange as at the Latest Practicable Date.

EXPLANATORY STATEMENT

The table below illustrates the change in capital value for the Scheme Shareholders, assuming that the Scheme is completed and based on share prices of Saint Honore Shares and CRA Shares as of:

	The Saint Honore Last Trading Day and the CRA Last Trading Day respectively HK\$	The Latest Practicable Date HK\$
<i>In the event that the Cash Alternative is elected</i>		
Cash consideration receivable (for each Scheme Share) under the Proposal*	2.95	2.95
<i>minus</i>		
Value of each Scheme Share (Note 1)	2.05	2.91
	0.90	0.04
This represents an increase in capital value for the Scheme Shareholders of	43.9%	1.4%
* Number of CRA Shares that could be purchased by utilising that cash consideration receivable under the Proposal (Note 2)	1.00	0.95
	<i>HK\$</i>	<i>HK\$</i>
<i>In the event that the Share & Cash Alternative is elected</i>		
Value of 1 CRA Share plus HK\$2.95 in cash (Note 2)	5.90	6.06
<i>minus</i>		
Value of 2 Scheme Shares (Note 1)	4.10	5.82
	1.80	0.24
This represents an increase in capital value for the Scheme Shareholders of	43.9%	4.1%

Notes:

- (1) Based on the closing prices of the Saint Honore Shares as quoted on the Stock Exchange on the Saint Honore Last Trading Day and the Latest Practicable Date accordingly.
- (2) Based on the closing prices of the CRA Shares as quoted on GEM on the CRA Last Trading Day and the Latest Practicable Date accordingly.

The historical share price information on the Saint Honore Shares is set out under the paragraph entitled “Market prices” in Appendix V to this document.

EXPLANATORY STATEMENT

During the period between 18 May 2006 (being the day which is six months preceding the Announcement Date) and the Saint Honore Last Trading Day, the closing prices of each Saint Honore Share on the Stock Exchange did not exceed HK\$2.05; the average closing price of each Saint Honore Share quoted on the Stock Exchange was approximately HK\$1.89, and the highest and lowest closing prices for each Saint Honore Share were HK\$2.05 and HK\$1.81 respectively. Since the first trading day after the Announcement Date and up to the Latest Practicable Date, the closing price of each Saint Honore Share has been in the range of between HK\$2.86 and HK\$2.95.

The historical share price information on the CRA Shares is set out under the paragraph entitled “Market prices” in Appendix VI to this document.

During the period between 18 May 2006 (being the day which is six months preceding the Announcement Date), and the CRA Last Trading Day, the closing prices of each CRA Share on GEM did not exceed HK\$3.13; the average closing price of each CRA Share quoted on GEM was approximately HK\$2.92, and the highest and lowest closing prices for each CRA Share were HK\$3.13 and HK\$2.73 respectively. Since the Announcement Date and up to the Latest Practicable Date, the closing price of each CRA Share has been in the range of between HK\$3.08 and HK\$3.78.

CANCELLATION CONSIDERATION IN RESPECT OF THE CASH ALTERNATIVE AND CONFIRMATION OF FINANCIAL RESOURCES

On the basis of 214,157,000 Saint Honore Shares in issue as at the Latest Practicable Date and that all Scheme Shareholders elect the Cash Alternative, the total maximum consideration payable under the Proposal is HK\$631,763,150. The Cancellation Consideration payable by CRA in cash under the Scheme will be financed from internal resources and an external financing facility extended by HSBC as lender. CRA does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) under such loan facility will depend to any significant extent on the business of the Saint Honore Group.

HSBC, the financial adviser to CRA, is satisfied that sufficient financial resources are available to CRA for the implementation of the Proposal.

REASONS FOR AND BENEFITS OF THE PROPOSAL

The CRA Board is of the view that the terms of the Proposal are attractive to the Saint Honore Shareholders and that the proposed takeover of Saint Honore by CRA will be beneficial to both shareholders of CRA and Saint Honore in a number of ways. It is CRA’s intention to broaden its management expertise and develop its business in the PRC. The CRA Directors recognise the strong brand value of Saint Honore and believe its expertise in the baking business will enhance the business proposition for the CRA Group’s convenience stores as well as underpinning its PRC strategy. The Saint Honore Group is an existing dough and baked products supplier to the CRA Group and the implementation of the Proposal will further facilitate business integration between the Saint Honore Group and the CRA Group and capture revenue synergies and greater operational efficiency.

EXPLANATORY STATEMENT

Furthermore, the implementation of the Proposal is expected to enhance CRA's earnings. **In accordance with Rule 10.10 of the Takeovers Code, CRA Shareholders and prospective investors should note that this statement should not be interpreted to mean that CRA's earnings per CRA Share will necessarily be greater than those for the preceding financial period of CRA, being its financial period ended 31 December 2005.**

The CRA Board believes that the ability of Saint Honore to take advantage of its listing status to raise funds from equity markets is limited and that the costs associated with the maintenance of Saint Honore's listing on the Stock Exchange may no longer be warranted. The limitation on liquidity can be observed through the average daily trading volume for the six months prior to the Saint Honore Last Trading Day, i.e. from 18 May 2006 to the Saint Honore Last Trading Day, being approximately 18,876 Saint Honore Shares which is equivalent to approximately 0.03% of the number of Saint Honore Shares held in public hands (the total number of Saint Honore Shares is issue less the number of Saint Honore Shares held by WPC and Hong Kong Catering as at the Latest Practicable Date). The CRA Board believes that the Proposal represents a good opportunity for the Saint Honore Shareholders to realise their investments at a price significantly above the prevailing market price of Saint Honore Shares.

INFORMATION ON THE CRA GROUP

Business

CRA was incorporated in the Cayman Islands with limited liability, the issued shares of which have been listed on GEM since January 2001. CRA is engaged in the operation of a chain of convenience stores under the tradename of Circle K in Hong Kong and Mainland China.

A summary of the audited consolidated results of the CRA Group for each of the two years ended 31 December 2005 is set out below:

	For the year ended 31 December	
	2004	2005
	(HK\$'000)	(HK\$'000)
	(Restated)	
	(Note)	
Turnover	1,736,491	1,995,206
Profit before income tax	74,918	81,662
Profit for the year	61,245	67,614
Profit attributable to shareholders	66,276	73,578

Note: From 1 January 2005, all Hong Kong Statements of Standard Accounting Practice ("HKSSAPs") and interpretations have been withdrawn and replaced by a number of new or revised Hong Kong Financial Reporting Standards ("New HKFRSs"). The CRA Group has adopted the New HKFRSs for the accounting periods commencing on 1 January 2005. Comparative figures were restated as required.

As at 30 June 2006, the unaudited consolidated net assets attributable to shareholders of the CRA Group were approximately HK\$491,219,000, or approximately HK\$0.73 per CRA Share (based on 675,838,000 CRA Shares in issue as at 30 June 2006).

Based on the closing price of HK\$3.11 per CRA Share as at the Latest Practicable Date, the market capitalisation of CRA was about HK\$2,106 million.

Attention is drawn to Appendix II to this document which sets out the financial information on the CRA Group.

EXPLANATORY STATEMENT

INFORMATION ON THE SAINT HONORE GROUP

Business

Saint Honore was incorporated in Bermuda with limited liability, the issued shares of which have been listed on the Main Board of the Stock Exchange since November 2000. The Saint Honore Group is principally engaged in the manufacture of bakery products and operation of a retail chain of bakeries.

A summary of the audited consolidated results of the Saint Honore Group for each of the two years ended 31 March 2006 is set out below:

	For the year ended 31 March	
	2005 (HK\$'000) (Restated) (Note)	2006 (HK\$'000)
Turnover	568,901	589,421
Profit before income tax	71,672	49,645
Profit attributable to shareholders	59,214	40,966

Note: From 1 January 2005, all Hong Kong Statements of Standard Accounting Practice ("HKSSAPs") and interpretations have been withdrawn and replaced by a number of new or revised Hong Kong Financial Reporting Standards ("New HKFRSs"). The Saint Honore Group has adopted the New HKFRSs for the accounting periods commencing on 1 April 2005. Comparative figures were restated as required.

As at 30 September 2006, the unaudited consolidated net assets of the Saint Honore Group were approximately HK\$236,493,000, or approximately HK\$1.11 per Saint Honore Share (based on 213,357,000 Saint Honore Shares in issue as at 30 September 2006).

Based on the closing price of HK\$2.91 per Saint Honore Share as at the Latest Practicable Date, the market capitalisation of Saint Honore was about HK\$623 million.

Attention is drawn to Appendix I to this document which set out the financial information on the Saint Honore Group.

CRA'S INTENTION REGARDING SAINT HONORE

Following completion of the Scheme, CRA intends that the Saint Honore Group will continue to carry on its current business of manufacture of bakery products and operation of a retail chain of bakeries.

CRA has no intention to introduce any major changes to the business of the Saint Honore Group or to redeploy any fixed assets of the Saint Honore Group or to terminate the employment of any employees of the Saint Honore Group.

It is the intention of CRA that the existing connected transactions between Hong Kong Catering and Saint Honore as reported in the latest published financial statements of Saint Honore shall continue after implementation of the Proposal pursuant to the subsisting terms of the governing agreements.

EXPLANATORY STATEMENT

SHARE CERTIFICATES, DEALINGS AND LISTING

Dealings in the Saint Honore Shares on the Stock Exchange are expected to cease after 4:00 p.m. on Tuesday, 13 February 2007, and the listing of the Saint Honore Shares on the Stock Exchange is expected to be withdrawn after the Effective Date, which is expected to be at 9:30 a.m. on Friday, 23 February 2007.

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and extinguished, and all the certificates representing the Scheme Shares will accordingly cease to have effect as documents or evidence of title and CRA will apply to the Stock Exchange for the withdrawal of the listing of the Saint Honore Shares on the Stock Exchange.

Scheme Shareholders will be notified of the exact dates of the last day for dealings in Saint Honore Shares and on which the Scheme and the withdrawal of the listing of the Saint Honore Shares on the Stock Exchange will become effective by way of press announcement(s). The Scheme will lapse if it does not become effective on or before 31 May 2007 (or such later date as CRA and Saint Honore may agree in writing and the Court may allow), and the Saint Honore Shareholders will be notified by way of press announcement(s) accordingly.

If the Scheme is not approved, is withdrawn or lapses, it is intended that the listing of the Saint Honore Shares on the Stock Exchange will be maintained.

REGISTRATION, PAYMENT AND DESPATCH OF CRA SHARE CERTIFICATES

It is proposed that the register of members of Saint Honore will be closed after 4:00 p.m. on Thursday, 15 February 2007 (or such other date as may be notified to the Saint Honore Shareholders by way of press announcement(s)) and until Friday, 16 February 2007 in order to establish entitlements of the Saint Honore Shareholders under the Scheme. **Saint Honore Shareholders should ensure that the relevant transfer documentation for their Saint Honore Shares are lodged for registration with the Saint Honore Registrar before the register of members of Saint Honore is closed.**

In the event that the Scheme becomes effective, payment of the consideration for the Scheme Shares will be made to the Scheme Shareholders in accordance with the timetable and the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which CRA may otherwise be, or claim to be, entitled against any such Scheme Shareholder.

Assuming that the Scheme becomes effective on Thursday, 22 February 2007 (Hong Kong time), (i) cheques for cash entitlements to those entitled to the Cash Alternative, and (ii) cheques and share certificates for CRA Shares for those who elect for the Share & Cash Alternative and, if applicable, the CRA Shares Substitution Election, are expected to be despatched to the Scheme Shareholders on or before Monday, 5 March 2007. In particular, share certificates for CRA Shares and cheques will be sent to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in such register in respect of the joint holding, as appear in the register of members of Saint Honore on the Record Date. All such share certificates and cheques will be sent at the risk of the person(s) entitled thereto and CRA, Saint Honore, HSBC, AMS and the Saint Honore Registrar or any of them will not be responsible for any loss or delay in despatch.

EXPLANATORY STATEMENT

Saint Honore Shareholders are recommended to consult their own professional advisers if they are in doubt as to the above procedures.

As provided in the Scheme, on or after the day being six calendar months after the posting of such cheques, CRA shall have the right to cancel or countermand payment of any such cheque which has not then been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in Saint Honore's name with a licensed bank in Hong Kong selected by Saint Honore. Saint Honore shall hold such monies on trust for those entitled under the terms of the Scheme until the expiry of six years from the Effective Date and shall prior to such date make payments thereout of the sums (together with interest thereon in accordance with paragraph 3(e) of the Scheme) to persons who satisfy Saint Honore that they are respectively entitled thereto, provided that the cheques referred to in paragraph 3(b) of the Scheme of which they are payees that have not been cashed. On the expiry of six years from the Effective Date, CRA shall be released from any further obligation to make any payments under the Scheme and Saint Honore shall thereafter transfer to CRA the balance (if any) of the sums then standing to the credit of the deposit account referred to in paragraph 3(e) of the Scheme, including accrued interest subject, if applicable, to the deduction of interest tax or any withholding or other tax or any other deduction required by law and subject also to the deduction of any expenses.

Any certificates for CRA Shares posted to the Scheme Shareholders pursuant to paragraph 3(b) of the Scheme which are returned or undelivered will be cancelled. The branch share registrar of CRA in Hong Kong may at any time thereafter issue new share certificates in respect of such CRA Shares to those Scheme Shareholders who can establish their entitlements to its satisfaction and transfer to them all accrued entitlements from the original date of allotment or transfer, as the case may be, in respect of such CRA Shares, subject to the payment of any expenses.

ODD LOT TRADING ARRANGEMENTS

In order to facilitate the trading of odd lots of CRA Shares issued under the Share & Cash Alternative and, if applicable, the CRA Shares Substitution Election, CRA has appointed HSBC to provide a service to match the sale and purchase of odd lots of such CRA Shares during the period from Monday, 5 March 2007 to Monday, 26 March 2007, both days inclusive. Holders of CRA Shares issued or transferred (as the case may be) in odd lots under the Share & Cash Alternative and, if applicable, the CRA Shares Substitution Election who wish to take advantage of this facility may contact HSBC (L16, HSBC Main Building, 1 Queen's Road Central, Hong Kong) during the aforesaid period as follows:

Contact person	Telephone number
Thomas Ngai	2996 6992

Holders of CRA Shares issued or transferred (as the case may be) in odd lots under the Share & Cash Alternative and, if applicable, the CRA Shares Substitution Election, should note that the matching of the sale and purchase of odd lots of CRA Shares is not guaranteed. Such CRA Shareholders are advised to consult their own professional advisers if they are in doubt about the facility described above.

EXPLANATORY STATEMENT

OVERSEAS SCHEME SHAREHOLDERS

The making of the Proposal to and acceptance of the Proposal by the Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of the overseas Scheme Shareholders wishing to accept the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any taxes, duties or other amounts required to be paid in such jurisdictions. Any acceptance by such Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to Saint Honore that those local laws and requirements have been complied with. If you are in doubt as to your position, you should consult your own professional advisers.

TAXATION

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective. The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in doubt as to the taxation implications of the Proposal and, in particular, whether the receipt of the Cancellation Consideration would make such Scheme Shareholders liable to taxation in Hong Kong or in other jurisdictions.

COSTS OF THE SCHEME

In the event the Scheme is not recommended by the Saint Honore Independent Board Committee or not recommended as fair and reasonable by Somerley, the independent financial adviser to the Saint Honore Independent Board Committee, and not approved at the Court Meeting or the Special General Meeting, all the expenses incurred by Saint Honore in connection with the Proposal shall be borne by CRA.

As the Scheme is recommended by the Saint Honore Independent Board Committee and Somerley, in the event the Scheme is not approved at the Court Meeting or the Special General Meeting, Saint Honore and CRA shall bear their own expenses incurred in connection with the Proposal.

COURT MEETING AND SPECIAL GENERAL MEETING

In accordance with the direction of the Court, the Court Meeting will be convened for the purpose of considering and, if thought fit, passing the appropriate resolution to approve the Scheme (with or without modifications). All Saint Honore Shareholders will be entitled to attend and vote on the Scheme at the Court Meeting.

The Special General Meeting will be held immediately following the Court Meeting for the purpose of considering and, if thought fit, passing a special resolution to approve the Scheme, the allotment and issue of new Saint Honore Shares to CRA and the reduction of the share capital of Saint Honore. All Saint Honore Shareholders will be entitled to attend and vote on such special resolution at the Special General Meeting.

Notices of the Court Meeting and the Special General Meeting are set out on pages 242 to 245 of this document. The Court Meeting and the Special General Meeting will be held on Thursday, 25 January 2007 at the respective times specified in such notices at 38th Floor, World Trade Center, 280 Gloucester Road, Causeway Bay, Hong Kong.

EXPLANATORY STATEMENT

ACTIONS TO BE TAKEN BY THE SAINT HONORE SHAREHOLDERS

A pink form of proxy for use at the Court Meeting, a white form of proxy for use at the Special General Meeting and an Election Form are enclosed with this document.

Whether or not you are able to attend the Court Meeting and/or the Special General Meeting or any adjournment thereof, Saint Honore Shareholders are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and the enclosed white form of proxy in respect of the Special General Meeting, in accordance with the respective instructions printed thereon, and to lodge them at the principal office of Saint Honore in Hong Kong, 5th Floor, Express Industrial Building, 43 Heung Yip Road, Wong Chuk Hang, Hong Kong. In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged so as to reach the above address not later than 3:30 p.m. on Tuesday, 23 January 2007, or alternatively, it may be handed to the chairman of the Court Meeting at the Court Meeting. In order to be valid, the white form of proxy for use at the Special General Meeting should be lodged so as to reach the above address not later than 4:00 p.m. on Tuesday, 23 January 2007. Completion and return of the relevant form of proxy for the Court Meeting or the Special General Meeting will not preclude the relevant Saint Honore Shareholder from attending and voting in person at the relevant meeting. In the event that you attend and vote in person at the relevant meeting, the relevant form of proxy will be deemed to have been revoked.

An announcement will be made by Saint Honore in relation to the results of the Court Meeting and the Special General Meeting as and when appropriate.

Upon the sanction of the Scheme by the Court, an announcement will be made by Saint Honore and CRA in relation to the order of the Court, the Effective Date and the date of withdrawal of the listing of the Saint Honore Shares on the Stock Exchange. Based on the current timetable, the aforesaid announcement is expected to be issued on or about Monday, 12 February 2007.

A Scheme Shareholder who elects for the Share & Cash Alternative and, if applicable, the CRA Shares Substitution Election in respect of his entire holding of the Scheme Shares, must complete and execute an Election Form in accordance with the instructions printed on it, and deliver the duly completed and executed Election Form in the enclosed envelope marked “For Return of Election Form – CRA – Saint Honore” to the Saint Honore Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible but in any event so as to reach the above address by not later than 4:00 p.m. on Thursday, 22 February 2007 or such later date and time as may be notified through press announcement(s). No acknowledgement of receipt of any Election Form will be given.

Additional copies of the Election Form can be obtained from the Saint Honore Registrar during usual business hours on any day (other than a Saturday, Sunday or statutory holidays) until Thursday 22 February 2007.

Any Scheme Shareholder who has not returned an Election Form as described above or who has returned an Election Form which is not duly completed or executed in accordance with the terms of the Scheme will receive the Cash Alternative.

EXPLANATORY STATEMENT

Any Scheme Shareholder who holds Scheme Shares as a nominee, trustee or registered owner in any other capacity will not be treated differently from any other registered owner. Any beneficial owner of Scheme Shares whose Scheme Shares are registered in the name of a nominee, trustee or registered owner in any other capacity should make arrangements with such nominee, trustee or registered owner in relation to the Scheme and the election of the form of the Cancellation Consideration, and may consider whether it wishes to arrange for the registration of the relevant Scheme Shares in the name of the beneficial owner prior to the Record Date.

RECOMMENDATION

A letter from Somerley containing its advice to the Saint Honore Independent Board Committee in connection with the Proposal is set out on pages 21 to 57 of this document. It is stated in such letter that Somerley considers the terms of the Proposal to be fair and reasonable so far as the Saint Honore Shareholders are concerned. Accordingly, Somerley recommends the Saint Honore Independent Board Committee to advise the Saint Honore Shareholders to vote in favour of the Scheme at the Court Meeting and the special resolution to approve and implement the Scheme at the Special General Meeting and the Scheme Shareholders to elect the Cash Alternative .

A letter from the Saint Honore Independent Board Committee which contains its recommendation to the Saint Honore Shareholders in connection with the Proposal is set out on page 20 of this document. Having taken into account the opinion of Somerley and, in particular, the factors, reasons and recommendations as set out in the letter from Somerley on pages 21 to 57 of this document, the Saint Honore Independent Board Committee considers that the terms of the Proposal are fair and reasonable so far as the Saint Honore Shareholders are concerned. **Accordingly, the Saint Honore Independent Board Committee recommends the Saint Honore Shareholders to vote in favour of the Scheme at the Court Meeting and the special resolution to approve and implement the Scheme at the Special General Meeting.** The Saint Honore Independent Board Committee further recommends the Scheme Shareholders to elect the Cash Alternative.

FURTHER INFORMATION

Further information is set out in the Appendices to, and elsewhere in, this document, all of which form part of this Explanatory Statement.

1. SUMMARY OF FINANCIAL INFORMATION

The summary of the Saint Honore Group's assets and liabilities as at 31 March 2004, 31 March 2006 and 30 September 2006, and its results for the years ended 31 March 2004 and 2006 and the six months ended 30 September 2005 and 2006 set forth below has been extracted from the published audited consolidated financial statements of the Saint Honore Group for the financial years ended 31 March 2004 and 31 March 2006 and from the unaudited interim financial information of the Saint Honore Group for the six months ended 30 September 2006. The summary of the Saint Honore Group's assets and liabilities as at 31 March 2005 and its results for the year ended 31 March 2005 has been extracted from the 2005 comparatives contained in the published audited financial statements of the Saint Honore Group for the financial year ended 31 March 2006. There are no minority interests for the three years ended 31 March 2006 and for the periods ended 30 September 2005 and 2006. The auditors' reports in respect of the Saint Honore Group's respective consolidated financial statements for the three years ended 31 March 2006 did not contain any qualifications.

From 1 January 2005, all Hong Kong Statements of Standard Accounting Practice ("HKSSAPs") and interpretations have been withdrawn and replaced by a number of new or revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs"). Under the prevailing Hong Kong Financial Reporting Standards, the terms "extraordinary items" and "exceptional items" are no longer in use.

The Saint Honore Group prepared its consolidated financial statements for the year ended 31 March 2004 in accordance with HKSSAPs. For the purpose of this summary, the figures as at and for the year ended 31 March 2004 have not been restated. For the accounting period commencing on 1 April 2005, the Saint Honore Group has adopted the new HKFRSs and the comparatives for the year ended 31 March 2005 and for the six months ended 30 September 2005 have been restated as required. These restated figures have been adopted for the purpose of this summary.

RESULTS

	Six months ended		Year ended 31 March		
	30 September 2006	2005	2006	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)		(Restated)	
		(Restated)			
Turnover	<u>301,379</u>	<u>315,587</u>	<u>589,421</u>	<u>568,901</u>	<u>537,516</u>
Profit before income tax	23,641	27,127	49,645	71,672	52,930
Income tax expense	<u>(4,408)</u>	<u>(5,102)</u>	<u>(8,679)</u>	<u>(12,458)</u>	<u>(7,571)</u>
Profit for the period/year	<u>19,233</u>	<u>22,025</u>	<u>40,966</u>	<u>59,214</u>	<u>45,359</u>
Dividends	<u>6,425</u>	<u>8,696</u>	<u>23,631</u>	<u>29,627</u>	<u>27,342</u>
Basic earnings per share (HK cents)	<u>9.0</u>	<u>10.4</u>	<u>19.3</u>	<u>28.0</u>	<u>22.6</u>
Diluted earnings per share (HK cents)	<u>9.0</u>	<u>10.3</u>	<u>19.2</u>	<u>27.7</u>	<u>21.9</u>

ASSETS AND LIABILITIES

	As at 30 September 2006 HK\$'000 (Unaudited)	As at 31 March 2006 HK\$'000	As at 31 March 2005 HK\$'000 (Restated)	2004 HK\$'000
Total assets	484,146	438,434	414,980	370,821
Total liabilities	(247,653)	(206,239)	(196,915)	(184,171)
Shareholders' funds	<u>236,493</u>	<u>232,195</u>	<u>218,065</u>	<u>186,650</u>

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

The information in this section 2 has been extracted from the published audited consolidated financial statements of the Saint Honore Group for the year ended 31 March 2006.

Consolidated Profit and Loss Account

For the year ended 31 March 2006

	Note	2006 HK\$	(Restated) 2005 HK\$
Turnover	5	589,421,363	568,901,321
Other revenues	5	4,018,751	2,592,257
Costs of inventories consumed		(192,331,700)	(176,789,571)
Staff costs	6	(172,700,469)	(171,719,122)
Operating lease rentals		(54,615,075)	(55,743,885)
Depreciation of property, plant and equipment		(27,484,221)	(27,300,222)
Other operating expenses		(96,356,099)	(89,780,978)
Amortization of trademarks		–	(4,600,000)
(Loss)/gain on disposal of leasehold land and properties		<u>(306,890)</u>	<u>26,112,921</u>
Profit before income tax	7	49,645,660	71,672,721
Income tax expense	8	<u>(8,679,461)</u>	<u>(12,458,319)</u>
Profit for the year attributable to shareholders of the Company	9	<u>40,966,199</u>	<u>59,214,402</u>
Dividends	10	<u>23,631,270</u>	<u>29,626,980</u>
Earnings per share for profit attributable to the shareholders of the Company during the year			
Basic	11	<u>19.3 cents</u>	<u>28.0 cents</u>
Diluted	11	<u>19.2 cents</u>	<u>27.7 cents</u>

Consolidated Balance Sheet*At 31 March 2006*

			(Restated)
	<i>Note</i>	2006 <i>HK\$</i>	2005 <i>HK\$</i>
ASSETS			
Non-current assets			
Trademarks	<i>12</i>	27,600,000	27,600,000
Property, plant and equipment	<i>13</i>	142,091,572	136,354,294
Leasehold land and land use rights	<i>14</i>	74,153,796	74,397,844
Deposits for purchase of properties		–	3,575,972
Held-to-maturity investments	<i>16</i>	3,875,000	–
Rental deposits paid		11,553,853	11,530,848
Deferred income tax assets	<i>27</i>	833,139	2,392,640
		<u>260,107,360</u>	<u>255,851,598</u>
Current assets			
Inventories	<i>17</i>	11,566,136	10,105,418
Trade receivables	<i>18</i>	6,352,129	4,752,199
Deposits, prepayments and other receivables		14,865,328	13,714,935
Tax recoverable		–	997,930
Cash and cash equivalents	<i>21</i>	145,543,136	129,558,010
		<u>178,326,729</u>	<u>159,128,492</u>
Total assets		<u>438,434,089</u>	<u>414,980,090</u>
LIABILITIES			
Current liabilities			
Amount due to the intermediate holding company	<i>20</i>	5,576,153	4,979,655
Trade payables	<i>22</i>	15,483,860	14,549,614
Other payables and accrued charges		42,830,750	46,107,248
Tax payable		2,673,110	6,526,740
Cake coupon liabilities		132,010,305	116,490,357
		<u>198,574,178</u>	<u>188,653,614</u>

		2006	(Restated) 2005
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current liabilities			
Rental deposits received		118,525	71,000
Provision for long service payments	26	6,176,448	6,199,407
Deferred income tax liabilities	27	1,370,000	1,990,920
		<u>7,664,973</u>	<u>8,261,327</u>
Total liabilities		<u>206,239,151</u>	<u>196,914,941</u>
Total assets less current liabilities		<u>239,859,911</u>	<u>226,326,476</u>
Net current liabilities		<u>(20,247,449)</u>	<u>(29,525,122)</u>
Net assets		<u><u>232,194,938</u></u>	<u><u>218,065,149</u></u>
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	23	21,335,700	21,155,700
Reserves	25	195,924,248	177,869,319
Dividend reserve	25	14,934,990	19,040,130
		<u>232,194,938</u>	<u>218,065,149</u>
Total equity		<u><u>232,194,938</u></u>	<u><u>218,065,149</u></u>

Balance Sheet

At 31 March 2006

			(Restated)
	<i>Note</i>	2006 <i>HK\$</i>	2005 <i>HK\$</i>
ASSETS			
Non-current assets			
Interests in subsidiaries	15	196,687,872	196,687,872
Held-to-maturity investments	16	3,875,000	–
		<u>200,562,872</u>	<u>196,687,872</u>
Current assets			
Deposits, prepayments and other receivables		269,109	156,861
Amounts due from subsidiaries	19	26,319,951	24,739,939
Dividend receivable		–	19,040,130
Tax recoverable		–	58,221
Cash and cash equivalents	21	16,755,210	20,721,068
		<u>43,344,270</u>	<u>64,716,219</u>
Total assets		<u>243,907,142</u>	<u>261,404,091</u>
LIABILITIES			
Current liabilities			
Other payables and accrued charges		839,292	629,980
Total liabilities		<u>839,292</u>	<u>629,980</u>
Total assets less current liabilities		<u>243,067,850</u>	<u>260,774,111</u>
Net current assets		<u>42,504,978</u>	<u>64,086,239</u>
Net assets		<u>243,067,850</u>	<u>260,774,111</u>
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	23	21,335,700	21,155,700
Reserves	25	206,797,160	220,578,281
Dividend reserve	25	14,934,990	19,040,130
Total equity		<u>243,067,850</u>	<u>260,774,111</u>

Consolidated Cash Flow Statement*For the year ended 31 March 2006*

		(Restated)
	2006	2005
	<i>Note</i>	<i>HK\$</i>
		<i>HK\$</i>
Cash flows from operating activities		
Cash generated from operations	28	89,668,271
Hong Kong profits tax paid		(5,067,950)
Income tax paid to other jurisdictions		(5,528,630)
		<u>69,925,814</u>
Net cash generated from operating activities		<u>61,592,989</u>
Cash flows from investing activities		
Purchase of property, plant and equipment		(34,368,327)
Purchase of leasehold land and land use rights		(2,246,883)
Proceeds from sale of property, plant and equipment		1,277,159
Purchase of held-to-maturity investments		(3,875,000)
Interest received		2,962,896
		<u>36,418,430</u>
Net cash used in investing activities		<u>(33,505,069)</u>
Cash flows from financing activities		
Proceed from issuance of ordinary shares		900,000
Dividends paid		(27,736,410)
		<u>130,500</u>
Net cash used in financing activities		<u>(29,487,480)</u>
Net increase/(decrease) in cash and cash equivalents		15,985,126
Cash and cash equivalents at the beginning of the year		130,957,570
		<u>129,558,010</u>
Cash and cash equivalents at the end of the year		<u>145,543,136</u>

Consolidated Statement of Changes in Equity*For the year ended 31 March 2006*

	Share capital HK\$	Share premium HK\$	Contributed surplus HK\$	Exchange fluctuation reserve HK\$	Retained earnings HK\$	Dividend reserve HK\$	Total HK\$
At 1 April 2004, as previously reported	21,131,700	6,454,200	104,929,484	69,124	35,034,081	19,031,130	186,649,719
Opening adjustments for the adoption of HKAS 17	-	-	-	-	1,688,508	-	1,688,508
At 1 April 2004, as restated	21,131,700	6,454,200	104,929,484	69,124	36,722,589	19,031,130	188,338,227
Issue of shares upon exercise of share options	24,000	106,500	-	-	-	-	130,500
Profit for the year, as restated	-	-	-	-	59,214,402	-	59,214,402
Under-provision of dividend in previous year	-	-	-	-	(9,000)	9,000	-
2003/04 final dividend paid	-	-	-	-	-	(19,040,130)	(19,040,130)
2004/05 interim dividend proposed	-	-	-	-	(10,577,850)	10,577,850	-
2004/05 interim dividend paid	-	-	-	-	-	(10,577,850)	(10,577,850)
2004/05 final dividend proposed	-	-	-	-	(19,040,130)	19,040,130	-
At 31 March 2005, as restated	<u>21,155,700</u>	<u>6,560,700</u>	<u>104,929,484</u>	<u>69,124</u>	<u>66,310,011</u>	<u>19,040,130</u>	<u>218,065,149</u>
At 1 April 2005, as per above	21,155,700	6,560,700	104,929,484	69,124	66,310,011	19,040,130	218,065,149
Issue of shares upon exercise of share options	180,000	720,000	-	-	-	-	900,000
Profit for the year	-	-	-	-	40,966,199	-	40,966,199
Under-provision of dividend in previous year	-	-	-	-	(162,000)	162,000	-
2004/05 final dividend paid	-	-	-	-	-	(19,202,130)	(19,202,130)
2005/06 interim dividend proposed	-	-	-	-	(8,534,280)	8,534,280	-
2005/06 interim dividend paid	-	-	-	-	-	(8,534,280)	(8,534,280)
2005/06 final dividend proposed	-	-	-	-	(14,934,990)	14,934,990	-
At 31 March 2006	<u>21,335,700</u>	<u>7,280,700</u>	<u>104,929,484</u>	<u>69,124</u>	<u>83,644,940</u>	<u>14,934,990</u>	<u>232,194,938</u>

Notes to the Financial Statements

1. GENERAL INFORMATION

Saint Honore Holdings Limited (the “Company”) and its subsidiaries (together 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 consolidated financial statements are presented in Hong Kong dollars (HK\$), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 17 July 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements of the Group are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention except that financial assets and financial liabilities at fair value through profit or loss and held-to-maturity investments are stated at amortized cost.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2.2 The adoption of new/revised HKFRS

For the accounting period commencing on 1 April 2005, the Group has adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004/05 comparatives have been amended as required, in accordance with the relevant requirements.

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

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 24, 27, 32, 33, 36, 39 and HKAS-Int 15 did not result in substantial changes to the Group’s accounting policies. In summary:

- HKAS 1 has affected the presentation of cake coupon liabilities.

- HKASs 2, 7, 8, 10, 16, 21, 27, 32, 33, 36, 39 and HKAS-Int 15 had no material effect on the Group's accounting policies.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

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

The adoption of the revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

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.

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

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

- HKAS 16 requires the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions.
- HKAS-Int 15 does not require the recognition of incentives for leases beginning before 1 January 2005.
- HKFRS 2 only requires retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005.

The effect of the changes in the above accounting policies on the financial statements of the Group are summarized below:

- (a) The adoption of HKAS 1 has resulted in:

	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Increase in current liabilities	84,947,714	75,110,064
Decrease in non-current liabilities	<u>(84,947,714)</u>	<u>(75,110,064)</u>

(b) The adoption of HKAS 17 has resulted in:

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Increase in leasehold land and land use rights	74,153,796	74,397,844
Decrease in property, plant and equipment	(74,153,796)	(74,397,844)
Decrease in depreciation of property, plant and equipment	(1,707,427)	(1,447,957)
Increase in amortization of prepaid operating lease payments	1,707,427	1,447,957
Increase in freehold land	2,038,606	1,863,557
Decrease in depreciation of property, plant and equipment	(175,049)	(175,049)
Increase in retained earnings	<u>2,038,606</u>	<u>1,863,557</u>

(c) The adoption of HKAS 38 has resulted in:

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Increase in trademarks	4,600,000	–
Decrease in amortization of trademarks	<u>(4,600,000)</u>	<u>–</u>

The HKICPA has issued a number of new/revised HKFRS that are effective for accounting periods commencing on or after 1 January 2006. The Group has started considering the potential impact of these HKFRS. Based on the preliminary assessment, the Group believes that the adoption of these HKFRS, if applicable will not result in substantial changes to the Group's accounting policies. The Group has not early adopted these new/revised HKFRS, if applicable, in the financial statements for the year ended 31 March 2006 as follows:

HKAS 1 (Amendment)	Presentation of Financial Standards: Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plan and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

2.3 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March 2006.

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.4 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK\$, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognized as a separate component of equity.

2.6 Trademarks

From 1 April 2004 to 31 March 2005:

Trademarks were shown at historical cost and having an useful life of not less than 20 years. Amortization was calculated using the straight-line method to allocate the cost over the estimated useful lives.

From 1 April 2005 onwards:

Trademarks are reassessed as having an indefinite useful life and the carrying amount brought forward as at 1 April 2005 are no longer amortized but tested annually for impairment and carried at cost less accumulated amortization and impairment losses.

2.7 Property, plant and equipment

Freehold land is stated at cost and is not amortized.

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives. The principal annual rates of depreciation for various classes of property, plant and equipment are as follows:

- Buildings: over the unexpired periods of the leases or their estimated useful lives, whichever is shorter.
- Leasehold improvements: over the unexpired periods of the leases or their expected useful lives. The annual rate used for this purpose is 15%
- Air conditioning plant: 15%
- Furniture, fixtures and equipment: 10-25%
- Motor vehicles: 15%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) *Financial assets at fair value through profit or loss*

This category has 2 sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables in the balance sheet include trade and other receivables, rental deposits paid.

(c) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are included in non-current assets, except for those with maturity less than 12 months from the balance sheet date, which are classified as current assets.

(d) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. During the year, the Group did not hold any investments in this category.

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category including interest and dividend income, are presented in the profit and loss account in the period in which they arise.

Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognized in equity.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit and loss account) is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the profit and loss account.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less.

2.13 Cake coupon liabilities

Cake coupons are recorded as liabilities when sold. Cake coupons surrendered in exchange for products during the year are recognized as sales and transferred to the profit and loss account using the weighted average cake coupon sale value. The whole amount of cake coupon liabilities is classified as current liabilities as the Group does not have an unconditional right to defer settlement of the cake coupon liabilities.

2.14 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Employee benefits*(a) Pension obligations*

The Group participates in a number of defined contribution plans in Hong Kong and the People's Republic of China ("PRC"), the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and the relevant group companies. The Group pays contributions to the pension plans on a mandatory, contractual or voluntary basis which are calculated as a percentage of the employees' salaries.

The Group has no legal or constructive obligations to make further payments once the required contributions have been paid, even if the plans do not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior years.

The contributions are recognized as employee benefit expenses when they are due and prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leave entitlements

Employee entitlement to annual leave or other statutory leave is recognized when they are accrued to employees. A provision is made for the estimated liability for paid 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 recognized until the time of leave.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal.

(d) *Profit-sharing and bonus plans*

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that may create a constructive obligation.

(e) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the profit and account with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.17 Provisions

Provisions are recognized 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.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates, credit card fees and discounts and after eliminating sales within the Group. Revenue is recognized as follows:

Sales of goods – wholesale

Sales of goods are recognized when a group entity has delivered products to the customer, the customer has accepted the products and the collectability of related receivables is reasonably assured.

Sales of goods – retail

Sales of goods are recognized when a group entity sells a product to the customer. Retail sales are usually in cash.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Rental income

Rental income is recognized on a straight-line basis over the lease periods.

2.19 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the profit and loss account on a straight-line basis over the period of the lease.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.21 Comparatives

Comparatives were restated primarily to reflect the effect of the adoption of HKFRS, and to present more fairly the nature of uniform expenses in the consolidated profit and loss account which was reclassified as 'Other operating expenses'. This expense was previously disclosed in 'Staff costs'.

3. FINANCIAL RISK MANAGEMENT**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risk: foreign exchange risk, fair value interest rate risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group's major businesses are conducted in HK\$, Renminbi ("RMB"), and Macau Pataca ("MOP"). Fluctuation of the exchange rate of RMB against HK\$ can affect the Group's results of operation. Given the exchange rate peg between HK\$ and MOP and the comparatively stable exchange rate of HK\$ against RMB, it is not foreseen that the Group will be exposed to significant exchange rate risk exposure for the transactions conducted in MOP and RMB.

(b) Credit risk

The carrying amounts of cash and cash equivalents, trade receivable and other current assets except for prepayments, represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has policies in place to ensure that wholesale of goods are made to customers with an appropriate credit history. Sales to retail customers are usually in cash.

The majority of the Group's turnover is on cash basis therefore there is no significant concentration of credit risk. Credit sales will only be made to customers with good credit history or of low risk profile.

The credit risk for bank deposits and bank balances exposed is considered minimal as such amounts are placed with banks with good credit ratings.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

(d) *Cash flow and fair value interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities except for the Group's bank deposits.

3.2 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, trade and other receivables, and financial liabilities including trade and other payables and amount due to intermediate holding company are assumed to approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of financial assets and financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Impairment of assets

The Group conducts impairment reviews of assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable or tests for impairment annually in accordance with the relevant accounting standards. Determining whether an asset is impaired requires an estimation of the value in use, which requires the Group to estimate the future cash flow and suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. In 2006, after reviewing the business environment as well as the Group's objectives and past performance, management has concluded that there was no impairment loss for assets at 31 March 2006.

4.2 Income taxes

The Group is subject to income taxes in certain jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and deferred income tax provisions in the year in which such determination is made.

4.3 Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of renovation and relocation. Management will increase the depreciation where useful lives are less than previously estimated lives.

5. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION

(a) Turnover and other revenues

The Group is principally engaged in the operation of bakeries and eateries. Turnover comprises takings and service charges less discounts and credit card commission from bakery and eatery operations. Revenues recognized during the year are as follows:

	Group	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Turnover		
Bakery operation	569,210,740	539,351,424
Eatery operation	20,210,623	29,549,897
	<u>589,421,363</u>	<u>568,901,321</u>
Other revenues		
Interest income	2,962,896	631,080
Rental income from other properties	1,055,855	1,961,177
	<u>4,018,751</u>	<u>2,592,257</u>
Total revenues	<u><u>593,440,114</u></u>	<u><u>571,493,578</u></u>

(b) Primary reporting format – business segments

The Group is currently organized into 2 business segments:

- (i) Bakery – manufacturing and retailing of bakery products; and
- (ii) Eatery – operating eateries.

There are no significant sales between the business segments. An analysis of the Group's turnover and results by business segments is as follows:

	2006			(Restated) 2005		
	Bakery HK\$	Eatery HK\$	Group HK\$	Bakery HK\$	Eatery HK\$	Group HK\$
Turnover	<u>569,210,740</u>	<u>20,210,623</u>	<u>589,421,363</u>	<u>539,351,424</u>	<u>29,549,897</u>	<u>568,901,321</u>
Segment results	<u>50,114,381</u>	<u>(1,524,576)</u>	48,589,805	<u>69,391,911</u>	<u>319,633</u>	69,711,544
Unallocated revenues			1,055,855			1,961,177
Profit before income tax			49,645,660			71,672,721
Income tax expense			(8,679,461)			(12,458,319)
Profit for the year attributable to shareholders			<u>40,966,199</u>			<u>59,214,402</u>
Segment assets	433,487,340	4,113,610	437,600,950	403,241,615	8,347,905	411,589,520
Unallocated assets			833,139			3,390,570
Total assets			<u>438,434,089</u>			<u>414,980,090</u>
Segment liabilities	198,251,280	3,944,761	202,196,041	181,926,855	6,470,426	188,397,281
Unallocated liabilities			4,043,110			8,517,660
Total liabilities			<u>206,239,151</u>			<u>196,914,941</u>
Capital expenditure	36,615,210	–	36,615,210	70,466,529	88,050	70,554,579
Depreciation of property, plant and equipment	26,215,992	1,268,229	27,484,221	25,539,469	1,760,753	27,300,222
Amortization of prepaid operating lease payments	1,707,427	–	1,707,427	1,447,957	–	1,447,957
Amortization of trademarks	–	–	–	4,600,000	–	4,600,000

Segment results of bakery business included a net loss on disposal of a self-occupied properties amounting to HK\$0.3 million (2005: net gain of HK\$26.1 million).

Unallocated revenues mainly represent rental income from properties. Segment assets consist primarily of trademarks, property, plant and equipment, leasehold land and land use rights, inventories, receivables and operating cash and excluding items such as tax recoverable and deferred income tax assets. Segment liabilities comprise operating liabilities and excluding items such as tax payable and deferred income tax liabilities. Capital expenditure comprises additions to property, plant and equipment and leasehold land and land use rights.

(c) **Secondary reporting format – geographical segments**

The Group's 2 business segments operate in 2 main geographical areas:

- (i) Hong Kong and Macau
- (ii) PRC

The Group's sales are mainly made to the customers located in the following geographical areas:

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Hong Kong and Macau	554,927,251	544,377,024
PRC	30,821,369	20,918,671
Others	3,672,743	3,605,626
	<u>589,421,363</u>	<u>568,901,321</u>

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

The Group's total assets and capital expenditure are located in the following geographical areas:

	2006		2005 (Restated)	
	Total assets <i>HK\$</i>	Capital expenditure <i>HK\$</i>	Total assets <i>HK\$</i>	Capital expenditure <i>HK\$</i>
Hong Kong & Macau	350,321,213	24,171,999	339,864,200	52,563,379
PRC	88,112,876	12,443,211	75,115,890	17,991,200
	<u>438,434,089</u>	<u>36,615,210</u>	<u>414,980,090</u>	<u>70,554,579</u>

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

6. STAFF COSTS

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Wages and salaries, including directors' fee	157,649,342	155,995,026
(Reversal of)/provision for termination benefits	(59,708)	495,061
Provision for leave balance	924,100	1,320,976
Retirement benefit costs – defined contribution schemes	7,390,415	7,099,368
Provision for long service payments (<i>note 26</i>)	143,124	492,788
Other staff costs	6,653,196	6,315,903
	<u>172,700,469</u>	<u>171,719,122</u>

6.1 Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 March 2006 is set out below:

Name of Director	Salary and housing benefit HK\$	Discretionary bonuses HK\$	Benefits in kind HK\$	Employer's contribution to pension scheme HK\$	Fee HK\$	Total HK\$
<i>Executive directors</i>						
Mr. Chan Wai Cheung, Glenn	1,240,000	1,253,090	–	–	–	2,493,090
Mr. Shum Wing Hon	1,252,832	–	358,000	69,142	–	1,679,974
Mrs. Chan Wong Man Li, Carrina	1,211,880	–	198,000	68,094	–	1,477,974
Mr. Chan Ka Shun, Raymond	956,720	–	28,500	45,600	–	1,030,820
Mr. Wong Chung Piu, Billy	485,264	52,189	66,000	19,751	–	623,204
<i>Non-executive directors</i>						
Mrs. Chan King Catherine	–	–	–	–	50,000	50,000
Mr. Chan Kai Lai, Joseph	–	–	–	–	50,000	50,000
Dr. Cheung Wai Lam, William	–	–	–	–	50,000	50,000
Dr. Ho Sai Wah, David	–	–	–	–	50,000	50,000
Mr. Bingley Wong	–	–	–	–	50,000	50,000

The remuneration of every Director for the year ended 31 March 2005 is set out below:

Name of Director	Salary and housing benefit HK\$	Discretionary bonuses HK\$	Benefits in kind HK\$	Employer's contribution to pension scheme HK\$	Fee HK\$	Total HK\$
<i>Executive directors</i>						
Mr. Chan Wai Cheung, Glenn	1,240,000	1,832,000	–	–	–	3,072,000
Mr. Shum Wing Hon	1,275,879	21,000	358,000	69,142	–	1,724,021
Mrs. Chan Wong Man Li, Carrina	1,234,578	–	198,000	68,094	–	1,500,672
Mr. Chan Ka Shun, Raymond	777,900	–	22,884	34,085	–	834,869
Mr. Wong Chung Piu, Billy	486,150	56,330	66,000	19,257	–	627,737
<i>Non-executive directors</i>						
Mrs. Chan King Catherine	–	–	–	–	50,000	50,000
Mr. Chan Kai Lai, Joseph	–	–	–	–	50,000	50,000
Dr. Cheung Wai Lam, William	–	–	–	–	50,000	50,000
Dr. Ho Sai Wah, David	–	–	–	–	50,000	50,000
Mr. Bingley Wong	–	–	–	–	50,000	50,000

In addition to the directors' emoluments disclosed above, certain directors of the Company also received emoluments directly from the Company's intermediate holding company in respect of their services rendered to it.

No directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

6.2 Five highest paid individuals

For both years, the 5 individuals whose emoluments were the highest in the Group were also executive directors of the Company whose emoluments are reflected in the analysis presented above.

7. PROFIT BEFORE INCOME TAX

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

	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Auditors' remuneration	1,072,901	852,187
Amortization of prepaid operating lease payments	1,707,427	1,447,957
Loss/(gain) on disposal of other plant and equipment	346,283	(19,498)
Net exchange gain	<u>(735,089)</u>	<u>(118,266)</u>

8. INCOME TAX EXPENSE

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

	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Current income tax		
Hong Kong profits tax	6,812,651	6,427,682
Income tax arising from other jurisdictions	2,233,803	6,453,284
(Over)/under provision in prior years	(1,305,574)	18,080
Deferred income tax charge/(credit) (note 27)	<u>938,581</u>	<u>(440,727)</u>
Income tax expense	<u>8,679,461</u>	<u>12,458,319</u>

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

The income tax expense on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Profit before income tax	<u>49,645,660</u>	<u>71,672,721</u>
Calculated at a taxation rate of 17.5% (2005: 17.5%)	8,687,991	12,542,726
Effect of different taxation rates in other jurisdictions	76,648	(16,437)
Income not subject to taxation	(370,947)	(514,281)
Expenses not deductible for taxation purposes	39,787	833,263
(Over)/under provision in prior year	(1,305,573)	18,080
Utilization of previously unrecognized tax losses	-	(404,850)
Unrecognized temporary differences	850,662	(30,633)
Tax losses not recognized	485,694	2,577
Others	<u>215,199</u>	<u>27,874</u>
Income tax expense	<u>8,679,461</u>	<u>12,458,319</u>

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK\$9,130,149 (2005: HK\$38,619,683).

10. DIVIDENDS

	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Under-provision of dividend in previous year	162,000	9,000
Interim, paid, of HK4 cents (2005: HK5 cents) per ordinary share	8,534,280	10,577,850
Final, proposed, of HK7 cents (2005: HK9 cents) per ordinary share	<u>14,934,990</u>	<u>19,040,130</u>
	<u><u>23,631,270</u></u>	<u><u>29,626,980</u></u>

The proposed final dividend for the year ended 31 March 2006 was declared at the meeting of the Board held on 17 July 2006. This proposed final dividend is not reflected as a dividend payable in these financial statements. It is reflected as an appropriation of retained earnings and is presented as a dividend reserve in the balance sheet.

11. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the following:

	2006	(Restated) 2005
	<i>HK\$</i>	<i>HK\$</i>
Earnings		
Profit for the year attributable to shareholders of the Company	<u>40,966,199</u>	<u>59,214,402</u>
Number of shares		
Weighted average number of ordinary shares in issue	212,735,630	211,520,616
Effect of potential dilutive ordinary shares (<i>Note</i>)	<u>1,102,110</u>	<u>2,033,914</u>
Weighted average number of ordinary shares for diluted earnings per share	<u><u>213,837,740</u></u>	<u><u>213,554,530</u></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.

12. TRADEMARKS

	Group <i>HK\$</i>
At 1 April 2004	
Cost	92,000,000
Accumulated amortization	<u>(59,800,000)</u>
Net book value	<u><u>32,200,000</u></u>
Year ended 31 March 2005	
Opening net book value	32,200,000
Amortization	<u>(4,600,000)</u>
Closing net book value	<u><u>27,600,000</u></u>
At 31 March 2005	
Cost	92,000,000
Accumulated amortization	<u>(64,400,000)</u>
Net book value	<u><u>27,600,000</u></u>
Net book value, at 31 March 2006	<u><u>27,600,000</u></u>

The directors are of the opinion that the Group's trademarks have indefinite useful life after their reassessment of the estimated useful life of the trademarks. The reasons include:

- (i) The trademarks have been in use for a very long period of time and will continue to be used for the long term; and
- (ii) The Group has incurred and intends to continue to incur significant advertising and promotion expenses which are charged to the profit and loss account when incurred, to maintain and increase the market value of its trademarks.

Therefore, the Group has ceased to amortize the trademarks since 1 April 2005.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land HK\$	Buildings HK\$	Leasehold improve- ments HK\$	Air- conditioning plant HK\$	Furniture, fixtures, and equipment HK\$	Motor vehicles HK\$	Total HK\$
At 1 April 2004							
Cost, as previously reported	–	137,194,718	103,482,679	4,941,769	119,737,191	12,482,084	377,838,441
Effect on adoption of HKAS 17	8,752,467	(86,534,553)	–	–	–	–	(77,782,086)
Cost, as restated	<u>8,752,467</u>	<u>50,660,165</u>	<u>103,482,679</u>	<u>4,941,769</u>	<u>119,737,191</u>	<u>12,482,084</u>	<u>300,056,355</u>
Accumulated depreciation, as previously reported	–	(21,195,151)	(81,358,680)	(3,644,247)	(87,386,347)	(6,710,775)	(200,295,200)
Effect on adoption of HKAS 17	–	11,450,072	–	–	–	–	11,450,072
Accumulated depreciation, as restated	<u>–</u>	<u>(9,745,079)</u>	<u>(81,358,680)</u>	<u>(3,644,247)</u>	<u>(87,386,347)</u>	<u>(6,710,775)</u>	<u>(188,845,128)</u>
Net book value, as restated	<u>8,752,467</u>	<u>40,915,086</u>	<u>22,123,999</u>	<u>1,297,522</u>	<u>32,350,844</u>	<u>5,771,309</u>	<u>111,211,227</u>
Year ended 31 March 2005							
Opening net book value, as restated	8,752,467	40,915,086	22,123,999	1,297,522	32,350,844	5,771,309	111,211,227
Additions	–	23,959,952	15,389,178	789,380	12,471,240	3,659,543	56,269,293
Disposal	–	(3,478,465)	(61,056)	–	(222,415)	(64,068)	(3,826,004)
Depreciation	–	(1,085,535)	(13,536,449)	(523,268)	(10,518,734)	(1,636,236)	(27,300,222)
Closing net book value	<u>8,752,467</u>	<u>60,311,038</u>	<u>23,915,672</u>	<u>1,563,634</u>	<u>34,080,935</u>	<u>7,730,548</u>	<u>136,354,294</u>
At 31 March 2005							
Cost	8,752,467	70,228,588	112,269,065	5,731,149	131,148,197	15,095,048	343,224,514
Accumulated depreciation	–	(9,917,550)	(88,353,393)	(4,167,515)	(97,067,262)	(7,364,500)	(206,870,220)
Net book value	<u>8,752,467</u>	<u>60,311,038</u>	<u>23,915,672</u>	<u>1,563,634</u>	<u>34,080,935</u>	<u>7,730,548</u>	<u>136,354,294</u>
Year ended 31 March 2006							
Opening net book value	8,752,467	60,311,038	23,915,672	1,563,634	34,080,935	7,730,548	136,354,294
Additions	–	4,277,810	15,260,109	447,350	12,234,837	2,148,221	34,368,327
Disposal	–	(783,525)	(10,508)	–	(352,795)	–	(1,146,828)
Depreciation	–	(1,612,728)	(13,586,030)	(490,180)	(9,870,997)	(1,924,286)	(27,484,221)
Closing net book value	<u>8,752,467</u>	<u>62,192,595</u>	<u>25,579,243</u>	<u>1,520,804</u>	<u>36,091,980</u>	<u>7,954,483</u>	<u>142,091,572</u>
At 31 March 2006							
Cost	8,752,467	73,583,469	116,508,956	6,178,499	140,940,537	16,428,944	362,392,872
Accumulated depreciation	–	(11,390,874)	(90,929,713)	(4,657,695)	(104,848,557)	(8,474,461)	(220,301,300)
Net book value	<u>8,752,467</u>	<u>62,192,595</u>	<u>25,579,243</u>	<u>1,520,804</u>	<u>36,091,980</u>	<u>7,954,483</u>	<u>142,091,572</u>

14. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analyzed as follows:

	Group	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
In Hong Kong, held on:		
Leases of over 50 years	6,496,614	6,582,662
Leases of between 10 to 50 years	57,054,970	58,422,199
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	10,602,212	9,392,983
	<u>74,153,796</u>	<u>74,397,844</u>

The movements of net book value of leasehold land and land use rights are analyzed as follows:

	Group	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Opening net book value	74,397,844	68,020,522
Additions	2,246,883	14,285,286
Disposals	(783,504)	(6,460,007)
Amortization of prepaid operating lease payments	(1,707,427)	(1,447,957)
Closing net book value	<u>74,153,796</u>	<u>74,397,844</u>

15. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares, at cost	193,687,880	193,687,880
Loan to a subsidiary	2,999,992	2,999,992
	<u>196,687,872</u>	<u>196,687,872</u>

The loan to a subsidiary is unsecured, interest-free and not expected to be repaid in the next 12 months. The details of the principal subsidiaries as at 31 March 2006 are set out in note 32.

16. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments are stated in the balance sheet cost amortized to date. The investment will mature in year 2015.

17. INVENTORIES

	Group	
	2006 HK\$	2005 HK\$
Raw materials	5,409,164	5,252,591
Packing materials	4,744,402	3,562,681
Work in progress	793,576	529,657
Finished goods	618,994	760,489
	<u>11,566,136</u>	<u>10,105,418</u>

18. TRADE RECEIVABLES

At 31 March 2006, the ageing analysis of the trade receivables was as follows:

	Group	
	2006 HK\$	2005 HK\$
Current to 30 days	5,258,163	3,381,732
31 to 60 days	442,963	201,938
Over 60 days	651,003	1,168,529
	<u>6,352,129</u>	<u>4,752,199</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.

19. AMOUNTS DUE FROM SUBSIDIARIES

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

20. AMOUNT DUE TO INTERMEDIATE HOLDING COMPANY

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

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Cash at bank and in hand	42,799,026	83,484,966	542,048	947,401
Short-term bank deposits	86,530,948	26,299,377	–	–
Other short-term highly liquid investments	16,213,162	19,773,667	16,213,162	19,773,667
	<u>145,543,136</u>	<u>129,558,010</u>	<u>16,755,210</u>	<u>20,721,068</u>

The effective interest rate on short-term bank deposits was 2.7% (2005: 0.5%).

These deposits have maturity range from 7 to 90 days.

At 31 March 2006, the carrying amount of the cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
HK\$	91,055,543	74,729,745	60,774	947,401
US\$	17,956,076	20,392,336	16,694,436	19,773,667
MOP	5,974,196	13,046,555	–	–
RMB	30,536,524	20,400,177	–	–
Others	20,797	989,197	–	–
	<u>145,543,136</u>	<u>129,558,010</u>	<u>16,755,210</u>	<u>20,721,068</u>

22. TRADE PAYABLES

At 31 March 2006, the ageing analysis of the trade payables was as follows:

	Group	
	2006 HK\$	2005 HK\$
Current to 30 days	11,264,548	11,137,636
31 to 60 days	2,294,139	1,672,549
Over 60 days	1,925,173	1,739,429
	<u>15,483,860</u>	<u>14,549,614</u>

23. SHARE CAPITAL

	Company	
	2006 HK\$	2005 HK\$
Authorized 400,000,000 ordinary shares of HK\$0.10 each	<u>40,000,000</u>	<u>40,000,000</u>
	Ordinary shares of HK\$0.10 each	
	Number of ordinary shares	HK\$
Issued and fully paid		
At 1 April 2004	211,317,000	21,131,700
Issue of shares upon exercise of share options	<u>240,000</u>	<u>24,000</u>
At 31 March 2005	211,557,000	21,155,700
Issue of shares upon exercise of share options	<u>1,800,000</u>	<u>180,000</u>
At 31 March 2006	<u>213,357,000</u>	<u>21,335,700</u>

24. SHARE OPTIONS

The Company's share option scheme adopted on 25 October 2000 (the "Share Option Scheme") does not fulfill certain requirements as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on share option scheme, as a result the Share Option Scheme became invalid and no further share option can be granted under the Share Option Scheme. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The details of movements of share options granted under the share option scheme during the year are as follows:

	Number of share options	
	2006	2005
At the beginning of the year	2,600,000	2,840,000
Exercised (<i>note a</i>)	(1,800,000)	(240,000)
At the end of the year (<i>note b</i>)	<u>800,000</u>	<u>2,600,000</u>

Notes:

- (a) There were 1,800,000 share options exercised in August 2005 at HK\$0.50 per shares. The weighted average share price at the time of exercise was HK\$2.60 (2005: HK\$1.72) per share. There were no share options granted, cancelled or lapsed during the year.
- (b) Share options outstanding at the end of the year have the following terms:

Grant date	From	Exercise period To	Exercise price HK\$	Number of share options	
				2006	2005
Director					
15 January 2001	1 May 2001	31 May 2010	0.50	-	1,000,000
15 January 2001	1 May 2002	31 May 2010	0.50	200,000	1,000,000
31 August 2001	1 March 2002	30 September 2011	0.55	300,000	300,000
31 August 2001	1 September 2002	30 September 2011	0.55	300,000	300,000
			Total	<u>800,000</u>	<u>2,600,000</u>

25. RESERVES

The movements of the reserves of the Group and of the Company during the year are analyzed as follows:

(a) Group

	Share premium HK\$	Contributed surplus HK\$	Exchange fluctuation reserve HK\$	Retained earnings HK\$	Dividend reserve HK\$	Total HK\$
At 1 April 2004, as previously reported	6,454,200	104,929,484	69,124	35,034,081	19,031,130	165,518,019
Effect on adoption of HKAS 17	—	—	—	1,688,508	—	1,688,508
At 1 April 2004, as restated	6,454,200	104,929,484	69,124	36,722,589	19,031,130	167,206,527
Premium on issue of shares upon the exercise of share options	106,500	—	—	—	—	106,500
Profit for the year, as restated	—	—	—	59,214,402	—	59,214,402
Under-provision of dividend in previous year	—	—	—	(9,000)	9,000	—
2003/04 final dividend paid	—	—	—	—	(19,040,130)	(19,040,130)
2004/05 interim dividend proposed	—	—	—	(10,577,850)	10,577,850	—
2004/05 interim dividend paid	—	—	—	—	(10,577,850)	(10,577,850)
2004/05 final dividend proposed	—	—	—	(19,040,130)	19,040,130	—
At 31 March 2005, as restated	<u>6,560,700</u>	<u>104,929,484</u>	<u>69,124</u>	<u>66,310,011</u>	<u>19,040,130</u>	<u>196,909,449</u>
At 1 April 2005, as per above	6,560,700	104,929,484	69,124	66,310,011	19,040,130	196,909,449
Premium on issue of shares upon exercise of share options	720,000	—	—	—	—	720,000
Profit for the year	—	—	—	40,966,199	—	40,966,199
Under-provision of dividend in previous year	—	—	—	(162,000)	162,000	—
2004/05 final dividend paid	—	—	—	—	(19,202,130)	(19,202,130)
2005/06 interim dividend proposed	—	—	—	(8,534,280)	8,534,280	—
2005/06 interim dividend paid	—	—	—	—	(8,534,280)	(8,534,280)
2005/06 final dividend proposed	—	—	—	(14,934,990)	14,934,990	—
At 31 March 2006	<u>7,280,700</u>	<u>104,929,484</u>	<u>69,124</u>	<u>83,644,940</u>	<u>14,934,990</u>	<u>210,859,238</u>

(b) Company

	Share premium HK\$	Contributed surplus HK\$	Retained earnings HK\$	Dividend reserve HK\$	Total HK\$
At 1 April 2004	6,454,200	180,031,060	24,993,818	19,031,130	230,510,208
Premium on issue of shares upon the exercise of share options	106,500	–	–	–	106,500
Profit for the year	–	–	38,619,683	–	38,619,683
Under-provision of dividend in previous year	–	–	(9,000)	9,000	–
2003/04 final dividend paid	–	–	–	(19,040,130)	(19,040,130)
2004/05 interim dividend proposed	–	–	(10,577,850)	10,577,850	–
2004/05 interim dividend paid	–	–	–	(10,577,850)	(10,577,850)
2004/05 final dividend proposed	–	–	(19,040,130)	19,040,130	–
At 31 March 2005	<u>6,560,700</u>	<u>180,031,060</u>	<u>33,986,521</u>	<u>19,040,130</u>	<u>239,618,411</u>
At 1 April 2005	6,560,700	180,031,060	33,986,521	19,040,130	239,618,411
Premium on issue of shares upon exercise of share options	720,000	–	–	–	720,000
Profit for the year	–	–	9,130,149	–	9,130,149
Under-provision of dividend in previous year	–	–	(162,000)	162,000	–
2004/05 final dividend paid	–	–	–	(19,202,130)	(19,202,130)
2005/06 interim dividend proposed	–	–	(8,534,280)	8,534,280	–
2005/06 interim dividend paid	–	–	–	(8,534,280)	(8,534,280)
2005/06 final dividend proposed	–	–	(14,934,990)	14,934,990	–
At 31 March 2006	<u>7,280,700</u>	<u>180,031,060</u>	<u>19,485,400</u>	<u>14,934,990</u>	<u>221,732,150</u>

26. PROVISION FOR LONG SERVICE PAYMENTS

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

	Group	
	2006 HK\$	2005 HK\$
At the beginning of the year	6,199,407	6,159,294
Provision for the year (Note 6)	143,124	492,788
Less: Amounts utilized	(166,083)	(452,675)
At the end of the year	<u>6,176,448</u>	<u>6,199,407</u>

The Group's provision for long service payments is provided with reference to the actuarial valuation as at 31 March 2006 as prepared by Hewitt Associates LCC, a qualified actuary.

27. DEFERRED INCOME TAX

Deferred income tax is calculated on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

The movement on the net deferred income tax liabilities/(assets) is as follows:

	Group	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
At the beginning of the year	(401,720)	39,007
Charged/(credited) to profit and loss account	938,581	(440,727)
	<u>536,861</u>	<u>(401,720)</u>
At the end of the year		
It was analyzed as follows:		
Deferred income tax assets	(833,139)	(2,392,640)
Deferred income tax liabilities	1,370,000	1,990,920
Net deferred income tax liabilities/(assets)	<u>536,861</u>	<u>(401,720)</u>

The deferred tax assets and liabilities represent the taxation effect of the accelerated depreciation allowances for taxation purposes.

28. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before income tax to cash generated from operations is as follows:

		(Restated)
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Profit for the year	40,966,199	59,214,402
Adjustment for:		
Income tax expense	8,679,461	12,458,319
Depreciation of property, plant and equipment	27,484,221	27,300,222
Amortization of prepaid operating lease payments	1,707,427	1,447,957
Amortization of trademarks	–	4,600,000
Loss/(gain) on disposal of property, plant and equipment and leasehold land and land use rights	653,173	(26,132,419)
Interest income	(2,962,896)	(631,080)
Operating profit before working capital changes	76,527,585	78,257,401
Decrease/(increase) in deposits for purchase of properties	3,575,972	(3,575,972)
Increase in rental deposits paid	(23,005)	(1,133,609)
Increase in inventories	(1,460,718)	(2,059,940)
Increase in trade and other receivables	(2,750,323)	(8,132,681)
Increase in amount due to intermediate holding company	596,498	1,470,008
(Decrease)/increase in trade and other payables	(2,342,252)	8,158,960
Increase/(decrease) in cake coupon liabilities	15,519,948	(2,768,466)
Increase/(decrease) in rental deposits received	47,525	(330,000)
(Decrease)/increase in provision for long service payments	(22,959)	40,113
Cash generated from operations	<u>89,668,271</u>	<u>69,925,814</u>

29. COMMITMENTS**(a) Capital commitments**

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

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Contracted but not provided for	1,741,000	4,387,000
Approved but not contracted for	14,275,000	27,100,000
	<u>16,016,000</u>	<u>31,487,000</u>

(b) Operating lease commitments

At 31 March 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Within one year	46,405,985	40,591,038
After one year and within 5 years	46,691,151	33,692,744
Over 5 years	2,276,373	2,289,163
	<u>95,373,509</u>	<u>76,572,945</u>

(c) Future operating lease arrangement

At 31 March 2006, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Within one year	791,773	1,034,561
After one year and within 5 years	–	791,773
	<u>791,773</u>	<u>1,826,334</u>

30. RELATED PARTY TRANSACTION

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 year, the Group had the following significant related party transactions with HKCM and its subsidiaries other than the Group (the “HKCM Group”):

30.1 Sales and purchase of goods and services

	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Sales of bakery and related products (<i>note (a)</i>)	8,269,762	5,920,984
Rental expenses in respect of land and buildings (<i>note (b)</i>)	1,504,419	1,597,979
Management fees paid (<i>note (c)</i>)	4,366,136	4,387,113
Commission expenses for distribution of festive products coupons (<i>note(d)</i>)	<u>240,060</u>	<u>206,146</u>

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.

30.2 Key management compensation

The Board considered all the Executive Directors as the Company’s key management and their remuneration are disclosed in note 6.1 to the financial statements.

31. BANKING FACILITIES

At 31 March 2006, the Group had aggregate banking facilities of HK\$5,000,000 (2005: HK\$5,000,000) for overdrafts and bank guarantees.

At 31 March 2006, the facilities were utilized by the Group to the extent of HK\$2,842,775 (2005: HK\$3,377,714) primarily for bank guarantees granted to third parties in lieu of rental and utility deposits.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 March 2006:

Name of subsidiaries	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective percentage holding attributable to the Group %	Principal activities
Interests held directly:				
Bodega Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Investment holding
Eltham Agents Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100	Investment holding
Interests held indirectly:				
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
Easywin Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Holding of trademarks
Evergain Consultants Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Investment holding
Gold Tree Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Investment holding
Great Moment Investment Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property 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\$18,610,000	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

These subsidiaries were established wholly foreign-owned enterprises in the PRC.

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

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

The information in this section 3 has been extracted from the published unaudited interim results of the Saint Honore Group for the six months ended 30 September 2006.

Consolidated Profit and Loss Account

For the six months ended 30 September 2005 and 2006

	<i>Note</i>	Unaudited	
		Six months ended 30 September	
		2006	2005
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	301,379	315,587
Other revenues	3	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)
		<hr/>	<hr/>
Profit before income tax	4	23,641	27,127
Income tax expense	5	(4,408)	(5,102)
		<hr/>	<hr/>
Profit attributable to shareholders of the Company		19,233	22,025
		<hr/> <hr/>	<hr/> <hr/>
Dividend	6	6,425	8,696
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	7		
Basic		9.0 cents	10.4 cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted		9.0 cents	10.3 cents
		<hr/> <hr/>	<hr/> <hr/>

Consolidated Balance Sheet

At 30 September 2006

	<i>Note</i>	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
ASSETS			
Non-current assets			
Trademarks		27,600	27,600
Property, plant and equipment		138,535	142,092
Leasehold land and land use rights		73,297	74,154
Held-to-maturity investments		15,466	3,875
Rental deposits paid		12,335	11,554
Deferred income tax assets		338	832
		267,571	260,107
Current assets			
Inventories		19,328	11,566
Trade receivables	8	14,636	6,352
Deposits, prepayments and other receivables		20,311	14,865
Other financial assets at fair value through profit or loss		1,005	–
Cash and cash equivalents		161,295	145,543
		216,575	178,326
Total assets		484,146	438,433
LIABILITIES			
Current liabilities			
Amount due to the intermediate holding company		3,487	5,576
Trade payables	9	26,066	15,484
Other payables and accrued charges		62,604	42,831
Tax payable		5,657	2,673
Dividend payable		14,935	–
Cake coupon liabilities		127,059	132,010
		239,808	198,574
Non-current liabilities			
Rental deposits received		96	119
Provision for long service payments		6,379	6,176
Deferred 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		21,336	21,336
Reserves		208,732	195,923
Dividend reserve		6,425	14,935
Total equity		236,493	232,194

Notes to the financial statements:**1. 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 Hong Kong Stock Exchange Limited (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 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.

2. Turnover and segment information

The Group is currently organized into 2 main business segments – bakery and eatery:

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

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

	Unaudited			Unaudited (Restated)		
	Six months ended			Six months ended		
	30 September 2006			30 September 2005		
	Bakery	Eatery	Group	Bakery	Eatery	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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>	23,210	<u>27,127</u>	<u>(539)</u>	26,588
Unallocated revenue			431			539
Profit before taxation			23,641			27,127
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>

3. Other revenues

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

4. 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	<u>3,618</u>	<u>3,670</u>

5. 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
	<u>4,408</u>	<u>5,102</u>

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.

6. Dividend

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

7. Earnings per share

	Unaudited	
	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Earnings		(Restated)
Profit for the period attributable to shareholders of the Company	<u>19,233</u>	<u>22,025</u>
	2006	2005
Number of shares		
Weighted average number of ordinary shares in issue	213,357,000	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.

8. Trade receivables

Details of the ageing analysis are as follows:

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

9. 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>

10. Subsequent events

On 14 November 2006 the Board has 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"). The detail of the Proposal was announced on 17 November 2006. The Company expects to send to the shareholders a scheme document containing further details about the Proposal on or before 12 January 2007.

4. INDEBTEDNESS

At the close of business on 31 October 2006, the Saint Honore Group had utilised HK\$3.5 million of its banking facilities for bank guarantees granted in favour of third parties in lieu of rental and utility deposits. These facilities were secured by corporate guarantee given by Saint Honore.

Save as aforesaid and apart from intra-group liabilities and normal trade debts payable, neither Saint Honore nor any of its subsidiaries had, at the close of business on 31 October 2006, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase or other finance lease commitments, guarantees or other material contingent liabilities.

5. MATERIAL CHANGES

As at the Latest Practicable Date, the Saint Honore Board was not aware of any material changes in the financial or trading position or outlook of the Saint Honore Group subsequent to 31 March 2006, the date to which the latest audited consolidated financial statements of the Saint Honore Group were made up.

1. SUMMARY OF FINANCIAL INFORMATION

The summary of the CRA Group's assets and liabilities as at 31 December 2003, 31 December 2005 and 30 June 2006, and its results for the years ended 31 December 2003 and 2005 and the nine months ended 30 September 2005 and 2006 set forth below has been extracted from i) the published audited consolidated financial statements of the CRA Group for the financial years ended 31 December 2003 and 31 December 2005; ii) the published unaudited interim financial information of the CRA Group for the six months ended 30 June 2006; and iii) the published unaudited third quarterly results of the CRA Group for the nine months ended 30 September 2006. The summary of the CRA Group's assets and liabilities as at 31 December 2004 and its results for the year ended 31 December 2004 has been extracted from the 2004 comparatives contained in the published audited financial statements of the CRA Group for the financial year ended 31 December 2005. The auditors' reports in respect of the CRA Group's respective consolidated financial statements for the three years ended 31 December 2005 did not contain any qualifications.

From 1 January 2005, all Hong Kong Statements of Standard Accounting Practice ("HKSSAPs") and interpretations have been withdrawn and replaced by a number of new or revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs"). Under the prevailing Hong Kong Financial Reporting Standards, the terms "extraordinary items" and "exceptional items" are no longer in use.

The CRA Group prepared its consolidated financial statements for the year ended 31 December 2003 in accordance with HKSSAPs. For the purpose of this summary, the figures as at and for the year ended 31 December 2003 have not been restated. For the accounting period commencing on 1 January 2005, the CRA Group has adopted the new HKFRSs and the comparatives for the year ended 31 December 2004 have been restated as required. These restated figures have been adopted for the purpose of this summary.

RESULTS

	Nine months ended		Year ended 31 December		
	30 September 2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)	2005 HK\$'000	2004 HK\$'000 (Restated)	2003 HK\$'000
Turnover	<u>1,665,016</u>	<u>1,471,018</u>	<u>1,995,206</u>	<u>1,736,491</u>	<u>1,526,099</u>
Profit before income tax	63,867	58,564	81,662	74,918	68,846
Income tax expenses	<u>(12,670)</u>	<u>(10,047)</u>	<u>(14,048)</u>	<u>(13,673)</u>	<u>(12,769)</u>
Profit for the period/year	<u>51,197</u>	<u>48,517</u>	<u>67,614</u>	<u>61,245</u>	<u>56,077</u>
Profit attributable to:					
Shareholders of the Company	55,579	52,640	73,578	66,276	60,707
Minority interests	<u>(4,382)</u>	<u>(4,123)</u>	<u>(5,964)</u>	<u>(5,031)</u>	<u>(4,630)</u>
	<u>51,197</u>	<u>48,517</u>	<u>67,614</u>	<u>61,245</u>	<u>56,077</u>
Dividends	<u>10,138</u>	<u>10,091</u>	<u>40,483</u>	<u>33,590</u>	<u>26,772</u>
Basic earnings per share (HK cents)	<u>8.2</u>	<u>7.8</u>	<u>10.9</u>	<u>9.9</u>	<u>9.1</u>
Diluted earnings per share (HK cents)	<u>8.2</u>	<u>7.8</u>	<u>10.9</u>	<u>9.8</u>	<u>9.0</u>

ASSETS AND LIABILITIES

	As at 30 June 2006 HK\$'000 (Unaudited)	2005 HK\$'000	As at 31 December	
			2004 HK\$'000 (Restated)	2003 HK\$'000
Total assets	911,456	879,449	779,120	688,319
Total liabilities	(426,032)	(397,864)	(343,228)	(288,631)
Minority interests	<u>5,795</u>	<u>2,912</u>	<u>6,613</u>	<u>1,560</u>
Shareholders' funds	<u>491,219</u>	<u>484,497</u>	<u>442,505</u>	<u>401,248</u>

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

The information in this section 2 has been extracted from the published audited consolidated financial statements of the CRA Group for the year ended 31 December 2005.

Consolidated Profit and Loss Account

For the year ended 31 December 2005

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Turnover	5	1,995,206	1,736,491
Cost of sales	6	<u>(1,509,403)</u>	<u>(1,312,920)</u>
Gross profit		485,803	423,571
Other revenues	5	187,901	146,084
Store expenses	6	(488,364)	(402,155)
Distribution costs	6	(34,625)	(29,128)
Administrative expenses	6	<u>(69,053)</u>	<u>(63,454)</u>
Profit before income tax		81,662	74,918
Income tax expenses	7	<u>(14,048)</u>	<u>(13,673)</u>
Profit for the year		<u><u>67,614</u></u>	<u><u>61,245</u></u>
Profit attributable to:			
Shareholders of the Company	8 & 21	73,578	66,276
Minority interests		<u>(5,964)</u>	<u>(5,031)</u>
		<u><u>67,614</u></u>	<u><u>61,245</u></u>
Dividends	9	<u><u>40,483</u></u>	<u><u>33,590</u></u>
Earnings per share for profit attributable to the shareholders of the Company			
– Basic earnings per share	10	<u><u>HK10.9 cents</u></u>	<u><u>HK9.9 cents</u></u>
– Diluted earnings per share	10	<u><u>HK10.9 cents</u></u>	<u><u>HK9.8 cents</u></u>

Consolidated Balance Sheet*As at 31 December 2005*

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Non-current assets			
Intangible assets	<i>13</i>	–	19
Fixed assets	<i>14</i>	89,827	81,339
Lease premium for land	<i>15</i>	15,142	15,450
Rental deposits		25,523	22,413
Deferred tax assets	<i>17</i>	1,361	1,651
		<u>131,853</u>	<u>120,872</u>
Current assets			
Inventories		79,065	67,361
Rental deposits		11,680	8,672
Trade receivables	<i>18</i>	26,647	19,828
Other receivables, deposits and prepayments		32,469	30,605
Lease premium for land	<i>15</i>	425	422
Bank balances and cash		597,310	531,360
		<u>747,596</u>	<u>658,248</u>
Current liabilities			
Amount due to immediate holding company		177	676
Trade payables	<i>19</i>	321,936	270,730
Other payables and accruals		66,224	58,647
Taxation payable		1,665	4,389
		<u>390,002</u>	<u>334,442</u>
Net current assets		<u>357,594</u>	<u>323,806</u>
Total assets less current liabilities		<u>489,447</u>	<u>444,678</u>

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Financed by:			
Share capital	20	67,367	67,202
Reserves	21	386,738	350,098
Proposed final dividend	21	30,392	25,205
		<hr/>	<hr/>
Shareholders' funds		484,497	442,505
Minority interests		(2,912)	(6,613)
		<hr/>	<hr/>
		481,585	435,892
Non-current liabilities			
Long service payment liabilities	22	7,862	7,721
Deferred tax liabilities	17	–	1,065
		<hr/>	<hr/>
		489,447	444,678
		<hr/> <hr/>	<hr/> <hr/>

Balance Sheet*As at 31 December 2005*

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Non-current assets			
Investment in subsidiaries	<i>16</i>	35,769	12,769
Current assets			
Amount due from immediate holding company		21	–
Amounts due from subsidiaries		65,351	65,002
Other receivables, deposits and prepayments		2,774	4,764
Bank balances and cash		541,580	486,014
		609,726	555,780
Current liabilities			
Amount due to subsidiary		418,281	348,776
Other payables and accruals		1,538	1,350
		419,819	350,126
Net current assets		189,907	205,654
Total assets less current liabilities		225,676	218,423
Financed by:			
Share capital	<i>20</i>	67,367	67,202
Reserves	<i>21</i>	127,917	126,016
Proposed final dividend	<i>21</i>	30,392	25,205
		225,676	218,423

Consolidated Cash Flow Statement*For the year ended 31 December 2005*

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Cash flows from operating activities			
Net cash generated from operations	23(a)	145,680	138,291
Hong Kong profits tax paid		(17,547)	(10,623)
Net cash generated from operating activities		----- 128,133	----- 127,668
Cash flows from investing activities			
Purchase of fixed assets		(52,780)	(38,147)
Payment of lease premium for land		-	(728)
Proceeds from disposal of fixed assets		2	-
Interest received		14,727	8,267
Net cash used in investing activities		----- (38,051)	----- (30,608)
Cash flows from financing activities			
	23(b)		
Proceeds from issuance of shares		1,969	2,765
Capital contribution from a minority shareholder		9,598	-
Dividends paid		(35,310)	(28,491)
Net cash used in financing activities		----- (23,743)	----- (25,726)
Increase in cash and cash equivalents		66,339	71,334
Cash and cash equivalents at 1 January		531,360	460,022
Effect of foreign exchange rate changes		(389)	4
Cash and cash equivalents at 31 December		<u>597,310</u>	<u>531,360</u>
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		<u>597,310</u>	<u>531,360</u>

Note:

As at 31 December 2005, the Group's cash and bank balances of HK\$15,087,000 (2004: HK\$4,364,000) were kept in Chinese Mainland. The remittance of funds out of this country is subject to rules and regulations of foreign exchange control promulgated by the Chinese Mainland government.

Consolidated Statement of Changes in Equity*For the year ended 31 December 2005*

	Attributable to shareholders of the Company							Minority interests	Total equity
	Share capital	Share premium	Merger reserve	Capital reserve	Employee share-based compensation reserve	Exchange reserve	Retained earnings		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2004, as previously reported as equity	66,921	115,076	177,087	13,433	-	43	28,688	-	401,248
At 1 January 2004, as previously separately reported as minority interests	-	-	-	-	-	-	-	(1,560)	(1,560)
Effect of changes in accounting policies									
- employee share option benefits	-	-	-	-	118	-	(118)	-	-
- amortisation of lease premium for land	-	-	-	-	-	-	(88)	-	(88)
At 1 January 2004, as restated	66,921	115,076	177,087	13,433	118	43	28,482	(1,560)	399,600
Issue of shares	281	2,484	-	-	-	-	-	-	2,765
Employee share option benefits	-	-	-	-	838	-	-	-	838
Exchange differences	-	-	-	-	-	(43)	-	(22)	(65)
Profit/(loss) for the year	-	-	-	-	-	-	66,276	(5,031)	61,245
Dividends	-	-	-	-	-	-	(28,491)	-	(28,491)
At 31 December 2004	<u>67,202</u>	<u>117,560</u>	<u>177,087</u>	<u>13,433</u>	<u>956</u>	<u>-</u>	<u>66,267</u>	<u>(6,613)</u>	<u>435,892</u>

	Attributable to shareholders of the Company							Minority interests	Total equity
	Share capital	Share premium	Merger reserve	Capital reserve	Employee share-based	Exchange reserve	Retained earnings		
					compensation reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2005, as previously reported as equity	67,202	117,560	177,087	13,433	-	-	67,156	-	442,438
At 1 January 2005, as previously separately reported as minority interests	-	-	-	-	-	-	-	(6,613)	(6,613)
Effect of changes in accounting policies									
- employee share option benefits	-	-	-	-	956	-	(956)	-	-
- amortisation of lease premium for land	-	-	-	-	-	-	67	-	67
At 1 January 2005, as restated	67,202	117,560	177,087	13,433	956	-	66,267	(6,613)	435,892
Issue of shares	165	1,804	-	-	-	-	-	-	1,969
Employee share option benefits	-	93	-	-	1,510	-	29	-	1,632
Exchange differences	-	-	-	-	-	123	-	67	190
Profit/(loss) for the year	-	-	-	-	-	-	73,578	(5,964)	67,614
Dividends	-	-	-	-	-	-	(35,310)	-	(35,310)
Capital contribution from a minority shareholder	-	-	-	-	-	-	-	9,598	9,598
At 31 December 2005	<u>67,367</u>	<u>119,457</u>	<u>177,087</u>	<u>13,433</u>	<u>2,466</u>	<u>123</u>	<u>104,564</u>	<u>(2,912)</u>	<u>481,585</u>

Notes to the Accounts

1. GENERAL INFORMATION

Convenience Retail Asia Limited (the “Company”) and its subsidiaries (collectively the “Group”) is principally engaged in the operation of a chain of convenience stores under the trademark of Circle K in Hong Kong and the Chinese Mainland.

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies.

The Company has its primary listing on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

These consolidated accounts are presented in thousands of units of Hong Kong dollars (HK\$’000). These consolidated accounts have been approved for issue by the Board of Directors on 9 March 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these accounts are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Basis of preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and under historical cost convention.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are disclosed in note 4.

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been restated as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS-Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payment

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 16, 21, 24, 27, 32, 33, 36, 38, 39 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests and other disclosures.
- HKASs 2, 7, 8, 10, 12, 16, 27, 32, 33, 36, 38, 39 and HKAS-Int 15 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity accounts.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of lease premium for land from fixed assets to operating leases. The up-front prepayments made for the lease premium for land are expensed in the profit and loss account on a straight-line basis over the period of the leases or when there is impairment, the impairment is expensed in the profit and loss account. In prior years, the lease premium for land was accounted for at cost less accumulated depreciation and accumulated impairment and included in properties of fixed assets. HKAS 17 has been applied retrospectively.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for employee share options benefits. Until 31 December 2004, the provision of share options to employees did not result in an expense in the profit and loss account. Effective on 1 January 2005, the Group expenses the cost of share options in the profit and loss account. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the profit and loss account of the respective periods.

The effect to adopting HKAS 17 and HKFRS 2 on the consolidated profit and loss account for the years ended 31 December 2005 and 31 December 2004 and on the consolidated balance sheet as at 31 December 2005 and 31 December 2004 are shown below:

Effect of adopting HKAS 17 and HKFRS 2 on the consolidated profit and loss account are as follows:

	2005		2004	
	HKAS 17 HK\$'000	HKFRS 2 HK\$'000	HKAS 17 HK\$'000	HKFRS 2 HK\$'000
Decrease/(increase) in store expenses	180	(713)	155	(456)
Increase in distribution costs	-	(26)	-	(36)
Increase in administrative expenses	-	(893)	-	(346)
Total increase/(decrease) in profit	<u>180</u>	<u>(1,632)</u>	<u>155</u>	<u>(838)</u>
Increase/(decrease) in basic earnings per share (HK cents)	<u>0.03</u>	<u>(0.24)</u>	<u>0.02</u>	<u>(0.12)</u>

Effect of adopting HKAS 17 and HKFRS 2 on the consolidated balance sheet are as follows:

	2005		2004	
	HKAS 17 HK\$'000	HKFRS 2 HK\$'000	HKAS 17 HK\$'000	HKFRS 2 HK\$'000
Increase/(decrease) in assets				
Fixed assets	(15,320)	–	(15,805)	–
Lease premium for land (current and non-current)	15,567	–	15,872	–
Increase/(decrease) in equity				
Share premium	–	93	–	–
Employee share-based compensation reserve	–	2,466	–	956
Retained earnings	247	(2,559)	67	(956)

Certain comparative figures have been reclassified to conform with current year's presentation.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Inter-company transactions, balances and unrealised gains on transactions between the Group's companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(iii) Group companies

The results and financial position of all of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each profit and loss account are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

(e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Properties and leasehold improvements are depreciated on a straight-line basis over the periods of the leases or their expected useful lives to the Group whichever is shorter. Other fixed assets are depreciated at rates sufficient to write off their costs over their expected useful lives on a straight-line basis. The principal annual rates are as follows:

Equipment, furniture and fixtures	10% to 33 ¹ / ₃ %
Motor vehicles	16 ² / ₃ % to 25%

Major costs incurred in restoring fixed assets to their normal working conditions are charged to the profit and loss account.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(g)).

(f) Intangible assets

Intangible assets representing the franchise licence to operate convenience stores are stated at cost less accumulated amortisation. Amortisation is calculated on a straight-line method to allocate the cost of franchise licence over the licence period of 20 years.

(g) Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(h) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases net of any incentives received from the lessor are expensed in the profit and loss account on a straight-line basis over the period of the leases.

(i) Inventories

Inventories comprising merchandises are stated at the lower of cost and net realisable value. The cost of inventories is calculated on the weighted average basis including all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(j) Trade and other receivables

Trade and other receivables are recognised initially at fair value less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the profit and loss account.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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

Employee entitlements to annual leave are 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 or paternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

Provisions for profit sharing and bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Pension obligations

The Group pays contributions to an independently administered fund on a mandatory basis. The Group has no further payment obligations once the contributions have been paid as the contributions are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the fund prior to vesting fully in the contributions. Contributions to the fund by the Group and employees are calculated as a percentage of employees' salaries.

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

(iv) *Long service payment liabilities*

The Group's net obligation in respect of long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The long service payment liabilities are assessed using the projected unit credit method. The cost of providing the long service payment liabilities is charged to the profit and loss account so as to spread the costs over the service lives of employees.

The long service payment liabilities are discounted to determine the present value and reduced by entitlements accrued under the Group's defined contribution retirement scheme that is attributable to contributions made by the Group. Actuarial gains and losses are recognised over the average remaining service lives of employees. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

(v) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(o) **Deferred taxation**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(p) **Revenue recognition**

Revenue comprises the fair value for the sales of goods and services, net of discounts and after eliminating sales within the Group. Revenue is recognised as follows:

- (i) Sales of goods are recognised when a product is sold to the customer.
- (ii) Supplier rebate and promotion fees are recognised when the rights to receive payments are established in accordance with the terms of agreements with the vendors.
- (iii) Sales of services are recognised in the accounting period in which the services are rendered.
- (iv) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk.

(a) Foreign exchange risk

The Group has certain investment in subsidiaries in Chinese Mainland. The net assets of these entities and most of the transactions conducted by these entities are denominated in Renminbi. The Group is exposed to foreign exchange translation risk arising from the exposure of Renminbi against Hong Kong dollars. The Group manages its foreign exchange risk by performing regular review and monitoring its foreign exchange exposures.

In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the Chinese Mainland government.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amount of the trade and other receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets.

(c) Liquidity risk

The Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

(d) Interest rate risk

The Group has significant interest-bearing assets, mainly represent cash in hand and deposits held with banks, and are exposed to changes in market interest rates.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of fixed assets

The Group's management determines the estimated useful lives and related depreciation charges for its fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions. It could change significantly as a result of store renovation and relocation. Management will increase the depreciation charge where useful lives are less than previously estimated lives.

(b) Taxation

The Group is subject to taxation in Hong Kong and Chinese Mainland. Significant judgment is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

(c) Employee benefits – share-based payments

The determination of the fair value of the share options granted requires estimates in determining the expected volatility of the share price, the dividends expected on the shares and the risk-free interest rate for the life of the option as stated in note 20. Where the outcome of the number of options that are exercisable is different, such difference will impact the profit and loss account in the subsequent remaining vesting period of the relevant share options.

(d) Long service payment liabilities

The present value of the long service payment liabilities depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of liabilities.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the liabilities. In determining the appropriate discount rate, the Group considers the yield of Exchange Fund Notes that are denominated in Hong Kong dollars which the liabilities will be paid, and that have terms to maturity approximating the terms of the related liabilities.

Other key assumptions for long service payment liabilities are based in part on current market conditions. Additional information is disclosed in note 22.

5. TURNOVER, OTHER REVENUES AND SEGMENT INFORMATION

The Group is principally engaged in the operation of a chain of convenience stores. Revenues recognised during the year are as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Turnover		
Merchandise sales revenue	1,995,206	1,736,491
Other revenues		
Supplier rebate and promotion fees	143,848	118,189
Service items income	29,326	19,628
Interest income	14,727	8,267
	<u>187,901</u>	<u>146,084</u>
Total revenues	<u><u>2,183,107</u></u>	<u><u>1,882,575</u></u>

Primary reporting format – geographical segments

The Group operates in two geographical areas: Hong Kong and Chinese Mainland.

	Hong Kong 2005 <i>HK\$'000</i>	Chinese Mainland 2005 <i>HK\$'000</i>	Group 2005 <i>HK\$'000</i>
Turnover from external customers	1,937,819	57,387	1,995,206
Other revenues from external customers	167,509	5,665	173,174
	<u>2,105,328</u>	<u>63,052</u>	<u>2,168,380</u>
Segment results	<u>84,794</u>	<u>(17,859)</u>	66,935
Interest income			<u>14,727</u>
Profit before income tax			81,662
Income tax expenses			<u>(14,048)</u>
Profit for the year			<u>67,614</u>
Segment assets	264,482	72,906	337,388
Unallocated assets			<u>542,061</u>
Total assets			<u>879,449</u>
Segment liabilities	378,723	17,476	396,199
Unallocated liabilities			<u>1,665</u>
Total liabilities			<u>397,864</u>
Capital expenditure	33,593	19,187	52,780
Depreciation	36,689	6,079	42,768
Amortisation	<u>19</u>	<u>430</u>	<u>449</u>

	Hong Kong 2004 <i>HK\$'000</i> (Restated)	Chinese Mainland 2004 <i>HK\$'000</i> (Restated)	Group 2004 <i>HK\$'000</i> (Restated)
Turnover from external customers	1,707,625	28,866	1,736,491
Other revenues from external customers	135,193	2,624	137,817
	<u>1,842,818</u>	<u>31,490</u>	<u>1,874,308</u>
Segment results	<u>81,071</u>	<u>(14,420)</u>	66,651
Interest income			8,267
Profit before income tax			74,918
Income tax expenses			<u>(13,673)</u>
Profit for the year			<u>61,245</u>
Segment assets	247,128	44,961	292,089
Unallocated assets			<u>487,031</u>
Total assets			<u>779,120</u>
Segment liabilities	327,983	9,791	337,774
Unallocated liabilities			<u>5,454</u>
Total liabilities			<u>343,228</u>
Capital expenditure	28,596	10,279	38,875
Depreciation	34,614	3,464	38,078
Amortisation	<u>78</u>	<u>410</u>	<u>488</u>

Segment assets consist primarily of lease premium for land, fixed assets, intangible assets, inventories, receivables and operating cash but exclude deferred taxation.

Segment liabilities comprise operating liabilities but exclude taxation.

Capital expenditure comprises additions to fixed assets (*note 14*) and lease premium for land (*note 15*).

There are no sales between the geographical segments.

No business activity analysis is presented for the years ended 31 December 2005 and 2004 as substantially all the Group's turnover and contribution to results were derived from the operation of a chain of convenience stores in Hong Kong and Chinese Mainland.

6. EXPENSES BY NATURE

Expenses included in cost of sales, store expenses, distribution costs and administrative expenses are analysed as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Amortisation of franchise licence (included in administrative expenses)	19	78
Amortisation of lease premium for land	430	410
Auditors' remuneration		
Charge for the current year	691	667
Over provision in prior year	(16)	(10)
Cost of inventories sold	1,490,745	1,293,139
Depreciation of owned fixed assets	42,768	38,078
Loss on disposal of fixed assets	1,853	294
Operating leases rental for land and buildings	151,659	122,652
	<u>151,659</u>	<u>122,652</u>

7. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. No provision for overseas profits tax has been made as the Group has no overseas estimated assessable profit for the year ended 31 December 2005 (2004: Nil).

The amount of income tax expenses charged/(credited) to the consolidated profit and loss account represents:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax – Hong Kong profits tax	14,823	14,246
Deferred income tax (<i>note 17</i>)	(775)	(573)
	<u>14,048</u>	<u>13,673</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Profit before income tax	<u>81,662</u>	<u>74,918</u>
Calculated at a taxation rate of 17.5%	14,291	13,110
Effect of different taxation rates in other jurisdiction	(2,858)	(2,221)
Income not subject to taxation	(3,059)	(1,548)
Expenses not deductible for tax purposes	433	362
Tax losses not recognised	6,090	4,929
Effect of previously unrecognised tax losses	(958)	(469)
Effect of previously unrecognised temporary differences	109	(490)
	<u>14,048</u>	<u>13,673</u>

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt with in the accounts of the Company to the extent of HK\$38,962,000 (2004 (Restated): HK\$34,958,000).

9. DIVIDENDS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interim dividend, paid, of 1.5 HK cents (2004: 1.25 HK cents) per share	10,091	8,385
Final dividend, proposed, of 4.5 HK cents (2004: 3.75 HK cents) per share	<u>30,392</u>	<u>25,205</u>
	<u><u>40,483</u></u>	<u><u>33,590</u></u>

At a meeting held on 9 March 2006, the Directors proposed a final dividend of 4.5 HK cents per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2006.

10. EARNINGS PER SHARE

The calculation of the Group's basic and diluted earnings per share is based on the consolidated profit attributable to shareholders of HK\$73,578,000 (2004 (Restated): HK\$66,276,000).

The basic earnings per share is based on the weighted average of 672,741,375 (2004: 670,534,683) shares in issue during the year.

The diluted earnings per share is based on the weighted average number of 672,741,375 (2004: 670,534,683) shares in issue during the year plus the weighted average of 2,367,381 (2004: 3,397,960) shares deemed to be issued at no consideration if all outstanding options had been exercised.

11. EMPLOYEE BENEFIT EXPENSES

	Group 2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Wages and salaries	234,916	203,299
Unutilised annual leave	779	702
Share options granted to employees	1,632	838
Pension costs – defined contribution plan (<i>note b</i>)	11,442	9,272
Long service payment costs (<i>note 22</i>)	<u>299</u>	<u>295</u>
	<u><u>249,068</u></u>	<u><u>214,406</u></u>

Notes:

- (a) The employee benefit expenses include directors' and senior management's emoluments.
- (b) Contributions totalling HK\$1,945,000 (2004: HK\$1,631,000) were payable to the independently administered fund at the year-end.

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2004 is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Other benefits (note 1) HK\$'000	Employer's	Total HK\$'000
					contribution to pension scheme HK\$'000	
Dr. Fung Kwok King, Victor	35	-	-	-	-	35
Dr. Fung Kwok Lun, William	35	-	-	-	-	35
Mr. Jeremy Paul Egerton Hobbins (note 2)	6	-	-	-	-	6
Mr. Lau Butt Farn (note 3)	29	-	-	-	-	29
Mr. Yeung Lap Bun, Richard	35	2,194	3,360	121	12	5,722
Mr. Li Kwok Ho, Bruno	35	675	-	-	12	722
Ms. Wong Yuk Nor, Louisa	35	-	-	-	-	35
Dr. Ch'ien Kuo Fung, Raymond	60	-	-	-	-	60
Mr. Au Man Chung, Malcolm	60	-	-	-	-	60
Mr. Godfrey Ernest Scotchbrook	60	-	-	-	-	60

The remuneration of every Director for the year ended 31 December 2005 is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Other benefits (note 1) HK\$'000	Employer's	Total HK\$'000
					contribution to pension scheme HK\$'000	
Dr. Fung Kwok King, Victor	35	-	-	-	-	35
Dr. Fung Kwok Lun, William	35	-	-	-	-	35
Mr. Jeremy Paul Egerton Hobbins (note 2)	56	-	-	-	-	56
Mr. Yeung Lap Bun, Richard	35	2,400	3,509	164	12	6,120
Mr. Li Kwok Ho, Bruno	35	600	-	-	12	647
Ms. Wong Yuk Nor, Louisa	35	-	-	-	-	35
Dr. Ch'ien Kuo Fung, Raymond	60	-	-	-	-	60
Mr. Au Man Chung, Malcolm	60	-	-	-	-	60
Mr. Godfrey Ernest Scotchbrook	60	-	-	-	-	60
Mr. Lo Kai Yiu, Anthony (note 4)	25	-	-	-	-	25

Notes:

- Other benefits include leave pay, share option, insurance premium and club membership.
- Mr. Jeremy Paul Egerton Hobbins was appointed as a non-executive Director and a member of Audit Committee of the Company on 29 October 2004 and 4 March 2005 respectively.
- Mr. Lau Butt Farn resigned as a non-executive Director of the Company on 29 October 2004.
- Mr. Lo Kai Yiu, Anthony was appointed as an independent non-executive Director and a member of Audit Committee of the Company on 3 August 2005.

In addition to the Directors' emoluments disclosed above, certain Directors of the Company had emoluments receivable from the immediate holding company, which totals HK\$9,867,000 (2004: HK\$4,136,000), part of which is in respect of their services to the Company and its subsidiaries. No apportionment has been made as the Directors consider that it is impracticable to apportion this amount between their services to the Group and their services to the Company's immediate holding company.

Directors' fees disclosed above include HK\$180,000 (2004: HK\$180,000) payable to independent non-executive Directors.

No Director waived or agreed to waive any of their emoluments in respect of the years ended 31 December 2005 and 2004.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2004: one) Director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2004: four) individuals during the year are as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Basic salaries, housing allowances, share options, other allowances and benefits in kind	5,621	4,597
Discretionary bonuses	1,308	1,084
Pension costs – defined contribution scheme	33	36
	<u>6,962</u>	<u>5,717</u>

The emoluments of the employees fell within the following band:

	Number of individuals	
	2005	2004
HK\$1,000,001 – HK\$2,000,000	<u>4</u>	<u>4</u>

(c) During the year, no emoluments have been paid by the Group to Directors or the five highest paid individuals as an inducement to join the Group, or as a compensation for loss of office.

13. INTANGIBLE ASSETS

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Franchise licence, at cost	1,559	1,559
<i>Less: accumulated amortisation</i>	<u>(1,559)</u>	<u>(1,540)</u>
	<u>–</u>	<u>19</u>
Opening net book amount	19	97
Amortisation for the year	<u>(19)</u>	<u>(78)</u>
Closing net book amount	<u>–</u>	<u>19</u>

Franchise licence represents the exclusive territorial rights owned by the Group to operate convenience stores utilising the tradename, trademarks and Circle K System of The Circle K Stores Inc. of the United States of America.

14. FIXED ASSETS

	Group				Total HK\$'000
	Properties HK\$'000	Leasehold improvements HK\$'000	Equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	
At 1 January 2004					
Cost	591	49,078	172,587	4,437	226,693
Accumulated depreciation	(12)	(34,132)	(108,413)	(2,575)	(145,132)
Net book amount	<u>579</u>	<u>14,946</u>	<u>64,174</u>	<u>1,862</u>	<u>81,561</u>
Year ended 31 December 2004					
Opening net book amount					
– as previously reported	16,215	14,946	64,174	1,862	97,197
– effect of change in accounting policy	(15,636)	–	–	–	(15,636)
– as restated	579	14,946	64,174	1,862	81,561
Exchange differences	–	(3)	5	1	3
Additions	141	10,452	27,158	396	38,147
Disposals	–	–	(294)	–	(294)
Depreciation	(21)	(9,311)	(28,142)	(604)	(38,078)
Closing net book amount	<u>699</u>	<u>16,084</u>	<u>62,901</u>	<u>1,655</u>	<u>81,339</u>
At 31 December 2004					
Cost	732	54,628	190,044	4,834	250,238
Accumulated depreciation	(33)	(38,544)	(127,143)	(3,179)	(168,899)
Net book amount	<u>699</u>	<u>16,084</u>	<u>62,901</u>	<u>1,655</u>	<u>81,339</u>
Year ended 31 December 2005					
Opening net book amount					
– as previously reported	16,504	16,084	62,901	1,655	97,144
– effect of change in accounting policy	(15,805)	–	–	–	(15,805)
– as restated	699	16,084	62,901	1,655	81,339
Exchange differences	6	111	188	26	331
Additions	5	16,567	35,274	934	52,780
Disposals	–	(168)	(1,687)	–	(1,855)
Depreciation	(24)	(10,352)	(31,793)	(599)	(42,768)
Closing net book amount	<u>686</u>	<u>22,242</u>	<u>64,883</u>	<u>2,016</u>	<u>89,827</u>
At 31 December 2005					
Cost	743	65,491	213,327	5,379	284,940
Accumulated depreciation	(57)	(43,249)	(148,444)	(3,363)	(195,113)
Net book amount	<u>686</u>	<u>22,242</u>	<u>64,883</u>	<u>2,016</u>	<u>89,827</u>

15. LEASE PREMIUM FOR LAND

The Group's interests in leasehold land represent prepaid operating lease payments and their movements and net book value are analysed as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net book value at 1 January		
– as previously reported	–	–
– effect of change in accounting policy	15,872	15,548
	<hr/>	<hr/>
– as restated	15,872	15,548
Exchange differences	125	6
Additions	–	728
Amortisation	(430)	(410)
	<hr/>	<hr/>
Net book value at 31 December	15,567	15,872
Current portion of non-current assets	(425)	(422)
	<hr/>	<hr/>
Non-current portion	<u>15,142</u>	<u>15,450</u>
Outside Hong Kong, held on:		
Leases of over 50 years	739	727
Leases of 10 to 50 years	14,828	15,145
	<hr/>	<hr/>
	<u>15,567</u>	<u>15,872</u>

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment at cost:		
Unlisted shares	6,769	6,769
Loans to subsidiary	29,000	6,000
	<hr/>	<hr/>
	<u>35,769</u>	<u>12,769</u>

Loans to subsidiary represent loans of HK\$19,000,000 (2004: HK\$6,000,000) and HK\$10,000,000 (2004: Nil) which are interest bearing at 2% (2004: 2%) per annum and repayable on 17 October 2007 and 18 August 2008 respectively.

The following is a list of the subsidiaries of the Company as at 31 December 2005:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
<i>Directly held:</i>				
Convenience Retail Asia (BVI) Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of US\$1 each	100%
<i>Indirectly held:</i>				
Circle K Convenience Stores (Greater China) Limited	Hong Kong, limited liability company	Convenience stores operator and leaseholder in Hong Kong	10,000 ordinary shares of HK\$100 each	100%
Circle K Convenience Stores (HK) Limited	Hong Kong, limited liability company	Convenience stores operator and leaseholder in Hong Kong	183,756 ordinary shares of HK\$1,000 each	100%
Circle K Convenience Stores Limited	Hong Kong, limited liability company	Inactive	10,000 ordinary shares of HK\$10 each	100%
Circle K Convenience Stores PRC (BVI) Limited	British Virgin Islands, limited liability company	Inactive	1 ordinary share of US\$1 each	100%
Circle K Convenience Stores PRC Limited	Hong Kong, limited liability company	Investment holding in PRC	2 ordinary shares of HK\$1 each	100%
Circle K PRC Properties Limited	Hong Kong, limited liability company	Property holding in PRC	2 ordinary shares of HK\$1 each	100%
Convenience Retail Dongguan Limited 東莞利亞便利店有限公司*	PRC, limited liability company	Convenience stores operator and leaseholder in PRC	Registered capital of RMB30,000,000	100%
Convenience Retail Southern China Limited	Hong Kong, limited liability company	Dormant	2 ordinary shares of HK\$1 each	100%
Convenience Retail Southern China Limited 利亞華南便利店有限公司*	PRC, limited liability company	Convenience stores operator and leaseholder in PRC	Registered capital of RMB60,000,000 (<i>Note</i>)	65%
Web-Logistic (HK) Limited	Hong Kong, limited liability company	Logistic service provider in Hong Kong	15,600,000 ordinary shares of HK\$1 each	100%

* *The legal name of the Company is in Chinese.*

Note:

At 31 December 2005, the paid-up capital of Convenience Retail Southern China Limited ("CRSC") amounted to RMB54,900,000 (2004: RMB44,722,000). In accordance with the Co-operative Agreement dated 20 December 2001, one of the minority shareholders has binding obligation to inject additional capital of RMB5,100,000 into CRSC before 14 October 2005. The shareholders of CRSC have entered into a supplemental agreement to extend the completion date of this capital injection to 31 March 2006.

17. DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

The movement on the deferred tax assets account is as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	586	13
Deferred taxation credited to consolidated profit and loss account (<i>note 7</i>)	775	573
At 31 December	1,361	586

Deferred tax assets are recognised for tax losses carried forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax assets	Tax losses		Group Others		Total	
	2005	2004	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	(1,655)	(2,425)	(99)	(408)	(1,754)	(2,833)
(Credited)/charged to profit and loss account	374	770	(65)	309	309	1,079
At 31 December	(1,281)	(1,655)	(164)	(99)	(1,445)	(1,754)

Deferred tax liabilities	Accelerated tax depreciation		Group Others		Total	
	2005	2004	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	1,168	2,816	–	4	1,168	2,820
(Credited)/charged to profit and loss account	(1,130)	(1,648)	46	(4)	(1,084)	(1,652)
At 31 December	38	1,168	46	–	84	1,168

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax assets		
– Deferred tax assets to be recovered after more than 12 months	(261)	(982)
– Deferred tax assets to be recovered within 12 months	(1,184)	(772)
	<u>(1,445)</u>	<u>(1,754)</u>
Deferred tax liabilities		
– Deferred tax liabilities to be recovered after more than 12 months	46	38
– Deferred tax liabilities to be recovered within 12 months	38	1,130
	<u>84</u>	<u>1,168</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax assets	(1,361)	(1,651)
Deferred tax liabilities	–	1,065
	<u>(1,361)</u>	<u>(1,065)</u>

18. TRADE RECEIVABLES

Majority of the Group's turnover are cash sales. The Group's credit terms on trade receivable from other revenues mainly range from 30 days to 60 days. Trade receivables are non-interest bearing. The carrying amounts of trade receivables approximate their fair values. At 31 December 2005, the ageing analysis of trade receivables was as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	23,168	17,510
31-60 days	2,491	1,615
61-90 days	923	473
Over 90 days	65	230
	<u>26,647</u>	<u>19,828</u>

19. TRADE PAYABLES

At 31 December 2005, the ageing analysis of the trade payables was as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	152,425	127,753
31-60 days	93,438	78,966
61-90 days	42,256	41,545
Over 90 days	33,817	22,466
	<u>321,936</u>	<u>270,730</u>

20. SHARE CAPITAL

	2005		2004	
	Shares of HK\$0.10 each		Shares of HK\$0.10 each	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:				
At 31 December	<u>2,000,000,000</u>	<u>200,000</u>	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:				
At 1 January	672,018,000	67,202	669,210,000	66,921
Issuance of shares (<i>note a</i>)	<u>1,650,000</u>	<u>165</u>	<u>2,808,000</u>	<u>281</u>
At 31 December	<u>673,668,000</u>	<u>67,367</u>	<u>672,018,000</u>	<u>67,202</u>

Note:

- (a) During the year, 1,200,000 (2004: 2,580,000) and 450,000 (2004: 228,000) shares (the "Shares") were allotted and issued pursuant to the exercise of share options by the employees of the Company in accordance with terms of the Pre-IPO Share Option Plan and Share Option Scheme respectively.

Share options*(i) Pre-IPO Share Option Plan*

On 27 December 2000, a Pre-IPO Share Option Plan (the "Pre-IPO Share Option Plan") was approved by a written resolution of the shareholders of the Company under which the board of Directors may, at its discretion, grant options to full time or part time employees of the Group entitling them to subscribe for shares of HK\$0.10 each representing up to a maximum of 19,930,000 Shares. On 30 December 2000, options to subscribe 19,930,000 Shares were granted to 228 employees.

Details of the share options outstanding as at 31 December 2005 which have been granted under the Pre-IPO Share Option Plan were as follows:

Grant date	Options held at 1 January 2005	Options exercised during the year	Options lapsed during the year	Options held at 31 December 2005	Exercise price HK\$	Exercisable from	Exercisable until
30 December 2000	1,060,000	(960,000)	-	100,000	0.92	10 January 2002	9 January 2006
30 December 2000	1,710,000	(210,000)	-	1,500,000	0.92	10 January 2003	9 January 2006

(ii) Share Option Scheme

Pursuant to the Share Option Scheme (the "Scheme") adopted by the Company on 6 January 2001, and as amended on 24 April 2002, the board of Directors may, at its discretion, grant options to any qualifying participants (including but not limited to any employee, whether full time or part time employees including any executive or non-executive Directors, of the Company or any affiliate as defined in the Scheme) entitling to subscribe for Shares representing up to a maximum of 10% of the Shares in issue as at 6 January 2001 being 65,560,000 Shares.

Details of the share options granted and outstanding as at 31 December 2005 were as follows:

Grant date	Options held at 1 January 2005	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options held at 31 December 2005	Exercise price HK\$	Exercisable from	Exercisable until
21 September 2001	226,000	-	(32,000)	-	194,000	2.42	21 September 2002	20 September 2006
21 September 2001	348,000	-	-	-	348,000	2.42	21 September 2003	20 September 2006
24 May 2002	4,176,000	-	-	(58,000)	4,118,000	2.785	24 May 2003	23 May 2007
24 May 2002	530,000	-	-	-	530,000	2.785	24 May 2004	23 May 2007
23 September 2002	94,000	-	-	-	94,000	2.15	23 September 2003	22 September 2007
23 September 2002	48,000	-	(10,000)	-	38,000	2.15	23 September 2004	22 September 2007
20 May 2003	1,162,000	-	(186,000)	-	976,000	1.69	20 May 2004	19 May 2008
20 May 2003	640,000	-	(106,000)	(12,000)	522,000	1.69	20 May 2005	19 May 2008
30 September 2003	130,000	-	(50,000)	-	80,000	2.225	30 September 2004	29 September 2008
30 September 2003	162,000	-	(18,000)	-	144,000	2.225	30 September 2005	29 September 2008
29 March 2004	804,000	-	(48,000)	(40,000)	716,000	2.535	29 March 2005	28 March 2009
29 March 2004	150,000	-	-	(32,000)	118,000	2.535	29 March 2006	28 March 2009
6 August 2004	108,000	-	-	(8,000)	100,000	2.40	6 August 2005	5 August 2009
6 August 2004	386,000	-	-	(70,000)	316,000	2.40	6 August 2006	5 August 2009
4 May 2005	-	868,000	-	(10,000)	858,000	2.86	4 May 2006	3 May 2010
4 May 2005	-	536,000	-	(68,000)	468,000	2.86	4 May 2007	3 May 2010
14 September 2005	-	2,128,000	-	-	2,128,000	2.53	14 September 2006	13 September 2010
14 September 2005	-	272,000	-	-	272,000	2.53	14 September 2007	13 September 2010

- (iii) Share options are granted to Directors and employees in accordance with terms of Share Option Scheme which are accounted for under HKFRS 2. Movements in the number of share options, granted after 7 November 2002 and had not yet vested on 1 January 2005, outstanding and their related weighted average exercise prices are as follows:

	2005		2004	
	Options	Weighted average exercise price HK\$	Options	Weighted average exercise price HK\$
At 1 January	2,250,000	2.24	916,000	1.80
Granted	3,804,000	2.65	1,528,000	2.49
Lapsed	(240,000)	2.55	(194,000)	2.09
Exercised	(172,000)	1.98	–	–
	<u>5,642,000</u>	<u>2.51</u>	<u>2,250,000</u>	<u>2.24</u>
At 31 December				
Exercisable	<u>1,482,000</u>	<u>2.20</u>	<u>–</u>	<u>–</u>

The weighted average share price at the date of exercise for share options exercised during the year was HK\$2.62 (2004: Nil). The options outstanding at 31 December 2005 and 2004 had a weighted average remaining contractual life of 4.06 and 4.04 years respectively.

Share options outstanding at the year-end have the following expiry dates and exercise prices:

Expiry date	Exercise price HK\$	2005 Options	2004 Options
20 May 2008	1.69	522,000	640,000
30 September 2008	2.225	144,000	162,000
29 March 2009	2.535	834,000	954,000
6 August 2009	2.40	416,000	494,000
4 May 2010	2.86	1,326,000	–
14 September 2010	2.53	2,400,000	–
		<u>5,642,000</u>	<u>2,250,000</u>

- (iv) The fair value of options granted are determined by using the Black-Scholes Valuation model. The significant inputs into the models were as follows:

	2005	2004
Expected volatility	40%	40%
Expected life	4.5 years	4.5 years
Risk free rate	3.4%	3.1%
Expected dividends	<u>2%</u>	<u>2%</u>

Expected volatility was determined by calculating the historical volatility of the Group's daily share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

21. RESERVES

(a) Group

	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Employee share-based compensation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2004, as previously reported	115,076	177,087	13,433	-	43	28,688	334,327
Effect of changes in accounting policies							
- employee share option benefits	-	-	-	118	-	(118)	-
- amortisation of lease premium for land	-	-	-	-	-	(88)	(88)
At 1 January 2004, as restated	115,076	177,087	13,433	118	43	28,482	334,239
Issue of new shares	2,484	-	-	-	-	-	2,484
Employee share option benefits	-	-	-	838	-	-	838
Exchange differences	-	-	-	-	(43)	-	(43)
Profit attributable to shareholders	-	-	-	-	-	66,276	66,276
Dividends	-	-	-	-	-	(28,491)	(28,491)
At 31 December 2004	<u>117,560</u>	<u>177,087</u>	<u>13,433</u>	<u>956</u>	<u>-</u>	<u>66,267</u>	<u>375,303</u>
Representing:							
Reserves							350,098
2004 final dividend proposed							25,205
							<u>375,303</u>

	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Employee share-based compensation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2005, as previously reported	117,560	177,087	13,433	-	-	67,156	375,236
Effect of changes in accounting policies							
- employee share option benefits	-	-	-	956	-	(956)	-
- amortisation of lease premium for land	-	-	-	-	-	67	67
At 1 January 2005, as restated	117,560	177,087	13,433	956	-	66,267	375,303
Issue of new shares	1,804	-	-	-	-	-	1,804
Employee share option benefits	93	-	-	1,510	-	29	1,632
Exchange differences	-	-	-	-	123	-	123
Profit attributable to shareholders	-	-	-	-	-	73,578	73,578
Dividends	-	-	-	-	-	(35,310)	(35,310)
At 31 December 2005	<u>119,457</u>	<u>177,087</u>	<u>13,433</u>	<u>2,466</u>	<u>123</u>	<u>104,564</u>	<u>417,130</u>
Representing:							
Reserves							386,738
2005 final dividend proposed							<u>30,392</u>
							<u>417,130</u>

(b) Company

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Employee share-based compensation reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2004, as previously reported	115,076	12,792	–	13,564	141,432
Effect of change in accounting policy – employee share option benefits	–	–	118	(118)	–
At 1 January 2004, as restated	115,076	12,792	118	13,446	141,432
Issue of new shares	2,484	–	–	–	2,484
Employee share option benefits	–	–	838	–	838
Profit attributable to shareholders	–	–	–	34,958	34,958
Dividends	–	–	–	(28,491)	(28,491)
At 31 December 2004	<u>117,560</u>	<u>12,792</u>	<u>956</u>	<u>19,913</u>	<u>151,221</u>
Representing:					
Reserves					126,016
2004 final dividend proposed					25,205
					<u>151,221</u>

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Employee share-based compensation reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2005, as previously reported	117,560	12,792	–	20,869	151,221
Effect of change in accounting policy – employee share option benefits	–	–	956	(956)	–
At 1 January 2005, as restated	117,560	12,792	956	19,913	151,221
Issue of new shares	1,804	–	–	–	1,804
Employee share option benefits	93	–	1,510	29	1,632
Profit attributable to shareholders	–	–	–	38,962	38,962
Dividends	–	–	–	(35,310)	(35,310)
At 31 December 2005	<u>119,457</u>	<u>12,792</u>	<u>2,466</u>	<u>23,594</u>	<u>158,309</u>
Representing:					
Reserves					127,917
2005 final dividend proposed					<u>30,392</u>
					<u>158,309</u>

22. LONG SERVICE PAYMENT LIABILITIES

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's defined contribution retirement scheme that is attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

The amounts recognised in the consolidated balance sheet are as follows:

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Present value of unfunded obligations	7,241	7,102
Net unrecognised actuarial gains	621	619
Liability in the consolidated balance sheet	<u>7,862</u>	<u>7,721</u>

Movements in the liability recognised in the consolidated balance sheet:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	7,721	7,521
Expenses recognised in the consolidated profit and loss account		
– as shown below	299	295
Benefits paid	(158)	(95)
	<u>7,862</u>	<u>7,721</u>
At 31 December	<u><u>7,862</u></u>	<u><u>7,721</u></u>

The amounts recognised in the consolidated profit and loss account are as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current service cost	10	10
Interest cost	286	286
Net actuarial losses/(gains) recognised	3	(1)
	<u>299</u>	<u>295</u>
Total, included in employee benefit expenses (<i>note 11</i>)	<u><u>299</u></u>	<u><u>295</u></u>

Of the total charge, HK\$218,000 (2004: HK\$217,000), HK\$20,000 (2004: HK\$20,000) and HK\$61,000 (2004: HK\$58,000) were included, respectively, in store expenses, distribution costs and administrative expenses.

The principal actuarial assumptions used as at 31 December are as follows:

	2005	2004
Discount rate	4%	4%
Long term rate of salary increases	2%	2%
Long term rate of increases to mandatory provident fund relevant income and long service payments maximum amount/wages	2%	2%
	<u>2%</u>	<u>2%</u>

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Net cash generated from operations

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Profit for the year	67,614	61,245
Adjustments for		
– Income tax expenses	14,048	13,673
– Interest income	(14,727)	(8,267)
– Depreciation of owned fixed assets	42,768	38,078
– Employee share option benefits	1,632	838
– Amortisation of lease premium for land	430	410
– Loss on disposal of fixed assets	1,853	294
– Amortisation of franchise licence	19	78
	<u>113,637</u>	<u>106,349</u>
Changes in working capital		
– Inventories	(11,704)	(5,754)
– Trade receivables, rental deposits, other receivables, deposits and prepayments	(14,801)	(14,511)
– Amount due to immediate holding company	(499)	(329)
– Trade payables, other payables and accruals	58,783	52,414
– Long service payment liabilities	141	200
– Effect of foreign exchange movement	123	(78)
	<u>145,680</u>	<u>138,291</u>
Net cash generated from operations	<u><u>145,680</u></u>	<u><u>138,291</u></u>

(b) Cash flows from financing activities

	Share capital including premium		Minority interests	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
At 1 January	184,762	181,997	(6,613)	(1,560)
Exchange differences	–	–	67	(22)
Net proceeds from issuance of shares	1,969	2,765	–	–
Capital contribution from a minority shareholder	–	–	9,598	–
Transfer from employee share-based compensation reserve	93	–	–	–
Minority interests' share of loss and exchange reserve	–	–	(5,964)	(5,031)
	<u>186,824</u>	<u>184,762</u>	<u>(2,912)</u>	<u>(6,613)</u>
At 31 December	<u><u>186,824</u></u>	<u><u>184,762</u></u>	<u><u>(2,912)</u></u>	<u><u>(6,613)</u></u>

24. COMMITMENTS

(a) Capital commitments

The Group had commitments to make payments in respect of the acquisition of fixed assets.

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for	6,173	3,059
Authorised but not contracted for	7,962	3,288
	<u>14,135</u>	<u>6,347</u>

(b) Operating leases commitments

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	139,947	111,301
Later than one year and not later than five years	144,499	102,342
Later than five years	752	620
	<u>285,198</u>	<u>214,263</u>

Payment obligations in respect of operating lease on properties with rentals vary with gross revenues apart from base rental are not included as future minimum lease payments.

- (c) During the year, a wholly-owned subsidiary of the Company entered into the agreement (“the Agreement”) for making a capital contribution of HK\$3,850,000 (RMB4,000,000) to Dongguan Sunhigh Trading Co. Ltd. (“DG Sun-High”). DG Sun-High is a limited liability company established in the People’s Republic of China (“PRC”), engaging in the provision of franchising business to a chain of convenience stores in Dongguan. Completion of the Agreement is subject to certain conditions including, inter alia, the conversion of DG Sun-High into a sino-foreign joint venture and other necessary approvals by the relevant PRC government authorities. The capital contribution of RMB4,000,000 represents 60% interest in the enlarged share capital of DG Sun-High upon conversion of its status into a sino-foreign joint venture.

25. CONTINGENT LIABILITIES

	Company	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees for bank loans and overdrafts of a subsidiary	<u>50,888</u>	<u>50,888</u>

26. RELATED PARTY TRANSACTIONS

The Group is controlled by Li & Fung (Retailing) Limited (incorporated in Hong Kong), which owns 55.5% of the Company’s shares. The remaining 44.5% of the shares are widely held.

The following is a summary of significant related party transactions carried out in the normal course of the Group's business during the year:

(a) **Immediate holding company**

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Management fee and reimbursement of office and administrative expenses	<i>(i)</i>	14,623	12,915
Rental payable	<i>(ii)</i>	884	508
		<u> </u>	<u> </u>

(b) **Fellow subsidiaries**

		2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Rental payable	<i>(ii)</i>	4,297	3,640
Net purchases	<i>(iii)</i>	6,778	9,369
		<u> </u>	<u> </u>

(c) **Key management personnel compensation**

		2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fees		436	390
Discretionary bonuses		4,817	4,444
Salaries, share options and other allowances		8,785	7,587
Pension costs – defined contribution scheme		57	60
		<u> </u>	<u> </u>
		<u>14,095</u>	<u>12,481</u>

(d) **Amounts due to related parties**

		2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Amounts due to:			
– Immediate holding company		177	676
– Fellow subsidiaries		2,554	2,941
		<u> </u>	<u> </u>

The amounts are unsecured, interest free and repayable on demand.

Notes:

- (i) Management fee and reimbursements payable to the immediate holding company in respect of office and administrative expenses incurred, including certain Directors' emolument paid by the immediate holding company, are charged on an actual cost recovery basis.
- (ii) Rentals are payable to the immediate holding company and fellow subsidiaries in accordance with the terms of agreements.
- (iii) Purchases from fellow subsidiaries were carried out in ordinary course of business and on terms mutually agreed between the Group and the related companies.

27. ULTIMATE HOLDING COMPANY

The Directors regard King Lun Holdings Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

3. UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2006

The information in this section 3 has been extracted from the published unaudited interim financial information of the CRA Group for the three months and six months ended 30 June 2006.

Condensed Consolidated Profit and Loss Account

For the three months and six months ended 30 June 2006

	Note	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Revenue	2	560,851	515,416	1,075,239	969,618
Cost of sales		(418,162)	(390,525)	(811,231)	(740,981)
Gross profit		142,689	124,891	264,008	228,637
Other income	2	50,084	45,071	94,623	81,273
Store expenses	3	(135,710)	(121,339)	(263,867)	(229,542)
Distribution costs	3	(9,854)	(8,274)	(18,590)	(15,977)
Administrative expenses	3	(20,766)	(17,037)	(39,490)	(31,680)
Profit before income tax		26,443	23,312	36,684	32,711
Income tax expenses	4	(5,272)	(3,905)	(7,275)	(5,682)
Profit for the period		<u>21,171</u>	<u>19,407</u>	<u>29,409</u>	<u>27,029</u>
Profit attributable to:					
Shareholders of the Company		22,368	20,873	32,441	29,787
Minority interests		(1,197)	(1,466)	(3,032)	(2,758)
		<u>21,171</u>	<u>19,407</u>	<u>29,409</u>	<u>27,029</u>
Dividend	5	<u>10,138</u>	<u>10,091</u>	<u>10,138</u>	<u>10,091</u>
Earnings per share for profit attributable to the shareholders of the Company					
– Basic earnings per share	6	<u>HK3.3 cents</u>	<u>HK3.1 cents</u>	<u>HK4.8 cents</u>	<u>HK4.4 cents</u>
– Diluted earnings per share	6	<u>HK3.3 cents</u>	<u>HK3.1 cents</u>	<u>HK4.8 cents</u>	<u>HK4.4 cents</u>

Condensed Consolidated Balance Sheet
As at 30 June 2006

	<i>Note</i>	(Unaudited) 30 June 2006 <i>HK\$'000</i>	(Audited) 31 December 2005 <i>HK\$'000</i>
Non-current assets			
Fixed assets	8	95,620	89,827
Lease premium for land		14,973	15,142
Available-for-sale financial assets		1,895	–
Rental deposits		26,248	25,523
Deferred tax assets		851	1,361
		<u>139,587</u>	<u>131,853</u>
Current assets			
Inventories		82,030	79,065
Rental deposits		13,947	11,680
Trade receivables	9	19,311	26,647
Other receivables, deposits and prepayments		30,256	32,469
Lease premium for land		426	425
Bank balances and cash		625,899	597,310
		<u>771,869</u>	<u>747,596</u>
Current liabilities			
Amount due to immediate holding company		879	177
Trade payables	10	351,059	321,936
Other payables and accruals		57,698	66,224
Taxation payable		6,797	1,665
		<u>416,433</u>	<u>390,002</u>
Net current assets		<u>355,436</u>	<u>357,594</u>
Total assets less current liabilities		<u>495,023</u>	<u>489,447</u>
Financed by:			
Share capital	11	67,584	67,367
Reserves		413,497	386,738
Proposed dividend		10,138	30,392
Shareholders' funds		491,219	484,497
Minority interests		(5,795)	(2,912)
		485,424	481,585
Non-current liabilities			
Long service payment liabilities		7,967	7,862
Deferred tax liabilities		1,632	–
		<u>495,023</u>	<u>489,447</u>

Condensed Consolidated Cash Flow Statement*For the six months ended 30 June 2006*

	(Unaudited)	
	Six months ended	
	30 June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	74,166	73,341
Net cash used in investing activities	(17,931)	(13,532)
Net cash used in financing activities	(27,704)	(24,233)
Net increase in cash and cash equivalents	28,531	35,576
Cash and cash equivalents at 1 January	597,310	531,360
Effect of foreign exchange rate changes	58	(2)
Cash and cash equivalents at 30 June	<u>625,899</u>	<u>566,934</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u>625,899</u>	<u>566,934</u>

Condensed Consolidated Statement of Changes in Equity*For the six months ended 30 June 2006*

	(Unaudited)							Minority interests	Total equity
	Attributable to shareholders of the Company								
	Share capital	Share premium	Merger reserve	Capital reserve	Employee share-based compensation reserve	Exchange reserve	Retained earnings		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2005	67,202	117,560	177,087	13,433	956	–	66,267	(6,613)	435,892
Issue of shares	69	914	–	–	–	–	–	–	983
Employee share option benefits	–	80	–	–	455	–	–	–	535
Exchange differences	–	–	–	–	–	24	–	13	37
Profit/(loss) for the period	–	–	–	–	–	–	29,787	(2,758)	27,029
Dividend	–	–	–	–	–	–	(25,216)	–	(25,216)
At 30 June 2005	<u>67,271</u>	<u>118,554</u>	<u>177,087</u>	<u>13,433</u>	<u>1,411</u>	<u>24</u>	<u>70,838</u>	<u>(9,358)</u>	<u>439,260</u>
At 1 July 2005	67,271	118,554	177,087	13,433	1,411	24	70,838	(9,358)	439,260
Issue of shares	96	890	–	–	–	–	–	–	986
Employee share option benefits	–	13	–	–	1,055	–	29	–	1,097
Exchange differences	–	–	–	–	–	99	–	54	153
Profit/(loss) for the period	–	–	–	–	–	–	43,791	(3,206)	40,585
Dividend	–	–	–	–	–	–	(10,094)	–	(10,094)
Capital contribution from a minority shareholder	–	–	–	–	–	–	–	9,598	9,598
At 31 December 2005	<u>67,367</u>	<u>119,457</u>	<u>177,087</u>	<u>13,433</u>	<u>2,466</u>	<u>123</u>	<u>104,564</u>	<u>(2,912)</u>	<u>481,585</u>
At 1 January 2006	67,367	119,457	177,087	13,433	2,466	123	104,564	(2,912)	481,585
Issue of shares	217	2,478	–	–	–	–	–	–	2,695
Employee share option benefits	–	170	–	–	1,447	–	24	–	1,641
Exchange differences	–	–	–	–	–	344	–	149	493
Profit/(loss) for the period	–	–	–	–	–	–	32,441	(3,032)	29,409
Dividend	–	–	–	–	–	–	(30,399)	–	(30,399)
At 30 June 2006	<u>67,584</u>	<u>122,105</u>	<u>177,087</u>	<u>13,433</u>	<u>3,913</u>	<u>467</u>	<u>106,630</u>	<u>(5,795)</u>	<u>485,424</u>

NOTES TO CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim accounts are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange of Hong Kong (“the GEM Listing Rules”).

These condensed consolidated interim accounts should be read in conjunction with the 2005 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2005 except that the Group has changed certain of its accounting policies following its adoption of revised Hong Kong Financial Reporting Standards (“HKFRS”) which are effective for accounting periods commencing on or after 1 January 2006.

These interim accounts have been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing these information.

In 2006, the Group adopted HKAS 21 Amendment “The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation”, which is relevant to its operations.

The adoption of HKAS 21 Amendment has resulted in a change in the accounting policy for the treatment of exchange differences arising on a monetary item that forms part of the net investment in a foreign operation of the Company. Effective on 1 January 2006, the revised standard allows the Company to include inter-company loans as part of the Company’s net investment in foreign operation. Exchange differences arising from these inter-company loans are taken to equity in the consolidated accounts. In prior years, such exchange differences were recognised in the consolidated profit and loss account. HKAS 21 Amendment has been applied retrospectively and its effect is insignificant to the Group’s results.

2. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

The Group is principally engaged in the operation of a chain of convenience stores. Revenues recognised during the three months and six months ended 30 June 2006 are as follows:

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue				
Merchandise sales revenue	<u>560,851</u>	<u>515,416</u>	<u>1,075,239</u>	<u>969,618</u>
Other income				
Supplier rebate and promotion fees	35,964	34,521	67,585	61,263
Service items and miscellaneous income	9,563	7,080	18,050	13,693
Interest income	<u>4,557</u>	<u>3,470</u>	<u>8,988</u>	<u>6,317</u>
	<u>50,084</u>	<u>45,071</u>	<u>94,623</u>	<u>81,273</u>

Primary reporting format – geographical segments

The Group operates in two geographical areas: Hong Kong and Chinese Mainland.

	(Unaudited)		
	Hong Kong	Chinese Mainland	Group
	Three months ended 30 June		
	2006	2006	2006
	HK\$'000	HK\$'000	HK\$'000
Revenue	537,681	23,170	560,851
Other income	43,418	2,109	45,527
	<u>581,099</u>	<u>25,279</u>	<u>606,378</u>
Segment results	<u>28,505</u>	<u>(6,619)</u>	21,886
Interest income			4,557
Profit before income tax			26,443
Income tax expenses			(5,272)
Profit for the period			<u>21,171</u>
	(Unaudited)		
	Hong Kong	Chinese Mainland	Group
	Six months ended 30 June		
	2006	2006	2006
	HK\$'000	HK\$'000	HK\$'000
Revenue	1,033,098	42,141	1,075,239
Other income	81,743	3,892	85,635
	<u>1,114,841</u>	<u>46,033</u>	<u>1,160,874</u>
Segment results	<u>40,289</u>	<u>(12,593)</u>	27,696
Interest income			8,988
Profit before income tax			36,684
Income tax expenses			(7,275)
Profit for the period			<u>29,409</u>

	(Unaudited)		
	Chinese		Group
	Hong Kong	Mainland	
	Three months ended 30 June		
2005	2005	2005	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	502,305	13,111	515,416
Other income	40,392	1,209	41,601
	<u>542,697</u>	<u>14,320</u>	<u>557,017</u>
Segment results	<u>23,873</u>	<u>(4,031)</u>	19,842
Interest income			3,470
Profit before income tax			23,312
Income tax expenses			<u>(3,905)</u>
Profit for the period			<u>19,407</u>

	(Unaudited)		
	Chinese		Group
	Hong Kong	Mainland	
	Six months ended 30 June		
2005	2005	2005	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	946,149	23,469	969,618
Other income	72,727	2,229	74,956
	<u>1,018,876</u>	<u>25,698</u>	<u>1,044,574</u>
Segment results	<u>33,998</u>	<u>(7,604)</u>	26,394
Interest income			6,317
Profit before income tax			32,711
Income tax expenses			<u>(5,682)</u>
Profit for the period			<u>27,029</u>

There were no sales between the geographical segments.

3. EXPENSES BY NATURE

Expenses included in store expenses, distribution costs and administrative expenses are analysed as follows:

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of lease premium for land	107	105	213	211
Depreciation of owned fixed assets	9,638	9,478	18,827	18,476
Loss on disposal of fixed assets	430	69	720	122
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

4. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the three months and six months ended 30 June 2006 and 2005. No provision for overseas profits tax has been made as the Group has no overseas estimated assessable profit for the three months and six months ended 30 June 2006 and 2005.

The amount of income tax expenses charged/(credited) to the consolidated profit and loss account represents:

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax – Hong Kong profits tax	4,939	4,221	5,132	4,836
Deferred income tax	333	(316)	2,143	846
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>5,272</u>	<u>3,905</u>	<u>7,275</u>	<u>5,682</u>

5. DIVIDEND

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend – proposed after balance sheet date of 1.5 HK cents (2005: 1.5 HK cents) per share	10,138	10,091	10,138	10,091
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

This proposed dividend is not reflected as a dividend payable in these condensed accounts.

6. EARNINGS PER SHARE

The calculation of the Group's basic earnings per share for the three months and six months ended 30 June 2006 and 2005 is based on the respective unaudited consolidated profit attributable to shareholders of HK\$22,368,000 (2005: HK\$20,873,000) and HK\$32,441,000 (2005: HK\$29,787,000).

The basic earnings per share is based on the weighted average of 675,671,957 (2005: 672,579,143) and 675,477,744 (2005: 672,361,635) shares of HK\$0.10 each (the "Shares") in issue during the three months and six months ended 30 June 2006 and 2005 respectively.

There is no dilutive effect arising from the share options granted by the Company.

7. LOSS ATTRIBUTABLE TO SHAREHOLDERS FROM CHINESE MAINLAND OPERATIONS

Included in profit attributable to shareholders of the Company, there is a loss of HK\$9,514,000 (2005: HK\$4,838,000) from the Group's Chinese Mainland operations.

8. FIXED ASSETS

	(Unaudited) 30 June 2006 <i>HK\$'000</i>	(Audited) 31 December 2005 <i>HK\$'000</i>
Opening net book amount	89,827	81,339
Exchange differences	317	331
Additions	25,201	52,780
Disposals	(898)	(1,855)
Depreciation	(18,827)	(42,768)
	<u>95,620</u>	<u>89,827</u>

9. TRADE RECEIVABLES

Majority of the Group's revenue are cash sales. The Group's credit terms on trade receivables from other income mainly range from 30 days to 60 days. At 30 June 2006, the ageing analysis of trade receivables was as follows:

	(Unaudited) 30 June 2006 <i>HK\$'000</i>	(Audited) 31 December 2005 <i>HK\$'000</i>
0 – 30 days	15,437	23,168
31 – 60 days	1,337	2,491
61 – 90 days	736	923
Over 90 days	1,801	65
	<u>19,311</u>	<u>26,647</u>

10. TRADE PAYABLES

At 30 June 2006, the ageing analysis of the trade payables was as follows:

	(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
0 – 30 days	172,725	152,425
31 – 60 days	90,150	93,438
61 – 90 days	51,423	42,256
Over 90 days	36,761	33,817
	<u>351,059</u>	<u>321,936</u>

11. SHARE CAPITAL

	(Unaudited) 30 June 2006		(Audited) 31 December 2005	
	Shares of HK\$0.10 each <i>No. of shares</i>	<i>HK\$'000</i>	Shares of HK\$0.10 each <i>No. of shares</i>	<i>HK\$'000</i>
Authorised:				
At end of the period	<u>2,000,000,000</u>	<u>200,000</u>	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:				
At beginning of the period	673,668,000	67,367	672,018,000	67,202
Issuance of shares (<i>note a</i>)	<u>2,170,000</u>	<u>217</u>	<u>1,650,000</u>	<u>165</u>
At end of the period	<u>675,838,000</u>	<u>67,584</u>	<u>673,668,000</u>	<u>67,367</u>

Note:

- (a) During the period, 1,600,000 (year ended 31 December 2005: 1,200,000) and 570,000 (year ended 31 December 2005: 450,000) Shares were allotted and issued pursuant to the exercise of share options by the employees of the Company in accordance with terms of the Pre-IPO Share Option Plan and Share Option Scheme respectively.

12. COMMITMENTS**(a) Capital commitments**

The Group had commitments to make payments in respect of the acquisition of fixed assets.

	(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
Contracted but not provided for	5,823	6,173
Authorised but not contracted for	<u>5,093</u>	<u>7,962</u>
	<u>10,916</u>	<u>14,135</u>

- (b) In 2005, a wholly-owned subsidiary of the Company entered into an agreement (“the Agreement”) for making a capital contribution of HK\$3,850,000 (RMB4,000,000) to Dongguan Sunhigh Trading Co. Ltd. (“DG Sun-High”). DG Sun-High is a limited liability company established in the People’s Republic of China (“PRC”), engaging in the provision of franchising business to a chain of convenience stores in Dongguan. Completion of the Agreement is subject to certain conditions including, inter alia, the conversion of DG Sun-High into a sino-foreign joint venture and other necessary approvals by the relevant PRC government authorities. The capital contribution of RMB4,000,000 will represent 60% interest in the enlarged share capital of DG Sun-High upon conversion of its status into a sino-foreign joint venture.

13. CONTINGENT LIABILITIES

	Company	
	(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
Guarantees for bank loans and overdrafts of a subsidiary	50,888	50,888

14. RELATED PARTY TRANSACTIONS

The Group is controlled by Li & Fung (Retailing) Limited (incorporated in Hong Kong), which owns 55.3% of the Company’s shares. The remaining 44.7% of the shares are widely held. The ultimate parent of the Group is King Lun Holdings Limited (incorporated in British Virgin Islands).

The following is a summary of significant related party transactions carried out in the normal course of the Group’s business during the periods:

(a) Immediate holding company

	Note	(Unaudited) Six months ended 30 June	
		2006 HK\$'000	2005 HK\$'000
Management fee and reimbursement of office and administrative expenses	(i)	8,408	7,373
Rental payable	(ii)	442	442

(b) Fellow subsidiaries

	Note	(Unaudited) Six months ended 30 June	
		2006 HK\$'000	2005 HK\$'000
Rental payable	(ii)	2,054	2,203
Net purchases	(iii)	2,744	2,504

(c) Key management personnel compensation

	(Unaudited) Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Fees	238	195
Discretionary bonuses	2,564	1,940
Salaries, share options and other allowances	3,910	3,854
Pension costs – defined contribution scheme	27	30
	<u>6,739</u>	<u>6,019</u>

(d) Amounts due to related parties

	(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
Amounts due to:		
– Immediate holding company	879	177
– Fellow subsidiaries	1,838	2,554
	<u>1,838</u>	<u>2,554</u>

The amounts are unsecured, interest free and repayable on demand.

Notes:

- (i) Management fee and reimbursements payable to the immediate holding company in respect of office and administrative expenses incurred, including certain Directors' emolument paid by the immediate holding company, are charged on an actual cost recovery basis.
- (ii) Rentals are payable to the immediate holding company and fellow subsidiaries in accordance with the terms of agreements.
- (iii) Purchases from fellow subsidiaries are carried out in ordinary course of business and on terms mutually agreed between the Group and the related companies.

4. UNAUDITED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

The information in this section 4 has been extracted from the published unaudited third quarterly results of the CRA Group for the nine months ended 30 September 2006.

RESULTS

	Note	Three months ended 30 September		Nine months ended 30 September	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Revenue	2	589,777	501,400	1,665,016	1,471,018
Cost of sales		<u>(441,386)</u>	<u>(373,858)</u>	<u>(1,252,617)</u>	<u>(1,114,839)</u>
Gross profit		148,391	127,542	412,399	356,179
Other income	2	51,819	50,013	146,442	131,365
Store expenses		(142,324)	(124,514)	(406,191)	(354,056)
Distribution costs		(10,565)	(9,506)	(29,155)	(25,483)
Administrative expenses		<u>(20,138)</u>	<u>(17,682)</u>	<u>(59,628)</u>	<u>(49,441)</u>
Profit before income tax		27,183	25,853	63,867	58,564
Income tax expenses	3	<u>(5,395)</u>	<u>(4,365)</u>	<u>(12,670)</u>	<u>(10,047)</u>
Profit for the period		<u>21,788</u>	<u>21,488</u>	<u>51,197</u>	<u>48,517</u>
Profit attributable to:					
Shareholders of the Company		23,138	22,853	55,579	52,640
Minority interests		<u>(1,350)</u>	<u>(1,365)</u>	<u>(4,382)</u>	<u>(4,123)</u>
		<u>21,788</u>	<u>21,488</u>	<u>51,197</u>	<u>48,517</u>
Dividend	4	<u>–</u>	<u>–</u>	<u>10,138</u>	<u>10,091</u>
Earnings per share for profit attributable to the shareholders of the Company					
– Basic earnings per share	5	<u>HK3.4 cents</u>	<u>HK3.4 cents</u>	<u>HK8.2 cents</u>	<u>HK7.8 cents</u>

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated accounts have been prepared to comply with the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange of Hong Kong (“the GEM Listing Rules”).

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2005 except that the Group has changed certain of its accounting policies following its adoption of revised Hong Kong Financial Reporting Standards (“HKFRS”) which are effective for accounting periods commencing on or after 1 January 2006.

In 2006, the Group adopted HKAS 21 Amendment “The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation”, which is relevant to its operations.

The adoption of HKAS 21 Amendment has resulted in a change in the accounting policy for the treatment of exchange differences arising on a monetary item that forms part of the net investment in a foreign operation of the Company. Effective on 1 January 2006, the revised standard allows the Company to include inter-company loans as part of the Company’s net investment in foreign operation. Exchange differences arising from these inter-company loans are taken to equity in the consolidated accounts. In prior years, such exchange differences were recognised in the consolidated profit and loss account. HKAS 21 Amendment has been applied retrospectively and its effect is insignificant to the Group’s results.

2. REVENUE AND OTHER INCOME

The Group is principally engaged in the operation of a chain of convenience stores. Revenues recognised during the three months and nine months ended 30 September 2006 are as follows:

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Revenue				
Merchandise sales revenue	<u>589,777</u>	<u>501,400</u>	<u>1,665,016</u>	<u>1,471,018</u>
Other income				
Supplier rebate and promotion fees	37,100	38,020	104,685	99,283
Service items and miscellaneous income	9,834	7,830	27,884	21,602
Interest income	<u>4,885</u>	<u>4,163</u>	<u>13,873</u>	<u>10,480</u>
	<u>51,819</u>	<u>50,013</u>	<u>146,442</u>	<u>131,365</u>

3. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the three months and nine months ended 30 September 2006 and 2005. No provision for overseas profits tax has been made as the Group has no overseas estimated assessable profit for the three months and nine months ended 30 September 2006 and 2005.

The amount of income tax expenses charged/(credited) to the consolidated profit and loss account represents:

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax – Hong Kong profits tax	5,734	4,760	10,866	9,596
Deferred income tax	(339)	(395)	1,804	451
	<u>5,395</u>	<u>4,365</u>	<u>12,670</u>	<u>10,047</u>

4. DIVIDEND

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend – paid, of 1.5 HK cents (2005: 1.5 HK cents) per share	<u>–</u>	<u>–</u>	<u>10,138</u>	<u>10,091</u>

The Board does not recommend payment of an interim dividend for the three months ended 30 September 2006 (2005: Nil).

Total dividend for the nine months ended 30 September 2006 amounted to HK\$10,138,000 (2005: HK\$10,091,000).

5. EARNINGS PER SHARE

The calculation of the Group's basic earnings per share for the three months and nine months ended 30 September 2006 and 2005 is based on the respective unaudited consolidated profit attributable to shareholders of HK\$23,138,000 (2005: HK\$22,853,000) and HK\$55,579,000 (2005: HK\$52,640,000).

The basic earnings per share is based on the weighted average of 675,975,327 (2005: 672,929,413) and 675,645,427 (2005: 672,554,842) shares of HK\$0.10 each (the "Shares") in issue during the three months and nine months ended 30 September 2006 and 2005 respectively.

Diluted earnings per share for the three months and nine months ended 30 September 2006 and 2005 respectively are not shown as there is no dilutive effect arising from the share options granted by the Company.

6. LOSS ATTRIBUTABLE TO SHAREHOLDERS FROM CHINESE MAINLAND OPERATIONS

Included in profit attributable to shareholders of the Company, there is a loss of HK\$5,336,000 (2005: HK\$2,345,000) and HK\$14,850,000 (2005: HK\$7,183,000) from the Group's Chinese Mainland operations for the three months and nine months ended 30 September 2006 respectively.

7. RESERVES

Movements in reserves of the Group during the three months and nine months ended 30 September 2006 were as follows:

	(Unaudited)							2005
	Three months ended 30 September							
	2006							
	Share premium	Merger reserve	Capital reserve	Employee share-based compensation reserve	Exchange reserve	Retained earnings	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July	122,105	177,087	13,433	3,913	467	106,630	423,635	381,347
Issue of shares	854	-	-	-	-	-	854	415
Employee share option benefits	-	-	-	721	-	29	750	378
Exchange differences	-	-	-	-	556	-	556	117
Profit for the period	-	-	-	-	-	23,138	23,138	22,853
Dividend	-	-	-	-	-	(10,139)	(10,139)	(10,094)
At 30 September	<u>122,959</u>	<u>177,087</u>	<u>13,433</u>	<u>4,634</u>	<u>1,023</u>	<u>119,658</u>	<u>438,794</u>	<u>395,016</u>

	(Unaudited)							2005
	Nine months ended 30 September							
	2006							
	Share premium	Merger reserve	Capital reserve	Employee share-based compensation reserve	Exchange reserve	Retained earnings	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	119,457	177,087	13,433	2,466	123	104,564	417,130	375,303
Issue of shares	3,332	-	-	-	-	-	3,332	1,329
Employee share option benefits	170	-	-	2,168	-	53	2,391	913
Exchange differences	-	-	-	-	900	-	900	141
Profit for the period	-	-	-	-	-	55,579	55,579	52,640
Dividend	-	-	-	-	-	(40,538)	(40,538)	(35,310)
At 30 September	<u>122,959</u>	<u>177,087</u>	<u>13,433</u>	<u>4,634</u>	<u>1,023</u>	<u>119,658</u>	<u>438,794</u>	<u>395,016</u>

8. COMMITMENTS

The Group was authorised to enter into a non-binding preliminary agreement with CCMP Capital Asia Pte. Ltd. to acquire 2.5% equity interest in Buytheway Inc., one of the leading operators of convenience store chain in South Korea, for a cash consideration not exceeding HK\$30 million. The completion of the transaction is subject to the finalisation of definitive agreements between both parties. Details of the transaction are set out in the announcement of the Company dated 2 August 2006.

9. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with current period's presentation.

5. INDEBTEDNESS

Apart from intra-group liabilities and normal trade debts payable, neither CRA nor any of its subsidiaries had, at the close of business on 31 October 2006, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase or other finance lease commitments, guarantees or other material contingent liabilities.

6. MATERIAL CHANGES

As at the Latest Practicable Date, other than the announcements of the first to third quarterly results of the CRA Group, the CRA Directors confirmed that there were no material changes in the financial or trading position or outlook of the CRA Group since 31 December 2005, the date to which the latest published audited consolidated financial statements of the CRA Group were made up. The CRA Directors also confirmed that there were no material changes in indebtedness and contingent liabilities of the CRA Group since 31 October 2006.

7. CURRENT TRADING AND FINANCIAL PROSPECTS

The CRA Group has continued to carry on the businesses in the operation of a chain of convenience stores under the tradename of Circle K in Hong Kong, Macau and the PRC during the current financial year, and the CRA Directors, based on the current circumstances, do not foresee any material changes to the financial and trading prospects of the CRA Group. In accordance with Rule 10.10 of the Takeovers Code, this statement should not be interpreted to mean that CRA's earnings per CRA Share will necessarily be greater than those for the preceding financial period of CRA, being its financial period ended 31 December 2005.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**A. UNAUDITED PRO FORMA STATEMENTS OF ASSETS AND LIABILITIES AND STATEMENTS OF ADJUSTED NET TANGIBLE ASSETS OF THE ENLARGED GROUP**

Set out below are the unaudited pro forma statements of assets and liabilities and statements of adjusted net tangible assets of the Enlarged Group which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Proposal as if it had been taken place and completed on 30 June 2006 and on the assumption that all the Scheme Shares were cancelled in exchange of either:

- (I) cash of HK\$2.95 for every Scheme Share; or
- (II) one CRA Share plus cash of HK\$2.95 for every two Scheme Shares.

The unaudited pro forma statements of assets and liabilities and statements of adjusted net tangible assets of the Enlarged Group have been prepared for illustrative purposes only and because of their hypothetical nature, they may not give a true picture of the financial position of the Enlarged Group as at 30 June 2006 had the Proposal actually been taken place and completed or at any future date.

The unaudited pro forma statements of assets and liabilities and statements of adjusted net tangible assets are prepared based on the unaudited consolidated balance sheet of the CRA Group as at 30 June 2006 as extracted from the published interim financial information set out in Appendix II to this document after making pro forma adjustments set out below.

(I) Assuming all the Scheme Shares were cancelled in exchange of cash of HK\$2.95 for every Scheme Share

(a) Unaudited pro forma statement of assets and liabilities

	Historical financial information of the CRA Group as at 30 June 2006 HK\$'000	Pro forma adjustments		Unaudited pro forma adjusted statement of assets and liabilities of the Enlarged Group HK\$'000	
		Historical financial information of the Saint Honore Group as at 30 September 2006 HK\$'000 (Note 1)	Other pro forma adjustments HK\$'000		
			Notes		
Non-current assets					
Fixed assets	95,620	138,535	3,916	(3)	238,071
Lease premium for land	14,973	73,297	91,680	(3)	179,950
Goodwill	–	–	241,029	(3)	241,029
Intangible assets	–	27,600	82,400	(3)	110,000
Other financial assets	1,895	15,466			17,361
Rental deposits	26,248	12,335			38,583
Deferred tax assets	851	338			1,189
	<u>139,587</u>	<u>267,571</u>			<u>826,183</u>
Current assets					
Inventories	82,030	19,328			101,358
Rental deposits	13,947	–			13,947
Trade receivables	19,311	14,636	(3,997)	(4)	29,950
Other receivables, deposits and prepayments	30,256	20,311			50,567
Other financial assets	–	1,005			1,005
Lease premium for land	426	–	3,737	(3)	4,163
Bank balances and cash	625,899	161,295	(631,763)	(2(a)(i))	144,431
			(11,000)	(2(b))	
	<u>771,869</u>	<u>216,575</u>			<u>345,421</u>
Total assets	<u>911,456</u>	<u>484,146</u>			<u>1,171,604</u>

	Historical financial information of the CRA Group as at 30 June 2006 <i>HK\$'000</i>	Pro forma adjustments		Unaudited pro forma adjusted statement of assets and liabilities of the Enlarged Group <i>HK\$'000</i>
		Historical financial information of the Saint Honore Group as at 30 September 2006 <i>HK\$'000</i> <i>(Note 1)</i>	Other pro forma adjustments <i>HK\$'000</i> <i>Notes</i>	
Current liabilities				
Amount due to immediate holding company	879	–		879
Trade payables	351,059	29,553	(3,997) (4)	376,615
Other payables and accruals	57,698	62,604		120,302
Taxation payable	6,797	5,657		12,454
Dividend payable	–	14,935		14,935
Cake coupon liabilities	–	127,059		127,059
	<u>416,433</u>	<u>239,808</u>		<u>652,244</u>
Non-current liabilities				
Rental deposits received	–	96		96
Long service payment liabilities	7,967	6,379		14,346
Deferred tax liabilities	1,632	1,370	16,492 (3)	19,494
	<u>9,599</u>	<u>7,845</u>		<u>33,936</u>
Total liabilities	<u>426,032</u>	<u>247,653</u>		<u>686,180</u>
Net assets	<u>485,424</u>	<u>236,493</u>		<u>485,424</u>
Net assets attributable to:				
CRA Shareholders	491,219			491,219
Minority interests	(5,795)			(5,795)
	<u>485,424</u>			<u>485,424</u>

(b) *Unaudited pro forma statement of adjusted net tangible assets*

Unaudited net tangible assets of the CRA Group attributable to CRA Shareholders as at 30 June 2006 HK\$'000 (Note 5)	Unaudited net tangible assets of the CRA Group per CRA Share as at 30 June 2006 HK\$ (Note 6)	Unaudited pro forma adjusted net tangible assets of the Enlarged Group attributable to CRA Shareholders as at 30 June 2006 HK\$'000 (Note 7)	Unaudited pro forma adjusted net tangible assets of the Enlarged Group per CRA Share as at 30 June 2006 HK\$ (Note 6)
491,219	0.73	140,190	0.21

(II) Assuming all the Scheme Shares were cancelled in exchange of one CRA Share plus cash of HK\$2.95 for every two Scheme Shares

(a) Unaudited pro forma statement of assets and liabilities

	Historical financial information of the CRA Group as at 30 June 2006 <i>HK\$'000</i>	Pro forma adjustments		Unaudited pro forma adjusted statement of assets and liabilities of the Enlarged Group <i>HK\$'000</i>
		Historical financial information of the Saint Honore Group as at 30 September 2006 <i>HK\$'000</i> <i>(Note 1)</i>	Other pro forma adjustments <i>HK\$'000</i>	
			<i>Notes</i>	
Non-current assets				
Fixed assets	95,620	138,535	3,916 (3)	238,071
Lease premium for land	14,973	73,297	91,680 (3)	179,950
Goodwill	–	–	241,029 (3)	241,029
Intangible assets	–	27,600	82,400 (3)	110,000
Other financial assets	1,895	15,466		17,361
Rental deposits	26,248	12,335		38,583
Deferred tax assets	851	338		1,189
	<u>139,587</u>	<u>267,571</u>		<u>826,183</u>
Current assets				
Inventories	82,030	19,328		101,358
Rental deposits	13,947	–		13,947
Trade receivables	19,311	14,636	(3,997) (4)	29,950
Other receivables, deposits and prepayments	30,256	20,311		50,567
Other financial assets	–	1,005		1,005
Lease premium for land	426	–	3,737 (3)	4,163
Bank balances and cash	625,899	161,295	(315,882) (2(a)(ii)) (11,000) (2(b))	460,312
	<u>771,869</u>	<u>216,575</u>		<u>661,302</u>
Total assets	<u><u>911,456</u></u>	<u><u>484,146</u></u>		<u><u>1,487,485</u></u>

	Historical financial information of the CRA Group as at 30 June 2006 <i>HK\$'000</i>	Pro forma adjustments		Unaudited pro forma adjusted statement of assets and liabilities of the Enlarged Group <i>HK\$'000</i>
		Historical financial information of the Saint Honore Group as at 30 September 2006 <i>HK\$'000</i> <i>(Note 1)</i>	Other pro forma adjustments <i>HK\$'000</i> <i>Notes</i>	
Current liabilities				
Amount due to immediate holding company	879	–		879
Trade payables	351,059	29,553	(3,997) (4)	376,615
Other payables and accruals	57,698	62,604		120,302
Taxation payable	6,797	5,657		12,454
Dividend payable	–	14,935		14,935
Cake coupon liabilities	–	127,059		127,059
	<u>416,433</u>	<u>239,808</u>		<u>652,244</u>
Non-current liabilities				
Rental deposits received	–	96		96
Long service payment liabilities	7,967	6,379		14,346
Deferred tax liabilities	1,632	1,370	16,492 (3)	19,494
	<u>9,599</u>	<u>7,845</u>		<u>33,936</u>
Total liabilities	<u>426,032</u>	<u>247,653</u>		<u>686,180</u>
Net assets	<u>485,424</u>	<u>236,493</u>		<u>801,305</u>
Net assets attributable to:				
CRA Shareholders	491,219			807,100
Minority interests	(5,795)			(5,795)
	<u>485,424</u>			<u>801,305</u>

(b) *Unaudited pro forma statement of adjusted net tangible assets*

Unaudited net tangible assets of the CRA Group attributable to CRA Shareholders as at 30 June 2006 HK\$'000 (Note 5)	Unaudited net tangible assets of the CRA Group per CRA Share as at 30 June 2006 HK\$ (Note 6)	Unaudited pro forma adjusted net tangible assets of the Enlarged Group attributable to CRA Shareholders as at 30 June 2006 HK\$'000 (Note 8)	Unaudited pro forma adjusted net tangible assets of the Enlarged Group per CRA Share as at 30 June 2006 HK\$ (Note 9)
<u>491,219</u>	<u>0.73</u>	<u>456,071</u>	<u>0.58</u>

Notes to the unaudited pro forma statements of assets and liabilities and statements of adjusted net tangible assets of the Enlarged Group:

- The balances are extracted from the unaudited consolidated balance sheet of the Saint Honore Group as at 30 September 2006 as set out in Appendix I to this document. The amount due to Saint Honore's intermediate holding company of approximately HK\$3,487,000 has been reclassified as part of trade payables to conform to the presentation format of the unaudited consolidated balance sheet of the CRA Group as at 30 June 2006.
- The consideration for cancellation of the Scheme Shares under the Proposal is either Cash Alternative: Cash of HK\$2.95 for every Scheme Share; or Share & Cash Alternative: One CRA Share plus cash of HK\$2.95 for every two Scheme Shares.

The unaudited pro forma adjustments reflect:

- Settlement of consideration for cancellation of Scheme Shares:
 - wholly by payment of cash of approximately HK\$631,763,000, assuming all Scheme Shareholders elected the Cash Alternative and as if the cash consideration was settled in full on 30 June 2006; or
 - by payment of cash of approximately HK\$315,882,000 and issuance of 107,078,500 new CRA Shares, assuming all the Scheme Shareholders elected the Share & Cash Alternative and as if the cash consideration was settled in full and the new CRA Shares were issued on 30 June 2006. Based on the closing price of CRA Share of HK\$2.95 each, as quoted on GEM on the CRA Last Trading Day, the value of the new CRA Shares is approximately HK\$315,882,000.
- Payment of professional fee directly attributable to the Proposal of approximately HK\$11,000,000.

Since the actual combination of cash payment and issuance of new CRA Shares for settlement of the consideration will be different from the assumptions used in the preparation of the unaudited pro forma statements of assets and liabilities above, the actual financial position arising from the Proposal may be different from the financial position shown in this Appendix.

3. Upon implementation of the Proposal, the identifiable assets and liabilities of the Saint Honore Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the purchase method of accounting. The identifiable assets and liabilities of the Saint Honore Group are recorded in the unaudited pro forma statements of assets and liabilities of the Enlarged Group at their fair values as if the proposal was completed on 30 June 2006. The fair value adjustments on the carrying amounts of the relevant assets are determined by comparing the fair value of the assets estimated by the CRA directors with the carrying value of the assets in the financial statements of Saint Honore as of 30 September 2006. The fixed assets, lease premium for land and intangible assets increase by approximately HK\$3,916,000, HK\$95,417,000 and HK\$82,400,000 respectively as a result of the fair value adjustments on the carrying amount of the relevant assets.

The CRA Directors have considered the valuation performed by RHL Appraisal Limited on the properties owned by the Saint Honore Group as at 31 October 2006 on the market value basis to determine the fair value adjustments on fixed assets and lease premium for land. Given the short time gap between the date of valuation (i.e. 31 October 2006) and 30 June 2006, and there was no material change in the market conditions during the intervening period, the CRA Directors consider the fair values of such properties as at 31 October 2006 approximate their fair values as at 30 June 2006.

The above fair value adjustment of intangible assets, comprising trademarks and distribution network, is determined by the CRA Directors.

According to the relevant Hong Kong and PRC tax rules and regulations, the original carrying amounts of the fixed assets, lease premium for land and intangible assets of the Saint Honore Group will continue to serve as the tax base for future years. Accordingly, the unaudited pro forma adjustments reflect the increase in deferred tax liabilities of approximately HK\$16,492,000 as a result of the fair value adjustments on the fixed assets, lease premium for land and intangible assets of the Saint Honore Group as if the Proposal had been taken place and completed on 30 June 2006. The tax rates applicable for the calculation of the deferred tax liabilities range from 12% to 17.5%.

The amount in excess of the cost of acquisition over the fair value of the acquired net identifiable assets of approximately HK\$241,029,000 is recognised as goodwill in the unaudited pro forma statements of assets and liabilities as if the Proposal had been taken place and completed on 30 June 2006.

The fair value adjustments were made in accordance with the requirement of Hong Kong Financial Reporting Standards (“HKFRS”) No. 3 “Business combination”. HKFRS 3 requires the CRA Group to allocate the cost of the acquisition by recognising Saint Honore’s identifiable assets and liabilities at their fair value as at the date of completion. These fair value adjustments will only be taken up in the consolidated financial statements of the CRA Group and will not be reflected in the financial statements of the Saint Honore Group.

Since the fair values of the identifiable assets and liabilities of the Saint Honore Group and the fair value of the new CRA Shares as at the date of the implementation of the Proposal may be different from their fair values used in the preparation of the unaudited pro forma statements of assets and liabilities above, the actual excess of the CRA Group’s share in the fair value of the identifiable assets and liabilities of the Saint Honore Group over the cost of acquisition, or goodwill arising from the Proposal, if any, may be different from the estimated amount shown in this Appendix.

4. The unaudited pro forma adjustment reflects the elimination of inter-company balances of the Enlarged Group as at 30 June 2006.
5. The unaudited consolidated net tangible assets of the CRA Group attributable to CRA Shareholders as at 30 June 2006 of approximately HK\$491,219,000 is extracted from the unaudited consolidated balance sheet of the CRA Group as set out in Appendix II to this document.
6. The number of shares used for the calculation of this figure is 675,838,000 issued CRA Shares as at 30 June 2006.
7. The unaudited pro forma adjusted net tangible assets of the Enlarged Group attributable to CRA Shareholders as at 30 June 2006 is extracted from the unaudited pro forma adjusted statement of assets and liabilities of the Enlarged Group set out in Section I(a), which is based on the unaudited pro forma adjusted net assets of the Enlarged Group attributable to the CRA shareholders as at 30 June 2006 of approximately HK\$491,219,000 with adjustment of intangible assets and goodwill of approximately HK\$110,000,000 and HK\$241,029,000 respectively.
8. The unaudited pro forma adjusted net tangible assets of the Enlarged Group attributable to CRA Shareholders as at 30 June 2006 is extracted from the unaudited pro forma adjusted statement of assets and liabilities of the Enlarged Group set out in Section II(a), which is based on the unaudited pro forma adjusted net assets of the Enlarged Group attributable to CRA Shareholders as at 30 June 2006 of approximately HK\$807,100,000 with adjustment of intangible assets and goodwill of approximately HK\$110,000,000 and HK\$241,029,000 respectively.

9. The unaudited pro forma adjusted net tangible assets per CRA share is arrived at by dividing the unaudited pro forma adjusted net tangible assets of the Enlarged Group attributable to CRA Shareholders as at 30 June 2006 against 782,916,500 CRA Shares, being 675,838,000 existing CRA Shares as at 30 June 2006 together with 107,078,500 CRA Shares to be issued upon election of the Share & Cash Alternative by all the Scheme Shareholders.
10. No adjustments have been made to reflect any trading results or other transactions of the CRA Group and the Saint Honore Group entered into subsequent to 30 June 2006 and 30 September 2006 respectively.

B. UNAUDITED PRO FORMA PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE ENLARGED GROUP

Set out below is the unaudited pro forma profit attributable to shareholders of the Enlarged Group for the year ended 31 December 2005 which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Proposal as if it had been taken place and completed on 1 January 2005.

The unaudited pro forma profit attributable to shareholders of the Enlarged Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results of the Enlarged Group for the year ended 31 December 2005 or any future period.

The unaudited pro forma profit attributable to shareholders of the Enlarged Group are based on the profit attributable to CRA Shareholders for the year ended 31 December 2005 as extracted from the published annual report for the year ended 31 December 2005 set out in Appendix II to this document after making pro forma adjustments set out below.

	Pro forma adjustments				Unaudited pro forma adjusted profit attributable to the shareholders of the Enlarged Group HK\$'000
	Historical financial information of the CRA Group for the year ended 31 December 2005 HK\$'000	Historical financial information of the Saint Honore Group for the year ended 31 March 2006 HK\$'000 (Note 1)	Other pro forma adjustments HK\$'000		
Profit attributable to shareholders	73,578	40,966	(1,708)	(2)	112,836

Notes to the unaudited pro forma profit attributable to shareholders of the Enlarged Group

1. The amount is extracted from the consolidated profit and loss account of the Saint Honore Group for the year ended 31 March 2006 as set out in Appendix I to this document.

2. As a result of the fair value adjustments mentioned in note 3 of Section A above, additional annual depreciation of fixed assets and amortisation of lease premium for land calculated in accordance with the CRA Group's accounting policies and over the remaining estimated useful lives of each individual item, would be approximately HK\$2,056,000. The related deferred tax credit on the additional depreciation and amortisation would be approximately HK\$348,000. The unaudited pro forma adjustments reflect the net effect of approximately HK\$1,708,000 to the profit attributable to shareholders as if the Proposal had taken place and completed on 1 January 2005. These unaudited pro forma adjustments will have continuing effect on the profit attributable to the shareholders of the Enlarged Group.

Since the fair values of the identifiable assets and liabilities of the Saint Honore Group and the fair value of the new CRA Shares as at the date of the implementation of the Proposal may be different from their fair values used in the preparation of the unaudited pro forma profit attributable to shareholders above, the actual additional annual depreciation and amortisation arising from the Proposal on the profit attributable to shareholders of the Enlarged Group may be different from the estimated amount shown in this Appendix.

3. The Cancellation Consideration under the Proposal is either Cash Alternative: Cash of HK\$2.95 for every Scheme Share; or Share & Cash Alternative: One CRA share plus cash of HK\$2.95 for every two Scheme Shares. If all Scheme Shareholders elect for the Cash Alternative, the amount of cash required for the Proposal would be approximately HK\$631,763,000. If all Scheme Shareholders elect for the Share & Cash Alternative, the amount of cash required for the Proposal would be approximately HK\$315,882,000. It is the intention of CRA to finance the cash required for the Proposal from internal resources and external financing.

Since the actual amount of borrowings that will be raised for the Proposal has not been determined by the CRA Directors, the above unaudited pro forma adjusted profit attributable to shareholders of the Enlarged Group has not taken into account the financial impact of the Proposal on the finance cost and interest income of the Enlarged Group.

4. No adjustments have been made to reflect any trading results or other transactions of the CRA Group and the Saint Honore Group entered into subsequent to 31 December 2005 and 31 March 2006 respectively.

C. Report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Enlarged Group

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

REPORT FROM ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF CONVENIENCE RETAIL ASIA LIMITED

We report on the unaudited pro forma financial information of Convenience Retail Asia Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 177 to 186 under the heading of “Financial Information of the Enlarged Group” (the “Unaudited Pro Forma Financial Information”) in Appendix III to the scheme document (the “Scheme Document”) dated 2 January 2007 in connection with the proposed takeover of Saint Honore Holdings Limited (the “Proposal”) by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Proposal might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 177 to 186 of the Scheme Document.

Respective responsibilities of the directors of the Company and the Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the historical financial information of the Group as at 30 June 2006 and for the year ended 31 December 2005 with the unaudited consolidated balance sheet of the Group as at 30 June 2006 and the audited profit and loss account of the Group for the year ended 31 December 2005, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to AG7.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2006 or any future date; or
- the results of the Group for the year ended 31 December 2005 or any future periods.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to AG7.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 2 January 2007

2. INDEBTEDNESS

At the close of business on 31 October 2006, the Enlarged Group had utilised approximately HK\$3.5 million of its banking facilities for bank guarantees granted in favour of third parties in lieu of rental and utilities deposits. These facilities were secured by corporate guarantee given by Saint Honore.

Save as aforesaid and apart from intra-group liabilities and normal trade debts payable, none of the companies comprising the Enlarged Group had, at the close of business on 31 October 2006, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase or other finance lease commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

Taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the CRA Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document.

4. MATERIAL CHANGES

The CRA Directors confirmed that there were no material changes in indebtedness and contingent liabilities of the Enlarged Group since 31 October 2006.

The following is the text of the letter and the valuation certificate, prepared for the purpose of incorporation in this document, received from RHL Appraisal Ltd., an independent professional property valuer, in connection with the valuation of the properties as at 31 October 2006 owned by the Saint Honore Group.

永利行 估值顧問有限公司 | RHL Appraisal Ltd

Surveying Practices – Corporate Valuation and Property Consultancy
License No.: C-015672

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2 January 2007

The Board of Directors

Saint Honore Holdings Limited

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

The Board of Directors

Convenience Retail Asia Limited

12/F Li Fung Centre
2 On Ping Street
Siu Lek Yuen
Shatin, New Territories
Hong Kong

Dear Sirs,

Re: Valuation of interests owned by Saint Honore Holdings Limited and its subsidiaries in various properties situated in Hong Kong Special Administrative Region (“Hong Kong”), Macau Special Administrative Region (“Macau”) and The People’s Republic of China (the “PRC”)

1. INSTRUCTIONS

In accordance with your instructions for us to value all the property interests owned by **Saint Honore Holdings Limited** (referred to as the “Company”) and its subsidiaries (together referred to as the “Group”) situated in Hong Kong, Macau and the PRC, we confirm that we have carried out property inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of such properties as at 31 October 2006 (referred to as the “valuation date”).

2. BASIS OF VALUATION

Our valuation of the property represents the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

3. VALUATION METHODOLOGY

For all the properties held by the Group, the “Direct Comparison Method” is adopted where comparison based on prices information of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

Our valuation of the market value has been made on the assumption that each property is to be transferred under normal commercial terms without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of each property.

4. ASSUMPTIONS

Unless specified otherwise, our valuation has been made on the assumption that the Group sells its property interests in their existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the property interests (if any).

For the properties located in Hong Kong and Macau, we have assumed that the owners have free and uninterrupted rights to use the properties for the whole of the unexpired term of its Government Leases.

In respect of the properties located in the PRC by means of Long Term Land Use Rights, we have assumed that the Group has free and uninterrupted right to use the properties for the whole of the unexpired term of its Land Use Right Period subject to payment of annual land use fees, and all outstanding land premium/purchase consideration (if any).

Other special assumptions of the properties, if any, have been stated in the footnotes of the valuation certificates.

5. TITLE INVESTIGATION

For the properties located in Hong Kong and Macau, we have caused searches to be made at the appropriate Land Registries. However, we have not verified the ownership of the properties nor the existence of any amendments which do not appear on the copies handed to us. All documents have been used for reference only.

In respect of the properties located in Macau, we have relied upon the legal opinion dated 2 January 2007 provided by the Macau legal advisers, Henrique Saldanha, Advogados & Notários, on the Group’s title to such properties.

In respect of the properties located in the PRC, we have relied upon the legal opinion dated 2 January 2007 provided by the PRC legal advisers, Hills & Co. (君道律師事務所), on the Group’s title to such properties and the nature of their land use rights.

All legal documents supplied by the Company and/or by the PRC legal adviser have been used for reference only. No responsibility regarding legal title to the properties located in the PRC is assumed by us.

6. LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from all encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Our valuation has been made on the assumption that the seller sells the properties on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the properties.

We have assumed that the information given by the Group to us is true and correct in all material respects.

We have not been provided with copies of the title documents relating to the properties but have caused searches to be made at the relevant Land Registry. However, we have not searched the original documents to verify ownership or to ascertain any amendment.

We have inspected the exterior of the properties; however, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests have been carried out on any of the services.

Although we have carried out inspections of the properties, we have not carried out site investigations to determine the suitability of the ground conditions or the availability of building services for the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

According to the information prepared by the Group, the potential tax liabilities which would arise on the disposal of the properties in the PRC are PRC business tax (approximately 5% on selling price), PRC land appreciation tax (approximately 30% – 60% on capital gain) and PRC corporate income tax (15% on corporate's taxable profit). According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liabilities. For properties located in Hong Kong, the potential tax liability which would arise on the disposal of the properties is stamp duty (maximum 3.8% on the selling price) and profit tax (approximately 17.5%). For properties located in Macau, the potential tax liability which would arise on the disposal of the properties is profit tax (approximately 12% progressive rate). As advised by the Group, such tax liabilities are not likely to crystallize as it has no intention to dispose of the properties located in Hong Kong, Macau and the PRC in the foreseeable future.

7. REMARKS

We have valued the properties in Hong Kong Dollars (HK\$). The conversion of Renminbi (RMB) into HK\$ is based on the factor of RMB1.0130 to HK\$1.00 and the conversion of Pataca (MOP) into HK\$ is based on the factor of MOP1.01174 to HK\$1.00 with reference to the prevailing exchange rate on the valuation date.

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities and Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

Our valuation certificates are attached herewith for your attention.

Yours faithfully,
for and on behalf of
RHL Appraisal Ltd.

Tse Wai Leung

MFin BSc MRICS MHKIS RPS(GP)

Director

Sandra S.W. Lau

MFin MHKIS AAPI RPS (GP)

Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. Sandra S.W. Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. Both of them are on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and have over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

SUMMARY OF VALUATION

	Market value in existing state as at 31 October 2006
Properties held and occupied by the Group	
1. Shop 1 on Ground Floor and Cockloft 1 and Flat A on 1st Floor including Flat Roofs Appurtenant Thereto Fairview Court Nos. 15–17 King Kwong Street Hong Kong	HK\$43,000,000
2. Shop 2 on Ground Floor Kwong Fai Building Nos. 24–40 Mut Wah Street Kowloon	HK\$27,500,000
3. Lot No. 3653 in D.D. 120 No. 112 Castle Peak Road Yuen Long New Territories	HK\$28,000,000
4. Workshop No. 1 on 1st Floor and Car Parking Space No. L5 on 1st Floor Wing Fat Industrial Building No. 12 Wang Tai Road Kowloon Bay Kowloon	HK\$5,390,000
5. Workshop Nos. 1, 2, and 3 (including the Flat Roof Appertaining Thereto) on 4th Floor and Car Parking Space No. P1 (also Known as 1), P4 (also Known as 4) and Car Parking Space No. L7 on 1/F and Car Parking Space No. P14 (also Known as 14) on Ground Floor Wing Fat Industrial Building No. 12 Wang Tai Road Kowloon Bay Kowloon	HK\$10,720,000
6. 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	HK\$7,510,000

	Market value in existing state as at 31 October 2006
Properties held and occupied by the Group	
7. 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	HK\$4,520,000
8. 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	HK\$5,340,000
9. Workshops A and B on 10th Floor and Truck Parking Space No. 21 on Ground Floor Hou Feng Industrial Building Nos. 1–5 Wing Kin Road Kwai Chung New Territories	HK\$4,520,000
10. 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	HK\$4,870,000
11. Shop No. 2 of Unit 2 on Level (Site 1) 26 of Commercial Development Sceneway Garden No. 8 Sceneway Road Lam Tin Kowloon	HK\$28,000,000
12. Shop C on Ground Floor and Cockloft Kou Wang Building Nos. 11–11E Avenida de Horta e Costa Macau	HK\$12,100,000

	Market value in existing state as at 31 October 2006
Properties held and occupied by the Group	
13. Unit E and F on 2nd Floor Edf. Industrial Nam Fong Nos. 354–408 Rua Dos Pescadores Macau	HK\$4,000,000
14. D-14- R/C Edf. Mau Tan Nos. 45–49 Rua Dois Bairro Iao Hon Macau	HK\$4,100,000
15. Res-Do-Chao B Centro Industrial Kek Seng BR/C No. 19 Rua Cinco Bairro da Areia Preta Macau	HK\$8,200,000
16. Level 1 to level 5 of Block B4 Heng Feng Industrial Zone Xixiang Town, Baoan District Shenzhen, Guangdong Province The PRC	HK\$12,190,000
17. Level 6 of Block B4 Heng Feng Industrial Zone Xixiang Town Baoan District Shenzhen, Guangdong Province The PRC	HK\$2,503,000
18. Level 1 of Block B2 Heng Feng Industrial Zone Xixiang Town, Baoan District Shenzhen, Guangdong Province The PRC	HK\$2,477,000
19. Level 1 to Level 8 of Block C1 Heng Feng Industrial Zone Xixiang Town, Baoan District Shenzhen, Guangdong Province The PRC	HK\$18,990,000

	Market value in existing state as at 31 October 2006
Properties held and occupied by the Group	
20. The Whole Block with 122 units of Block A13 Heng Feng Industrial Zone Xixiang Town, Baoan District Shenzhen, Guangdong Province The PRC	HK\$8,830,000
	<hr/>
Total:	HK\$242,760,000

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
1. Shop 1 on Ground Floor and Cockloft 1 and Flat A on 1st Floor including Flat Roofs Appurtenant Thereto Fairview Court Nos. 15-17 King Kwong Street Hong Kong 60/544th shares of and in The Remaining Portion of Section A of Inland Lot No. 3209 and the Remaining Portion of Inland Lot No. 3209	<p>The property comprises a shop unit on ground floor and a residential unit on 1st floor of a 23-storey composite building. The property was completed in 1983.</p> <p>The saleable floor area of the ground floor shop is approximately 1,420 square feet (131.92 sq.m) with a cockloft area of approximately 714 square feet (66.33 sq.m.) and a yard area of approximately 86 square feet (7.99 sq.m.).</p> <p>The residential unit on 1st floor has a saleable area of approximately 464 square feet (43.11 sq.m.) with flat roofs of approximately 934 square feet (86.77 sq.m.).</p>	<p>The property is occupied by the Group as shop/dormitory.</p>	<p>HK\$43,000,000</p>
	<p>The property is held under a Government Lease for a term of 75 years renewable for 75 years commencing from 21 September 1931. The current Government rent per annum is HK\$22.</p>		

Notes:

1. According to the records in the relevant Land Registry, the registered owner of the property is Saint Honore Cake Shop Limited, a wholly-owned subsidiary of the Company, registered memorial nos. UB2483767 and UB2483768.
2. According to the records in the relevant Land Registry, the property is not subject to any registered mortgage / legal charge.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
2. Shop 2 on Ground Floor Kwong Fai Building Nos. 24–40 Mut Wah Street Kowloon	The property comprises a shop unit on ground floor of a 10-storey composite building. The property was completed in 1965.	The property is occupied by the Group as shop.	HK\$27,500,000
2/124th shares of and in Kwun Tong Inland Lot No. 331	The saleable floor area of the property is approximately 732 square feet (68 sq.m.).	The property is held under a Conditions of Sale No. 7185 for a term of 99 years commencing from 1 July 1898 and expiring on 30 June 2047. The current Government Rent payable is an amount equal to 3% of the rateable value for the time being of the property per annum.	

Notes:

1. According to the records in the relevant Land Registry, the registered owner of the property is Uni-Leptics Limited, a wholly-owned subsidiary of the Company, registered memorial no. UB5726532.
2. According to the records in the relevant Land Registry, the property is not subject to any registered mortgage / legal charge.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
3. Lot No. 3653 in D.D. 120 Yuen Long New Territories	The property comprises a 3-storey tenement building plus a cockloft and a penthouse completed in about 1955.	The property is occupied by the Group as shop/office.	HK\$28,000,000
Lot No. 3653 in Demarcation District No. 120	<p>The site is of rectangular-shaped with a site area of 1,400 square feet (130.06 sq.m.).</p> <p>The property has a saleable area of approximately 3,700 square feet. (343.74 sq.m.).</p> <p>The property is held under a New Grant No. 334 for a term extended to 30 June 2047.</p> <p>The current Government Rent payable is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>		

Notes:

1. According to the records in the relevant Land Registry, the registered owner of the property is Great Moment Investment Limited, a wholly-owned subsidiary of the Company, registered memorial no. YL1064104.
2. As at the valuation date, the property is zoned "Commercial / Residential" on Yuen Long Outline Zoning Plan.
3. According to the records in the relevant Land Registry, the property is not subject to any registered mortgage / legal charge.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
4. Workshop No. 1 on 1st Floor and Car Parking Space No. L5 on 1st Floor Wing Fat Industrial Building No. 12 Wang Tai Road Kowloon Bay Kowloon	The property comprises an industrial unit and a lorry parking space on the 1st floor of a 10-storey industrial building. The property was completed in 1988.	The property is occupied by the Group as workshop and lorry parking purpose.	HK\$5,390,000
275/9300th shares of and in New Kowloon Inland Lot No. 5894	The gross floor area of the property is approximately 4,266 square feet with an open space area of approximately 933 square feet.	The saleable floor area is approximately 3,576 square feet (332.22 sq.m.).	
	The property is held under a Conditions of Sale No. 11600 for a term extended to 30 June 2047.		
	The current Government Rent payable is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

1. According to the records in the relevant Land Registry, the registered owner of the property is Saint Honore Cake Shop Limited, a wholly-owned subsidiary of the Company, registered memorial no. UB3811488.
2. According to the records in the relevant Land Registry, the property is not subject to any registered mortgage / legal charge.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
5. Workshop Nos. 1, 2, and 3 (including the Flat Roof Appertaining Thereto) on 4th Floor and Car Parking Space No. P1 (also Known as 1), P4 (also Known as 4) and Car Parking Space No. L7 on 1/F and Car Parking Space No. P14 (also Known as 14) on Ground Floor Wing Fat Industrial Building No. 12 Wang Tai Road Kowloon Hong Kong 696/9300th shares of and in New Kowloon Inland Lot No. 5894	<p>The property comprises 3 industrial units on 4th floor, a lorry parking space and 3 car parking spaces on the 1st floor of a 10-storey industrial building. The property was completed in 1988.</p> <p>The gross floor area of the property is approximately 11,661 square feet (1083.33 sq.m.) with total flat roof area of approximately 2,643 square feet (245.54 sq.m.). The saleable floor area of the units is approximately 9,776 square feet (908.21 sq.m.).</p> <p>The property is held under Conditions of Sale No. 11600 for a term extended to 30 June 2047.</p> <p>The current Government Rent payable is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>The property is occupied by the Group as workshop.</p>	<p>HK\$10,720,000</p>

Notes:

1. According to the records in the relevant Land Registry, the registered owner of the property is Bread Boutique Limited, a wholly-owned subsidiary of the Company, registered memorial no. 05033101700255.
2. According to the records in the relevant Land Registry, the property is not subject to any registered mortgage / legal charge.
3. The Flat Roof of the Property has been enclosed and covered. As at the date of valuation, there is no documentary consent available from the Buildings Department and such alteration may be an unauthorised alteration and may subject to enforcement action for reinstatement by the Buildings Department. Nevertheless, such alteration may be rectified and as confirmed by the Company, such reinstatement, if required to be undertaken, will have no detrimental effect on the business operations in the Property.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
6. 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 422/9300th shares of and in New Kowloon Inland Lot No. 5894	<p>The property comprises 2 industrial units on 5th floor and a car parking space on the 1st floor of a 10-storey industrial building. The property was completed in 1988.</p> <p>The gross floor area of the property is approximately 7,467 square feet (693.70 sq.m.) and the saleable floor area is approximately 6,260 square feet (581.57 sq.m.).</p> <p>The property is held under a Conditions of Sale No. 11600 for a term extended to 30 June 2047.</p> <p>The current Government Rent payable is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>The property is occupied by the Group as workshop.</p>	<p>HK\$7,510,000</p>

Notes:

1. According to the records in the relevant Land Registry, the registered owner of the property is Bread Boutique Limited, a wholly-owned subsidiary of the Company, registered memorial no. UB6580147.
2. According to the records in the relevant Land Registry, the property is not subject to any registered mortgage / legal charge.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
7. 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 129/2414th shares of and in Kwai Chung Town Lot No. 305	<p>The property comprises the whole industrial space on 8th floor and a truck parking space on the ground floor of an 18-storey industrial building. The property was completed in 1983.</p> <p>The gross floor area of the property is approximately 13,907 square feet (1,291.99 sq.m.) and the saleable floor area is approximately 12,228 square feet (1,136.01 sq.m.).</p> <p>The property is held under a New Grant No. 5375 for a term extended to 30 June 2047.</p> <p>The current Government Rent payable is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>The property is occupied by the Group as workshop.</p>	<p>HK\$4,520,000</p>

Notes:

1. According to the records in the relevant Land Registry, the registered owner of the property is Kingdom Wise Limited, a wholly-owned subsidiary of the Company, registered memorial no. TW1375129.
2. According to the records in the relevant Land Registry, the property is not subject to any registered mortgage / legal charge.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
8. 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 133/2414th shares of and in Kwai Chung Town Lot No. 305	<p>The property comprises the whole industrial space on 9th floor, a car parking space, truck parking space and a container parking space on the ground floor of an 18-storey industrial building. The property was completed in 1983.</p> <p>The gross floor area of the property is approximately 13,907 square feet (1,291.99 sq.m.) and the saleable floor area is approximately 12,228 square feet (1,136.01 sq.m.).</p> <p>The property is held under a New Grant No. 5375 for a term extended to 30 June 2047.</p> <p>The current Government Rent payable is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>The property is occupied by the Group as workshop.</p>	<p>HK\$5,340,000</p>

Notes:

1. According to the records in the relevant Land Registry, the registered owner of the property is Saint Honore Cake Shop Limited, a wholly-owned subsidiary of the Company, registered memorial nos. TW1170475, TW1188903 and TW1192688.
2. According to the records in the relevant Land Registry, the property is not subject to any registered mortgage / legal charge.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
9. Workshops A and B on 10th Floor and Truck Parking Space No. 21 on Ground Floor Hou Feng Industrial Building Nos. 1–5 Wing Kin Road Kwai Chung New Territories 129/2414th shares of and in Kwai Chung Town Lot No. 305.	<p>The property comprises the whole industrial space on 10th floor and a truck parking space on the ground floor of an 18-storey industrial building. The property was completed in 1983.</p> <p>The gross floor area of the property is approximately 13,907 square feet (1,291.99 sq.m.) and the saleable floor area is approximately 12,228 square feet (1,136.01 sq.m.).</p> <p>The property is held under a New Grant No. 5375 for a term extended to 30 June 2047.</p> <p>The current Government Rent payable is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>The property is occupied by the Group as workshop.</p>	<p>HK\$4,520,000</p>

Notes:

1. According to the records in the relevant Land Registry, the registered owner of the property is Kingdom Wise Limited, a wholly-owned subsidiary of the Company, registered memorial no. TW1564286.
2. According to the records in the relevant Land Registry, the property is not subject to any registered mortgage / legal charge.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
10. 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	<p>The property comprises the whole industrial space on 11th floor, a truck parking space and a car parking space on the ground floor of an 18-storey industrial building. The property was completed in 1983.</p> <p>The gross floor area of the property is approximately 13,907 square feet (1,291.99 sq.m.) and the saleable floor area is approximately 12,228 square feet (1,136.01 sq.m.).</p>	The property is occupied by the Group as workshop.	HK\$4,870,000
130/2414th shares of and in Kwai Chung Town Lot No. 305	<p>The property is held under a New Grant No. 5375 for a term extended to 30 June 2047.</p> <p>The current Government Rent payable is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>		

Notes:

1. According to the records in the relevant Land Registry, the registered owner of the property is Kingdom Wise Limited, a wholly-owned subsidiary of the Company, registered memorial nos. TW976125 and TW974450.
2. According to the records in the relevant Land Registry, the property is not subject to any registered mortgage / legal charge.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
11. Shop No. 2 of Unit 2 on Level (Site 1) 26 of Commercial Development Sceneway Garden No. 8 Sceneway Road Lam Tin Kowloon 876/2410th of 2410/6111133rd of 80000/100000th shares of and in New Kowloon Inland Lot No. 6046	<p>The property comprises a shop unit on the Level 26 (also known as L3) of the commercial development of Sceneway Garden. The property was completed in 1991.</p> <p>The saleable floor area of the property is approximately 2,293 square feet (213.02 sq.m.).</p> <p>The property is held under a Conditions of Grant No. 12034 commencing from 24 January 1989 until 30 June 2047.</p> <p>The current Government Rent payable is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>The property is occupied by the Group as shop.</p>	<p>HK\$28,000,000</p>

Notes:

1. According to the records in the relevant Land Registry, the registered owner of the property is Bliset Investment Limited, a wholly-owned subsidiary of the Company, registered memorial no. UB8265263.
2. According to the records in the relevant Land Registry, the property is not subject to any registered mortgage / legal charge.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
12. Shop C on Ground Floor and Cockloft Kou Wang 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 1970's.</p> <p>The saleable floor area of the property is approximately 1,066 square feet (98.99 square metres).</p> <p>The property is freehold premises.</p>	The property is occupied by the Group as shop.	HK\$12,100,000

Note:

According to the records in the relevant Land Registry, the registered owner of the property is Pastelarias Santa Ana (Macau), Limitada (also known as Saint Anna Cake Shop (Macau) Limited), a wholly-owned subsidiary of the Company.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
13. Unit E and F on 2nd Floor Edf. Industrial Nam Fong Nos. 354-408 Rua Dos Pescadores Macau	<p>The property comprises two industrial units on the 2nd floor of a 15-storey industrial building completed in 1970's.</p> <p>The saleable floor area of the property is approximately 10,044.1 square feet (933.12 square metres).</p> <p>The land use rights of the property were granted for a term of 10 years commencing from 29 November 2002.</p>	The property is occupied by the Group as workshop.	HK\$4,000,000

Note:

According to the records in the relevant Land Registry, the registered owner of the property is Pastelarias Santa Ana (Macau), Limitada (also known as Saint Anna Cake Shop (Macau) Limited), a wholly-owned subsidiary of the Company.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
14. D-14- R/C Edf. Mau Tan Nos. 45-49 Rua Dois Bairro Iao Hon Macau	<p>The property comprises a commercial unit on the ground floor of a 6-storey composite building completed in 1978.</p> <p>The saleable floor area of the property is approximately 572 square feet (53.18 square metres).</p> <p>The land use right of the property was granted for a term of 10 years commencing from 20 March 2003.</p>	The property is occupied by the Group as shop.	HK\$4,100,000

Note:

According to the records in the relevant Land Registry, the registered owner of the property is Pastelarias Santa Ana (Macau), Limitada (also known as Saint Anna Cake Shop (Macau) Limited), a wholly-owned subsidiary of the Company.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
15. BR/C Centro Industrial Kek Seng No. 19 Rua Cinco Bairro da Areia Preta Macau	<p>The property comprises a commercial unit on the ground floor of a 15-storey composite building completed in 1980's.</p> <p>The saleable floor area of the property is approximately 2,056 square feet (191 square metres).</p> <p>The land use rights of the property were granted for a term of 10 years from 4 September 1998 and extended to 3 September 2008.</p>	The property is occupied by the Group as shop.	HK\$8,200,000

Note:

According to the records in the relevant Land Registry, the registered owner of the property is Pastelarias Santa Ana (Macau), Limitada (also known as Saint Anna Cake Shop (Macau) Limited), a wholly-owned subsidiary of the Company.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
16. Level 1 to level 5 of Block B4 Heng Feng Industrial Zone Xixiang Town Baoan District Shenzhen Guangdong Province the PRC	<p>The property comprises the whole level 1 to level 5 of a 6-storey industrial building completed in about 1993.</p> <p>The property has a gross floor area of approximately 5,946.10 square metres.</p> <p>The land use rights of the property were granted for a term of 50 years expiring on 7 October 2040.</p>	The property is currently occupied by the Group for bakery workshop and storage purposes.	HK\$12,190,000

Notes:

1. As stipulated in the 5 sets of Real Estate Title Certificate issued by the Shenzhen People's Government set out below, the property is held by Saint Honore Cake Shop Limited (聖安娜餅屋有限公司), a wholly-owned subsidiary of the Company:

Unit no.	Certificate Shen Fang Di Zi Di No.	Purchase date	Registered purchase price HK\$	Gross floor area
B4-Level 1	5000033006	14 Sept 2000	2,017,325	1,179.30 sq.m.
B4-Level 2	7223988	12 Nov 1997	1,817,067	1,191.70 sq.m.
B4-Level 3	7223992	12 Nov 1997	1,720,158	1,191.70 sq.m.
B4-Level 4	7223993	12 Nov 1997	1,720,158	1,191.70 sq.m.
B4-Level 5	7223989	12 Nov 1997	1,720,158	1,191.70 sq.m.
		Total:	<u>8,994,866</u>	<u>5,946.10 sq.m.</u>

2. The legal opinion from the PRC legal adviser to the Company on the property is summarized as follows:
- 2.1 the land use rights and building ownership rights in the property are held by Saint Honore Cake Shop Limited (聖安娜餅屋有限公司). The land use rights are held for a term of 50 years commencing on 8 October 1990 and expiring on 7 October 2040;
 - 2.2 the property can be freely transferred, mortgaged or leased to any third party without payment of any land premium or other substantial government fee;
 - 2.3 the permitted use of the property is industrial; and
 - 2.4 up to the date of the PRC legal opinion, all title documents to the property have not been amended or changed by the PRC Government and any PRC court.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
17. Level 6 of Block B4 Heng Feng Industrial Zone Xixiang Town Baoan District Shenzhen Guangdong Province the PRC	<p>The property comprises the whole level 6 of a 6-storey industrial building completed in about 1993.</p> <p>The property has a gross floor area of approximately 1,191.7 sq.m.</p> <p>The land use rights of the property were granted for a term of 50 years and expire on 7 October 2040.</p>	The property is currently occupied by the Group for bakery workshop and storage purposes.	HK\$2,503,000

Notes:

1. As stipulated in the Real Estate Title Certificate Shen Fang Di Zi Di No.5000029957 issued by the Shenzhen People's Government on 15 June 2000 set out below, the property is held by Saint Honore Cake Shop (Shenzhen) Limited (聖安娜餅屋(深圳)有限公司), a wholly-owned subsidiary of the Company.

Unit no.	Certificate Shen Fang Di Zi Di No.	Purchase date	Purchase price <i>RMB</i>	Gross floor area
B4-Level 6	5000029957	15 June 2000	1,000,000	1,191.70 sq.m.

2. The legal opinion from the PRC legal adviser to the Company on the property is summarized as follows:
- 2.1 the land use rights and building ownership rights in the property are held by Saint Honore Cake Shop (Shenzhen) Limited (聖安娜餅屋(深圳)有限公司). The land use rights are held for a term of 50 years commencing on 8 October 1990 and expiring on 7 October 2040;
 - 2.2 the property can be freely transferred, mortgaged or leased to any third party without payment of any land premium or other substantial government fee;
 - 2.3 the permitted use of the property is industrial; and
 - 2.4 up to the date of the PRC legal opinion, all title documents to the property have not been amended or changed by the PRC Government and any PRC court.
 - 2.5 Saint Honore Cake Shop (Shenzhen) Limited (聖安娜餅屋(深圳)有限公司) was issued a business license (reference no. 1022405) on 19 January 2006 and the business license is valid and has full force.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
18. Level 1 of Block B2 Heng Feng Industrial Zone Xixiang Town Baoan District Shenzhen Guangdong Province the PRC	<p>The property comprises the whole level 1 of a 6-storey industrial building completed in about 1992.</p> <p>The property has a gross floor area of approximately 1,179.3 sq.m.</p> <p>The land use rights of the property were granted for a term of 50 years and expire on 7 October 2040.</p>	The property is currently occupied by the Group for bakery workshop and storage purposes.	HK\$2,477,000

Notes:

1. As stipulated in the Real Estate Title Certificate Shen Fang Di Zi Di No.5000039922 issued by the Shenzhen People's Government on 23 February 2001 set out below, the property is held by Saint Honore Cake Shop (Shenzhen) Limited (聖安娜餅屋(深圳)有限公司), a wholly-owned subsidiary of the Company.

Unit no.	Certificate Shen Fang Di Zi Di No.	Purchase date	Purchase price HK\$	Gross floor area
B2-Level 1	5000039922	23 Feb 2001	1,450,000	1,191.70 sq.m.

2. The legal opinion from the PRC legal adviser to the Company on the property is summarized as follows:
- 2.1 the land use rights and building ownership rights in the property are held by Saint Honore Cake Shop (Shenzhen) Limited (聖安娜餅屋(深圳)有限公司). The land use rights are held for a term of 50 years commencing on 8 October 1990 and expiring on 7 October 2040;
 - 2.2 the property can be freely transferred, mortgaged or leased to any third party without payment of any land premium or other substantial government fee;
 - 2.3 the permitted use of the property is industrial; and
 - 2.4 up to the date of the PRC legal opinion, all title documents to the property have not been amended or changed by the PRC Government and any PRC court.
 - 2.5 Saint Honore Cake Shop (Shenzhen) Limited (聖安娜餅屋(深圳)有限公司) was issued a business license (reference no. 1022405) on 19 January 2006 and the business license is valid and has full force.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
19. Level 1 to Level 8 of Block C1 Heng Feng Industrial Zone Xixiang Town Baoan District Shenzhen Guangdong Province the PRC	The property comprises 8 units on the 1st to 8th floor of a 8-storey industrial building completed in about 1995. The property has a total gross floor area of approximately 9,496 sq.m. The land use rights of the property were granted for a term of 50 years and expire on 7 October 2040.	The property is currently occupied by the Group for bakery workshop and storage purposes	HK\$18,990,000

Notes:

1. As stipulated in the 8 sets of Real Estate Title Certificate issued by the Shenzhen People's Government set out below, the property is held by Saint Honore Cake Shop (Shenzhen) Limited (聖安娜餅屋(深圳)有限公司), a wholly-owned subsidiary of the Company.

Unit no.	Certificate Shen Fang Di Zi Di No.	Purchase date	Purchase price <i>RMB</i>	Gross floor area
102	5000146880	18 Jan 2005	1,326,990	994.00 sq.m.
202	5000146879	18 Jan 2005	1,633,239	1,223.40 sq.m.
302	5000146868	18 Jan 2005	1,619,489	1,213.10 sq.m.
402	5000146882	18 Jan 2005	1,619,488	1,213.10 sq.m.
502	5000146866	18 Jan 2005	1,619,489	1,213.10 sq.m.
602	5000146871	18 Jan 2005	1,619,488	1,213.10 sq.m.
702	5000146869	18 Jan 2005	1,619,489	1,213.10 sq.m.
802	5000146878	18 Jan 2005	1,619,488	1,213.10 sq.m.
			<u>12,677,160</u>	<u>9,496.00 sq.m.</u>

2. The legal opinion from the PRC legal adviser to the Company on the property is summarized as follows:
- 2.1 the land use rights and building ownership rights in the property are held by Saint Honore Cake Shop (Shenzhen) Limited (聖安娜餅屋(深圳)有限公司). The land use rights are held for a term of 50 years commencing on 8 October 1990 and expiring on 7 October 2040;
 - 2.2 the property can be freely transferred, mortgaged or leased to any third party without payment of any land premium or other substantial government fee;
 - 2.3 the permitted use of the property is industrial; and
 - 2.4 up to the date of the PRC legal opinion, all title documents to the property have not been amended or changed by the PRC Government and any PRC court.
 - 2.5 Saint Honore Cake Shop (Shenzhen) Limited (聖安娜餅屋(深圳)有限公司) was issued a business license (reference no. 1022405) on 19 January 2006 and the business license is valid and has full force.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2006
20. The Whole Block with 122 units of Block A13 Heng Feng Industrial Zone Xixiang Town Baoan District Shenzhen Guangdong Province the PRC	<p>The property comprises 122 units of a 7-storey industrial building completed in about 2005.</p> <p>The property has a total gross floor area of approximately 4,307.16 sq.m.</p> <p>The land use rights of the property were granted for a term of 50 years and expire on 7 October 2040.</p>	The property is currently occupied by the Group for canteen and dormitory purposes.	HK\$8,830,000

Notes:

1. As stipulated in 122 sets of Real Estate Title Certificate issued by the Shenzhen People's Government on 19 August 2005, 23 August 2005 and 5 September 2005, the property is held by Saint Honore Cake Shop (Shenzhen) Limited (聖安娜餅屋(深圳)有限公司), a wholly-owned subsidiary of the Company.
2. The legal opinion from the PRC legal adviser to the Company on the property is summarized as follows:
 - 2.1 the land use rights and building ownership rights in the property are held by Saint Honore Cake Shop (Shenzhen) Limited (聖安娜餅屋(深圳)有限公司). The land use rights are held for a term of 50 years commencing on 8 October 1990 and expiring on 7 October 2040;
 - 2.2 the property can be freely transferred, mortgaged or leased to any third party without payment of any land premium or other substantial government fee;
 - 2.3 the permitted use of the property is industrial; and
 - 2.4 up to the date of the PRC legal opinion, all title documents to the property have not been amended or changed by the PRC Government and any PRC court.
 - 2.5 Saint Honore Cake Shop (Shenzhen) Limited (聖安娜餅屋(深圳)有限公司) was issued a business license (reference no. 1022405) on 19 January 2006 and the business license is valid and has full force.

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Takeovers Code for the purposes of giving information with regard to the Scheme, the Saint Honore Group and the CRA Group.

The Saint Honore Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document relating to the Saint Honore Group and the Saint Honore Shareholders, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document relating to the Saint Honore Group and the Saint Honore Shareholders have been arrived at after due and careful consideration and there are no other facts not contained in this document relating to the Saint Honore Group and the Saint Honore Shareholders, the omission of which would make any statement relating to the Saint Honore Group and the Saint Honore Shareholders contained in this document misleading.

2. MARKET PRICES

- (a) The lowest and highest closing prices per Saint Honore Share as quoted on the Stock Exchange during the period from 18 May 2006, being the date which is six months prior to the Announcement Date, up to the Latest Practicable Date were HK\$1.81 on 5 October 2006 and HK\$2.95 on 23 November 2006 respectively.
- (b) The table below sets out the closing prices of the Saint Honore Shares on the Stock Exchange (i) on the last trading day of each of the calendar months during the period commencing six months immediately preceding the Announcement Date and ending on the Latest Practicable Date, (ii) on the Saint Honore Last Trading Day, and (iii) on the Latest Practicable Date on which trading of the Saint Honore Shares took place:

	Closing price per Saint Honore Share (HK\$)
30 May 2006	1.98
30 June 2006	1.94
31 July 2006	1.93
31 August 2006	1.85
29 September 2006	1.88
31 October 2006	1.83
13 November 2006	2.05
30 November 2006	2.87
Latest Practicable Date	2.91

3. DISCLOSURE OF INTERESTS

(a) Saint Honore Director's interests and short positions in the shares and underlying shares of Saint Honore and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Saint Honore Directors in the shares and underlying shares of Saint Honore and its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed under the Takeovers Code and/or notified to Saint Honore and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or the Model Code for Securities Transactions by Saint Honore Directors of Listed Companies and which were required to be entered into the register required to be kept under Section 352 of the SFO were as follows:

Long position in the shares and underlying shares of:

(1) Saint Honore

Names of Saint Honore Directors	Personal interest	Family interest	Trust interest	Total number of Saint Honore Shares interested or deemed to be interested (long position)
Chan Wai Cheung, Glenn	–	–	155,223,250 (note a)	155,223,250
Chan King Catherine	–	155,223,250 (note a)	–	155,223,250
Chan Ka Lai, Joseph	182,000	2,000	155,223,250 (note a)	155,407,250
Chan Ka Shun, Raymond	962,500	–	155,223,250 (note a)	156,185,750
Chan Wong Man Li, Carrina	206,000	–	–	206,000

(2) Hong Kong Catering

Chan Wai Cheung, Glenn	–	–	197,426,089 (note b)	197,426,089
Chan King Catherine	–	197,426,089 (note b)	–	197,426,089
Chan Ka Lai, Joseph	4,271,097	16,000	197,426,089 (note b)	201,713,186
Chan Ka Shun, Raymond	650,000	–	197,426,089 (note b)	198,076,089

Notes:

- (a) WPC is directly holding 37,195,152 Saint Honore Shares and has a deemed interest in the 118,028,098 Saint Honore Shares held by Hong Kong Catering through its wholly-owned subsidiary, Albion Agents Limited (“Albion”). Mr. Chan Wai Cheung, Glenn is interested in these Saint Honore Shares in the capacity as founder of the family trust that owns WPC. Mrs. Chan King Catherine, being the spouse of Mr. Chan Wai Cheung, Glenn, Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond, being the eligible beneficiaries of this trust, are also deemed to be interested in these Saint Honore Shares held by WPC.
- (b) The shares of Hong Kong Catering are held by WPC. Mr. Chan Wai Cheung, Glenn, being the founder of the trust which owns WPC has a trust interest in these shares. Mrs. Chan King Catherine, being the spouse of Mr. Chan Wai Cheung, Glenn, Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond, being the eligible beneficiaries of this trust, are also deemed to be interested in these shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Saint Honore Directors had any interests or short positions in any securities of Saint Honore or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed under the Takeovers Code and/or notified to Saint Honore and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or the Model Code for Securities Transactions by Saint Honore Directors of Listed Companies and which were required to be entered into the register required to be kept under Section 352 of the SFO.

(b) Interests and short positions of substantial Saint Honore Shareholders and other persons required to be disclosed under the SFO

As at the Latest Practicable Date, so far as is known to the Saint Honore Directors or chief executive of Saint Honore, the following persons (other than a Saint Honore Director or chief executive of Saint Honore) had, or were deemed or taken to have, an interest or short position in the securities of Saint Honore which would fall to be disclosed to Saint Honore and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Names of substantial Saint Honore Shareholders	Saint Honore Shares held	Approximate percentage of shareholding %
Albion	118,028,098	55.1
HK Catering (<i>note a</i>)	118,028,098	55.1
WPC (<i>note b</i>)	155,223,250	72.5
DJE Investment S.A. (<i>note c</i>)	15,584,000	7.3

Notes:

- (a) Hong Kong Catering has a deemed interest in the 118,028,098 Saint Honore Shares held through its wholly-owned subsidiary, Albion.
- (b) WPC directly holds 37,195,152 Saint Honore Shares and together with the deemed interest in the 118,028,098 Saint Honore Shares held through Hong Kong Catering and Albion has a total interest in 155,223,250 Saint Honore Shares.
- (c) DJE Investment S.A. is 81% controlled by Dr. Jens Ehrhardt Kapital AG which in turn is 68.5% controlled by Dr. Jens Alfred Karl Ehrhardt.

- (c) Save as disclosed above, the Saint Honore Directors and chief executive of Saint Honore were not aware of any persons who had an interest or short position in the securities of Saint Honore which would fall to be disclosed to Saint Honore and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.
- (d) Save as disclosed above, none of the Saint Honore Directors had interests in any Saint Honore Shares, warrants, options, derivatives or convertible securities in Saint Honore as at the Latest Practicable Date.
- (e) As at the Latest Practicable Date, save for WPC, no person (including the Saint Honore Directors) who owned or controlled Saint Honore Shares and/or convertible securities, warrants, options or derivatives in respect of the Saint Honore Shares had irrevocably committed himself, herself or itself to vote in favour of or against the proposed resolution in respect of the Scheme at the Court Meeting and at the Special General Meeting.
- (f) As at the Latest Practicable Date, save for Mr. Chan Wai Cheung, Glenn who is the founder of the family trust that owns WPC (which had given the Irrevocable Undertaking), Mrs. Chan King Catherine, being the spouse of Mr. Chan Wai Cheung, Glenn, and Mr. Chan Kai Lai, Joseph and Mr. Chan Ka Shun, Raymond, being the eligible beneficiaries of such trust, no Saint Honore Directors who owned or controlled Saint Honore Shares and/or convertible securities, warrants, options or derivatives in respect of the Saint Honore Shares intended, in respect of their own beneficial shareholdings, to accept or reject the Proposal.
- (g) As at the Latest Practicable Date, neither Saint Honore nor any of the Saint Honore Directors was interested in any CRA Shares, warrants, options, derivatives or convertible securities in CRA.
- (h) As at the Latest Practicable Date, no subsidiary of Saint Honore, or any pension fund of Saint Honore or of any other member of the Saint Honore Group or any adviser to Saint Honore as specified in class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders) owned or controlled any Saint Honore Shares, CRA Shares, or convertible securities, warrants, options or derivatives in respect of Saint Honore Shares and/or CRA Shares.
- (i) As at the Latest Practicable Date, no shareholding in Saint Honore or CRA was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with Saint Honore.
- (j) As at the Latest Practicable Date, neither Saint Honore nor any of its associates by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person.
- (k) None of the Saint Honore Directors have since 31 March 2006, being the date to which the latest published audited financial statements of Saint Honore were made up, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Saint Honore Group, or are proposed to be acquired or disposed of by or leased to any member of the Saint Honore Group.

- (I) None of the Saint Honore Directors was materially interested in any contract or arrangement entered into by any member of the Saint Honore Group subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Saint Honore Group taken as a whole.

4. SHARE CAPITAL

(a) Authorised and issued share capital

The authorised and issued share capital of Saint Honore 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
<i>Issued and fully paid or credited as fully paid:</i>	
214,157,000 ordinary shares of HK\$0.10 each	21,415,700

Since 31 March 2006 (being the date to which the latest audited consolidated financial statements of the Saint Honore Group were made) and up to the Latest Practicable Date, a total of 800,000 Saint Honore Shares have been issued as a result of exercise of the outstanding options granted by Saint Honore pursuant to its share option scheme. All the issued Saint Honore Shares rank *pari passu* with each other in all respects including the right as to dividends, voting rights and right on return of capital.

(b) Share options

As at the Latest Practicable Date, there was no options granted under the share option scheme of Saint Honore remained outstanding.

5. DEALING IN SECURITIES OF SAINT HONORE AND CRA

During the period beginning from six months prior to the Announcement Date and ended on the Latest Practicable Date:–

- (a) save for Mr. Chan Ka Shun, Raymond who exercised his remaining share options granted by Saint Honore under its share option scheme and subscribed for 800,000 Saint Honore Shares on 3 November 2006, none of the Saint Honore Directors had dealt for value in any Saint Honore Shares and/or convertible securities, warrants, options or derivatives in respect of the Saint Honore Shares;
- (b) none of the Saint Honore Directors had dealt for value in any CRA Shares and/or convertible securities, warrants, options or derivatives in respect of the CRA Shares;

- (c) none of Saint Honore, the subsidiaries of Saint Honore, any pension funds of Saint Honore or of any of its subsidiaries or advisers to Saint Honore as specified in class (2) of the definition of “associate” under the Takeovers Code, had dealt for value in any Saint Honore Shares, CRA Shares and/or convertible securities, warrants, options or derivatives in respect of the Saint Honore Shares and/or the CRA Shares;
- (d) no fund managers (other than exempted fund managers) connected with Saint Honore and who managed funds on a discretionary basis connected with Saint Honore had dealt for value in any Saint Honore Shares, CRA Shares and/or convertible securities, warrants, options or derivatives in respect of the Saint Honore Shares and/or the CRA Shares;
- (e) WPC, which has given the Irrevocable Undertaking to CRA, had a direct interest in 37,195,152 Saint Honore Shares and was deemed to be interested in 118,028,098 Saint Honore Shares through Hong Kong Catering;
- (f) WPC did not have any interests in CRA Shares, any other equity share capital of CRA, securities of CRA which carry substantially the same rights as CRA Shares, or convertible securities, warrants, options and derivatives in respect of any of them; and
- (g) WPC did not deal for value in any Saint Honore Shares or any other securities of Saint Honore which carry voting rights and convertible securities, warrants, options and derivatives in respect of any of them or CRA Shares, any other equity share capital of CRA, securities of CRA which carry substantially the same rights as CRA Shares, or convertible securities, warrants, options and derivatives in respect of any of them.

6. LITIGATION

As at the Latest Practicable Date, none of Saint Honore or any of its subsidiaries was engaged in any litigation or arbitration of material importance and, so far as the Saint Honore Directors are aware, no litigation or arbitration of material importance is pending or threatened by or against Saint Honore or any of its subsidiaries.

7. 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 Saint Honore Group within the two years immediately preceding the Announcement Date and up to and including the Latest Practicable Date which were or might be material.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Saint Honore Directors had entered into any service contract with any member of the Saint Honore Group or any associated company of Saint Honore which:–

- (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the Announcement Date;

- (ii) were continuous contracts with a notice period of 12 months or more; or
- (iii) were fixed term contracts with more than 12 months to run irrespective of the notice period.

9. EXPERTS

The following are the qualifications of each of the experts who have been named in this document or given their opinion or advice which are contained in this document:

Name	Qualification
Somerley	Independent financial adviser to the Saint Honore Independent Board Committee and a licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
Henrique Saldanha, Advogados & Notários	Legal advisers on Macau law
Hills & Co.	Legal advisers on PRC law
RHL Appraisal Ltd.	Independent property valuers

As at the Latest Practicable Date, each of the above experts:

- (i) was not interested, directly or indirectly in any assets which have been acquired or disposed of by or leased to Saint Honore and CRA since 31 March 2006 and 31 December 2005 respectively, being the respective dates to which the latest published audited financial statements of Saint Honore and CRA were made up; and
- (ii) did not have any shareholding interest in any member of the Saint Honore Group and of the CRA Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Saint Honore Group and of the CRA Group.

10. CONSENT

Each of Somerley, Henrique Saldanha, Advogados & Notários, Hills & Co and RHL Appraisal Ltd. has given and has not withdrawn its written consent to the issue of this document with the inclusion in this document of the text of its letter and references to its names, in the form and context in which it is included.

11. MISCELLANEOUS

- (a) None of the Saint Honore Directors will be given any benefit as compensation for loss of office or otherwise in connection with the Scheme.
- (b) There is no agreement or arrangement or understanding (including any compensation arrangement) between any of the Saint Honore Directors and any other person (on the other part) which is conditional on or dependence upon the outcome of the Scheme.

- (c) The registered office of Saint Honore 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 5th Floor, Express Industrial Building, 43 Heung Yip Road, Wong Chuk Hang, Hong Kong.
- (d) The registered office of AMS is at 20th Floor, Hong Kong Diamond Exchange Building, 8-10 Duddell Street, Central, Hong Kong.
- (e) The registered office of Somerley is at 10th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong.
- (f) The secretary of Saint Honore is Ms. Wong Tsui Yue, Lucy who is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Accountants in Australia.
- (g) The qualified accountant of Saint Honore is Mr. Chan Kin Kong, Allan who is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (h) Saint Honore's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, whose registered office is at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (i) As at the Latest Practicable Date, there was no material contract entered into by CRA in which any of the Saint Honore Directors had a material personal interest.
- (j) The ultimate controlling Saint Honore Shareholder is WPC.
- (k) All time references contained in this document refer to Hong Kong time.
- (l) The English language texts of this document, the pink form of proxy, the white form of proxy and the Election Form enclosed shall prevail over their respective Chinese language texts.
- (m) This document together with the documents as set out in Appendix VII to this document will be displayed on Saint Honore's website at www.sthonore.com and on the website of the SFC at www.sfc.hk until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier.

1. RESPONSIBILITY STATEMENT

The issue of this document has been approved by the CRA Directors who jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than that for which the Saint Honore Directors have taken the responsibilities as described in this document) and the CRA Directors confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than that for which the Saint Honore Directors have taken the responsibilities as described in this document) have been arrived at after due and careful consideration and there are no other facts not contained in this document, the omission of which would make any statement in this document (other than that for which the Saint Honore Directors have taken the responsibilities as described in this document) misleading.

2. MARKET PRICES

The CRA Shares are traded on GEM.

The table below shows the respective closing prices of the CRA Shares on GEM (i) on the last trading day of each of the calendar months during the period commencing six months preceding the Announcement Date and ending on the Latest Practicable Date, (ii) on the CRA Last Trading Day, and (iii) on the Latest Practicable Date.

Date	Closing price per CRA Share HK\$
30 May 2006	3.00
30 June 2006	2.80
31 July 2006	2.95
31 August 2006	2.86
29 September 2006	3.05
31 October 2006	2.98
14 November 2006	2.95
30 November 2006	3.21
Latest Practicable Date	3.11

The lowest and highest closing prices per CRA Share recorded on GEM during the period from 18 May 2006, being the date which is six months prior to the Announcement Date, up to the Latest Practicable Date were respectively HK\$2.73 on 16, 19, 20 and 21 June 2006 and HK\$3.78 on 22 November 2006.

3. DISCLOSURE OF INTERESTS

For the purpose of this paragraph, the “Disclosure Period” means the period beginning from six months prior to the Announcement Date and ended on the Latest Practicable Date, both dates inclusive, “interested” and “interests” have the same meanings as ascribed thereto in Part XV of the SFO, “CRA Shareholdings” means CRA Shares and any other equity share capital of CRA, securities of CRA which carry substantially the same rights as CRA Shares, and convertible securities, warrants, options and derivatives in respect of any of them, and “Saint Honore Shareholdings” means Saint Honore Shares and any other securities of Saint Honore which carry voting rights, and convertible securities, warrants, options and derivatives in respect of any of them.

(a) Holdings, interests and dealings in Saint Honore Shareholdings and CRA Shareholdings*(1) Holdings and interests in Saint Honore Shareholdings*

As at the Latest Practicable Date:

- (i) None of the CRA Directors had any interests in Saint Honore Shareholdings.
- (ii) Neither CRA nor any parties acting in concert with CRA (other than HSBC and members of its group as referred to in paragraph (1)(iii) below) owned or controlled any Saint Honore Shareholdings.
- (iii) Save for the Saint Honore Shareholdings being owned or controlled on a non-discretionary basis, none of HSBC or members of its group (other than exempt fund managers) had any interests in Saint Honore Shareholdings.

(2) Holdings and interests in CRA Shareholdings

As at the Latest Practicable Date:

- (i) The following CRA Directors had the following interests in CRA Shares:

Name of CRA Director	Number of CRA Shares				Total	Number of Options of CRA
	Personal interests	Family interests	Corporate interests	Other interests		
Dr. Fung Kwok King, Victor	-	-	373,692,000 <i>(Note 1)</i>	-	373,692,000	-
Dr. Fung Kwok Lun, William	-	-	373,692,000 <i>(Note 1)</i>	-	373,692,000	-
Mr. Yeung Lap Bun, Richard	17,896,000	-	-	-	17,896,000	1,300,000 <i>(Note 2)</i>
Mr. Li Kwok Ho, Bruno	2,676,000	-	-	-	2,676,000	250,000 <i>(Note 3)</i>
Ms. Wong Yuk Nor, Louisa	1,338,000	-	-	-	1,338,000	250,000 <i>(Note 4)</i>
Dr. Ch'ien Kuo Fung, Raymond	1,000,000	-	-	-	1,000,000	-
Mr. Jeremy Paul Egerton Hobbins	180,000	-	-	-	180,000	-

Notes:

1. King Lun Holdings Limited (“King Lun”) through its indirect wholly owned subsidiary, Li & Fung (Retailing) Limited (“LFR”) (a wholly-owned subsidiary of Li & Fung (1937) Limited (“LF (1937)”)) held 373,692,000 CRA Shares. 1,332,840 shares in King Lun, representing 50% of its issued share capital, are owned by J.P. Morgan Trust Company (Jersey) Limited, the trustee of a trust established for the benefit of the family members of Dr. Fung Kwok King, Victor. The remaining 50% of King Lun is owned by Dr. Fung Kwok Lun, William.
2. On 24 May 2002, Mr. Yeung Lap Bun, Richard was granted share options to subscribe for 1,300,000 CRA Shares pursuant to the share option scheme of CRA. The options are exercisable at a subscription price of HK\$2.785 per CRA Share during the period from 24 May 2003 to 23 May 2007. No relevant share options have been exercised.
3. On 24 May 2002, Mr. Li Kwok Ho, Bruno was granted share options to subscribe for 250,000 CRA Shares pursuant to the share option scheme of CRA. The options are exercisable at a subscription price of HK\$2.785 per CRA Share during the period from 24 May 2003 to 23 May 2007. No relevant share options have been exercised.
4. On 24 May 2002, Ms. Wong Yuk Nor, Louisa was granted share options to subscribe for 250,000 CRA Shares pursuant to the share option scheme of CRA. The options are exercisable at a subscription price of HK\$2.785 per CRA Share during the period from 24 May 2003 to 23 May 2007. No relevant share options have been exercised.

Save as disclosed above, none of the parties acting in concert with CRA (including CRA Directors but for this purpose other than HSBC and members of its group as referred to in paragraph (2)(ii) below) had any interests in CRA Shareholdings as at the Latest Practicable Date.

- (ii) Save for the CRA Shareholdings being owned or controlled on a non-discretionary basis, none of HSBC or members of its group (other than exempt fund managers) had any interests in CRA Shareholdings.

(3) *Dealings in Saint Honore Shareholdings*

- (i) None of the CRA Directors have dealt for value in any Saint Honore Shareholdings during the Disclosure Period.
- (ii) Neither CRA nor any parties acting in concert with CRA (other than HSBC and members of its group as referred to in paragraph 3 (iii) below) have dealt for value in any Saint Honore Shareholdings during the Disclosure Period.
- (iii) Save for dealings on an agency or non-discretionary basis, none of HSBC or members of its group (other than exempt fund managers) have dealt for value in Saint Honore Shareholdings during the Disclosure Period.

(4) *Dealings in CRA Shareholdings*

- (i) None of the CRA Directors have dealt for value in any CRA Shareholdings during the Disclosure Period.

- (ii) Neither CRA nor any parties acting in concert with CRA (other than HSBC and members of its group as referred to in paragraph 4(iii) below) has dealt for value in any CRA Shareholdings during the Disclosure Period.
- (iii) Save for dealings on an agency or non-discretionary basis, none of HSBC or members of its group (other than exempt fund managers) have dealt for value in CRA Shareholdings during the Disclosure Period.
- (5) No arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and CRA or any person acting in concert with CRA.
- (6) No interest in Saint Honore Shareholdings or CRA Shareholdings was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with CRA.
- (7) Apart from the Irrevocable Undertaking, no person had irrevocably committed to accept or reject the Proposal.

(b) Other interests

As at the Latest Practicable Date:

- (i) no benefit was to be given by CRA to any Saint Honore Director as compensation for loss of office or otherwise in connection with the Proposal;
- (ii) save for the Irrevocable Undertaking, no agreement, arrangement or understanding (including any compensation arrangement) existed between CRA or any person acting in concert with CRA and any Saint Honore Director, recent Saint Honore Director, Saint Honore Shareholder or recent Saint Honore Shareholder having any connection with or dependent upon the Proposal; and
- (iii) CRA is not a party to any agreements or arrangements which relate to the circumstances in which it may or may not invoke or seek to invoke any of the conditions to the Proposal.

(c) CRA Shares repurchased

During the period from 31 December 2005 to the Latest Practicable Date, CRA did not repurchase any CRA Shares.

4. SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of CRA was HK\$200,000,000 divided into 2,000,000,000 CRA Shares of HK\$0.10 each. The issued share capital of CRA as at the Latest Practicable Date was HK\$67,714,200 divided into 677,142,000 CRA Shares of HK\$0.10 each. During the period from 31 December 2005 to the Latest Practicable Date, 3,474,000 CRA Shares were issued.

Each of the CRA Shares ranks pari passu in all respects, including dividends, voting rights and capital.

As at the Latest Practicable Date, other than the following share options convertible into 11,756,000 CRA Shares, which were granted under the existing share option scheme of CRA, CRA did not have any outstanding warrants, derivatives or other convertible securities outstanding:

Exercise period	Exercise price (HK\$)	No. of options
Options granted to continuous contract employees		
24 May 2003 to 23 May 2007	HK\$2.785	1,614,000
24 May 2004 to 23 May 2007	HK\$2.785	464,000
23 September 2003 to 22 September 2007	HK\$2.15	50,000
23 September 2004 to 22 September 2007	HK\$2.15	28,000
20 May 2004 to 19 May 2008	HK\$1.69	826,000
20 May 2005 to 19 May 2008	HK\$1.69	348,000
30 September 2004 to 29 September 2008	HK\$2.225	20,000
30 September 2005 to 29 September 2008	HK\$2.225	108,000
29 March 2005 to 28 March 2009	HK\$2.535	512,000
29 March 2006 to 28 March 2009	HK\$2.535	58,000
6 August 2005 to 5 August 2009	HK\$2.40	84,000
6 August 2006 to 5 August 2009	HK\$2.40	290,000
4 May 2006 to 3 May 2010	HK\$2.86	758,000
4 May 2007 to 3 May 2010	HK\$2.86	416,000
14 September 2006 to 13 September 2010	HK\$2.53	2,054,000
14 September 2007 to 13 September 2010	HK\$2.53	172,000
10 March 2007 to 9 March 2011	HK\$2.905	908,000
10 March 2008 to 9 March 2011	HK\$2.905	614,000
29 August 2007 to 28 August 2011	HK\$2.93	440,000
29 August 2008 to 28 August 2011	HK\$2.93	192,000
Options granted to CRA Directors		
24 May 2003 to 23 May 2007	HK\$2.785	1,800,000

During the two financial years preceding the Announcement Date, no re-organisation of capital of CRA has taken place.

5. MATERIAL CONTRACTS

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

6. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the CRA Group was engaged in litigation or arbitration of material importance and, so far as the CRA Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the CRA Group.

7. MISCELLANEOUS

- (a) The emoluments of the CRA Directors will not be affected by the Scheme or by any other associated transactions.
- (b) CRA was incorporated in the Cayman Islands under the Companies Law on 23 October 2000. Its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the head office and principal place of business of CRA in Hong Kong is at 12th Floor LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong. The CRA Directors are Mr. Yeung Lap Bun, Richard, Mr. Li Kwok Ho, Bruno, Dr. Fung Kwok King, Victor, Dr. Fung Kwok Lun, William, Mr. Godfrey Ernest Scotchbrook, Mr. Jeremy Paul Egerton Hobbins, Ms. Wong Yuk Nor, Louisa, Dr. Ch'ien Kuo Fung, Raymond, Mr. Au Man Chung, Malcolm and Mr. Lo Kai Yiu, Anthony.
- (c) The principal members of the CRA's concert group include :

CRA Directors

Address

Mr. Yeung Lap Bun, Richard

c/o 12th Floor LiFung Centre,
2 On Ping Street,
Siu Lek Yuen,
Shatin,
New Territories

Mr. Li Kwok Ho, Bruno

c/o 12th Floor LiFung Centre,
2 On Ping Street,
Siu Lek Yuen,
Shatin,
New Territories

Dr. Fung Kwok King, Victor	c/o 13th Floor LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories
Dr. Fung Kwok Lun, William	c/o 13th Floor LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories
Mr. Godfrey Ernest Scotchbrook	c/o 13th Floor LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories
Mr. Jeremy Paul Egerton Hobbins	c/o 13th Floor LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories
Ms. Wong Yuk Nor, Louisa	c/o 13th Floor LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories
Dr. Ch'ien Kuo Fung, Raymond	c/o 13th Floor LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories
Mr. Au Man Chung, Malcolm	c/o 13th Floor LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories
Mr. Lo Kai Yiu, Anthony	c/o 13th Floor LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories

Company	Address
Li & Fung (1937) Limited	11th Floor LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong
Li & Fung Limited	11th Floor LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong
Li & Fung (Retailing) Limited	12th Floor LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories
Li & Fung (Gemini) Limited	c/o 13th Floor LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories
Li & Fung (Distribution) Limited	c/o 13th Floor LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories
Integrated Distribution Services Group Limited	15th Floor LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories

The ultimate holding company of all the aforesaid companies is King Lun Holdings Limited. The controlling shareholders of King Lun Holdings Limited are Dr. Fung Kwok Lun, William and J.P. Morgan Trust Company (Jersey) Limited, the trustee of a trust established for the benefit of the family members of Dr. Fung Kwok King, Victor, and each of them owns 50% of the issued share capital of King Lun Holdings Limited. The directors of King Lun Holdings Limited are Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William.

- (d) The address of HSBC is 1 Queen's Road Central, Hong Kong.
- (e) CRA does not have any intention to transfer, charge or pledge any Saint Honore Shares acquired pursuant to the Scheme to any other person.
- (f) The English text of this document and the forms of proxy shall prevail over the Chinese text.
- (g) Please refer to Appendix VII to this document for the list of documents on display on CRA's website at www.cr-asia.com until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier.

8. CONSENT

Each of HSBC and PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this document with the inclusion therein of its opinions and/or report and the references to its name or opinions in the form and context in which they respectively appear.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at 5th Floor, Express Industrial Building 43 Heung Yip Road, Wong Chuk Hang, Hong Kong from 9:00 a.m. to 5:00 p.m. on any weekday (public holidays excepted) and on the website of Saint Honore at www.sthonore.com, the website of CRA at www.cr-asia.com and the website of the SFC at www.sfc.hk until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is the earliest:

- (a) the memorandum of association and bye-laws of Saint Honore;
- (b) the memorandum and articles of association of CRA;
- (c) the letter of recommendation from the Saint Honore Independent Board Committee, the text of which is set out on page 20 of this document;
- (d) the letter of recommendation from Somerley, the text of which is set out on pages 21 to 57 of this document;
- (e) the annual reports of Saint Honore for the three financial years ended 31 March 2006;
- (f) the interim report of Saint Honore for the six months ended 30 September 2006;
- (g) the annual reports of CRA for the three financial years ended 31 December 2005;
- (h) the half year report of CRA for the six months ended 30 June 2006;
- (i) the third quarterly report of CRA for the nine months ended 30 September 2006;
- (j) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this document;
- (k) the written consents referred to in the paragraph headed “Consent” in Appendices V and VI to this document;
- (l) the valuation certificates and the associated report from RHL Appraisal Ltd., the text of which is set out in Appendix IV to this document;
- (m) the legal opinion dated 2 January 2007 from Henrique Saldanha, Advogados & Notários on the Saint Honore Group’s properties located in Macau;
- (n) the legal opinion dated 2 January 2007 from Hills & Co. (君道律師事務所) on the Saint Honore Group’s properties located in the PRC; and
- (o) the Irrevocable Undertaking.

SCHEME OF ARRANGEMENT

IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
(Commercial List)

2006: NO. 384

IN THE MATTER OF

SAINT HONORE HOLDINGS LIMITED

and

IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981 (AS AMENDED)

SCHEME OF ARRANGEMENT

between

SAINT HONORE HOLDINGS LIMITED

and

THE HOLDERS OF THE SCHEME SHARES (as defined herein)

PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions shall bear the meanings respectively set opposite them:

“Company”	Saint Honore Holdings Limited, a company incorporated in Bermuda with limited liability;
“Companies Act”	The Companies Act 1981 (as amended) of Bermuda;
“Court”	the Supreme Court of Bermuda;
“Court Meeting”	a meeting of the Saint Honore Shareholders to be convened at the direction of the Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof;
“CRA”	Convenience Retail Asia Limited, a company incorporated in the Cayman Islands with limited liability;

SCHEME OF ARRANGEMENT

“CRA Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of CRA;
“Effective Date”	the date on which this Scheme becomes effective in accordance with paragraph 6 of this Scheme;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, the financial adviser to CRA;
“Independent Board Committee”	an independent committee of the board of directors of the Company comprising Dr. Cheung Wai Lam, William, Dr. Ho Sai Wah, David and Mr. Bingley Wong, all of whom are independent non-executive directors of the Company, established to advise the Saint Honore Shareholders in relation to the Proposal;
“Latest Practicable Date”	29 December 2006, being the latest practicable date prior to the printing of the Scheme Document in which this Scheme is contained for the purposes of ascertaining certain information for inclusion therein;
“Proposal”	the proposal for the takeover of the Company by CRA by way of the Scheme;
“Record Date”	16 February 2007, or such other date as shall have been announced to the Saint Honore Shareholders, being the record date for determining entitlements of the Saint Honore Shareholders under the Scheme;
“Register”	the register of members of the Company;
“Saint Honore Shareholder(s)”	registered holder(s) of Shares;
“Scheme”	this scheme of arrangement between the Company and the Scheme Shareholders in its present form or with or subject to any modification or addition or condition which the Court may approve or impose;
“Scheme Document”	the document dated 2 January 2007 sent by the Company to the Saint Honore Shareholders in connection with this Scheme;
“Scheme Shareholders”	Saint Honore Shareholders whose names appear on the Register on the Record Date;
“Scheme Shares”	all the Shares held by the Scheme Shareholders as at the Record Date;

SCHEME OF ARRANGEMENT

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Special General Meeting”	a special general meeting of the Company to be held immediately after the Court Meeting to consider and, if thought fit, approve, inter alia, the Scheme, or any adjournment thereof;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers; and
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.

- (B) The Company was incorporated on 21 June 2000 in Bermuda under the Companies Act with an authorised share capital of HK\$100,000 divided into 1,000,000 Shares and as of the Latest Practicable Date had an authorised share capital of HK\$40,000,000 divided into 400,000,000 Shares of which 214,157,000 Shares had been issued and were fully paid or credited as fully paid.
- (C) CRA was incorporated on 23 October 2000 in the Cayman Islands under the Companies Law Cap.22 of the Cayman Islands with an authorised share capital of HK\$380,000 divided into 3,800,000 CRA Shares and as of the Latest Practicable Date had an authorised share capital of HK\$200,000,000 divided into 2,000,000,000 CRA Shares of which 677,142,000 CRA Shares had been issued and were fully paid or credited as fully paid.
- (D) The primary purpose of this Scheme is that on the Effective Date, all the Scheme Shares should be cancelled and extinguished and that the Company will become a wholly-owned subsidiary of CRA.
- (E) As at the Latest Practicable Date, neither CRA, nor any parties acting in concert with CRA for the purpose of the Takeovers Code (save for HSBC and members of its group) owned or controlled any Shares or any convertible securities, warrants or options in respect of any Shares.
- (F) CRA has agreed to appear by Counsel at the hearing of the petition to sanction this Scheme and to undertake to the Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by CRA for the purpose of giving effect to this Scheme.

SCHEME OF ARRANGEMENT

THE SCHEME

PART I

CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

1. On the Effective Date:
 - (a) the Company shall allot and issue 1,000,000 Shares to CRA nil paid prior to the cancellation and extinguishment of the Scheme Shares referred to in paragraph (b) below;
 - (b) the authorised and issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares; and
 - (c) the Company shall apply an amount of HK\$100,000 of the credit arising in its books of account as a result of the reduction of its share capital referred to in paragraph (b) above in crediting as fully-paid the 1,000,000 Shares allotted and issued to CRA nil paid and the balance shall be credited to a reserve account in the books of account of the Company.

PART II

CONSIDERATION FOR CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

2. In consideration of the cancellation and extinguishment of the Scheme Shares pursuant to paragraph 1(a) of this Scheme, CRA will, in respect of each Scheme Shareholder, as appearing in the Register at 4:00 p.m. (Hong Kong time) on the Record Date, either:
 - (a) **Cash Alternative:** pay to each such Scheme Shareholder HK\$2.95 in cash for every Scheme Share held; or
 - (b) **Share and Cash Alternative:** if the Scheme Shareholder so elects, pay HK\$2.95 in cash and allot and issue one CRA Share to each such Scheme Shareholder for every two Scheme Shares held. In addition, Scheme Shareholders who validly elect for the Share and Cash Alternative may also make the CRA Shares Substitution Election (as defined in the Scheme Document), whereby Scheme Shareholders may, subject to availability, apply for CRA Shares using the cash portion of the Share and Cash Alternative at HK\$2.95 per CRA Share.

SCHEME OF ARRANGEMENT

PART III

GENERAL

3. (a) Not later than ten days after the Effective Date, CRA shall:
- (i) in respect of the Scheme Shareholders (as appearing in the Register at 4:00 p.m. (Hong Kong time) on the Record Date) who are to receive cash under the Cash Alternative in respect of their holdings of Scheme Shares, send or cause to be sent to such Scheme Shareholders cheques in respect of the sums payable to such Scheme Shareholders pursuant to paragraph 2(a) of this Scheme; and
 - (ii) in respect of the Scheme Shareholders (as appearing in the Register at 4:00 p.m. (Hong Kong time) on the Record Date) who are to receive CRA Shares and cash under the Share and Cash Alternative and, if applicable, the CRA Shares Substitution Election in respect of their holdings of Scheme Shares, allot and issue, credited as fully paid, the requisite number of CRA Shares and send or cause to be sent to such Scheme Shareholders certificates in respect of the requisite number of CRA Shares to be issued to, and cheques in respect of the sums payable to, such Scheme Shareholders pursuant to paragraph 2(b) of this Scheme.
- (b) Unless indicated otherwise in writing to the branch share registrar of the Company in Hong Kong, (being Computershare Hong Kong Investor Services Limited of Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) all such cheques and certificates shall be sent through the post (by airmail where appropriate) in pre-paid envelopes addressed to such Scheme Shareholders as follows:
- (i) in the case of each sole Scheme Shareholder, the registered address of such Scheme Shareholder as appearing in the Register as at 4:00 p.m. (Hong Kong time) on the Record Date; or
 - (ii) in the case of joint Scheme Shareholders, the registered address as appearing in the Register as at 4:00 p.m. (Hong Kong time) on the Record Date of the joint Scheme Shareholder whose name then stands first in the Register in respect of the relevant joint holding.
- (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) of this Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Company and CRA for the moneys expressed to be represented thereby.
- (d) All cheques and certificates shall be posted at the risk of the addressees and other persons entitled thereto and the Company, CRA and any other persons involved in the Scheme shall not be liable for any loss or delay in transmission.

SCHEME OF ARRANGEMENT

- (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(b) of this Scheme, CRA shall have the right to cancel or countermand payment of any such cheque which has not then been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the Company's name with a licensed bank in Hong Kong selected by the Company. The Company shall hold such monies on trust for those entitled under the terms of this Scheme until the expiry of six years from the Effective Date and shall prior to such date make payments thereout of the sums payable pursuant to paragraph 2 of this Scheme to persons who satisfy the Company that they are respectively entitled thereto, provided that the cheques referred to in paragraph 3(b) of this Scheme of which they are payees have not been cashed. Any payments made by the Company hereunder shall include any interest accrued on the sums to which the respective persons are entitled pursuant to paragraph 2 of this Scheme, calculated at the annual rate prevailing from time to time at the licensed bank in which the monies are deposited, subject, if applicable, to the deduction of interest tax or any withholding or other tax or any other deduction required by law and subject also to the deduction of any expenses. The Company shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Company to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
 - (f) On the expiry of six years from the Effective Date, CRA shall be released from any further obligation to make any payments under this Scheme and the Company shall thereafter transfer to CRA the balance (if any) of the sums standing to the credit of the deposit account referred to in paragraph 3(e) of this Scheme including accrued interest subject, if applicable, to the deduction of interest tax or any withholding or other tax or any other deduction required by law and subject also to the deduction of any expenses.
 - (g) Any certificates for CRA Shares posted to the Scheme Shareholders pursuant to paragraph 3(b) of the Scheme which are returned or undelivered will be cancelled. The branch share registrar of CRA in Hong Kong may at any time thereafter issue new share certificates in respect of such CRA Shares to those Scheme Shareholders who can establish their entitlements to its satisfaction and transfer to them all accrued entitlements from the original date of allotment or transfer, as the case may be, in respect of such CRA Shares, subject to the payment of any expenses.
 - (h) The preceding sub-paragraphs of this paragraph 3 shall take effect subject to any prohibition or condition imposed by law.
4. As from the Effective Date, all certificates representing the Scheme Shares shall cease to have effect as documents or evidence of title and every holder thereof shall be bound, on the request of the Company, to deliver up to the Company the certificate(s) in respect of its, his or her entire holding of Scheme Shares.
5. All mandates or other instructions to the Company in force at 9:00 a.m. in Hong Kong on the Effective Date in relation to the Scheme Shares (including elections for the payment of dividends by way of scrip) shall cease to be valid as effective mandates or instructions.

SCHEME OF ARRANGEMENT

6. This Scheme shall become effective as soon as a copy of the Order of the Court sanctioning this Scheme under section 99 of the Companies Act shall have been delivered to the Registrar of Companies in Bermuda for registration.
7. The Company and CRA may jointly consent for and on behalf of all concerned to any modification(s) of or addition(s) to this Scheme or to any condition(s) which the Court may see fit to approve or impose.
8. Unless this Scheme shall have become effective on or before 31 May 2007, (or such later date, if any, as CRA and the Company may agree and the Court may allow), this Scheme shall lapse.
9. In the event the Scheme is not approved at the Court Meeting or the Special General Meeting, the Company and CRA shall bear their own expenses incurred in connection with the Scheme.
10. The new CRA Shares to be allotted and issued pursuant to paragraph 2(b) of this Scheme shall be identical and shall rank *pari passu* in all respects both *inter se* and with all other CRA Shares in issue on the Record Date.

Dated 2 January 2007

NOTICE OF THE COURT MEETING

NOTICE OF COURT MEETING

IN THE SUPREME COURT OF BERMUDA, CIVIL JURISDICTION
(Commercial List)

2006: NO. 384

IN THE MATTER OF

SAINT HONORE HOLDINGS LIMITED

and

IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981 (AS AMENDED)

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an Order dated 29 December 2006 (the “**Order**”) made in the above matter, the Court has directed Saint Honore Holdings Limited (the “**Company**”) to convene a meeting (the “**Court Meeting**”) of the Saint Honore Shareholders (as defined in the Scheme mentioned below), for the purpose of considering and, if thought fit, approving (with or without modification(s)) a scheme of arrangement (the “**Scheme**”) proposed to be made between the Company and the Scheme Shareholders (as defined in the Scheme) and that such Court Meeting will be held at 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong SAR on 25 January 2007 at 3:30 p.m. (Hong Kong time) at which place and time all the Saint Honore Shareholders are requested to attend.

A copy of the Scheme and a copy of the explanatory statement required to be furnished pursuant to section 100 of the Companies Act 1981 (as amended) of Bermuda are incorporated in the composite document dispatched to the Saint Honore Shareholders (the “**Document**”) of which this Notice forms part. A copy of the Document can also be obtained by the Saint Honore Shareholders from the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–6, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong SAR during normal working hours.

The Saint Honore Shareholders may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A **pink** form of proxy for use at the Court Meeting is enclosed with the Document.

In the case of joint holders of a share of the Company, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint shareholding.

NOTICE OF THE COURT MEETING

It is requested that forms appointing proxies be lodged with the principal office of the Company in Hong Kong at 5th Floor, Express Industrial Building, 43 Heung Yip Road, Wong Chuk Hang, Hong Kong, not later than 48 hours before the time appointed for the Court Meeting, but if the forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting. Completion and return of the form of proxy shall not preclude a Saint Honore Shareholder from attending and voting in person at the Court Meeting and, in such event, the form of proxy shall be deemed to have been revoked.

By the Order, the Court has appointed Mr. Chan Wai Cheung, Glenn, a director of the Company, or failing him, Mrs. Chan Wong Man Li, Carrina, also a director of the Company, or failing her, any other person who is a director of the Company as at the date of the Order to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the result thereof to the Court.

The Scheme will be subject to the subsequent approval of the Court as set out in the explanatory statement contained in the Document.

Dated this 2nd day of January 2007

Conyers Dill & Pearman
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Attorneys for the Company

NOTICE OF THE SPECIAL GENERAL MEETING



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 192)

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders of Saint Honore Holdings Limited 聖安娜控股有限公司 (the “Company”) will be held at 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on 25 January 2007 at 4:00 p.m. (Hong Kong time) (or at such later time thereafter as the meeting of the shareholders of the Company convened by the direction of the Supreme Court of Bermuda at the same place and on the same day shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing the following resolution as a special resolution of the Company:

SPECIAL RESOLUTION

“THAT:

- (a) the scheme of arrangement dated 2 January 2007 (the “Scheme”), in the form of the print contained in the composite document of which this notice forms part dated 2 January 2007 which has been submitted to this meeting and for the purpose of identification has been signed by the chairman of this meeting, between the Company and the Scheme Shareholders (as defined in the Scheme), with any modifications thereof or additions thereto or subject to any conditions approved or imposed by the Court (as defined in the Scheme), be and is hereby approved;
- (b) for the purpose of giving effect to the Scheme, on the Effective Date (as defined in the Scheme):
 - (i) immediately prior to the matters set out in paragraphs (b)(ii) and (b)(iii) below, the Company shall allot and issue 1,000,000 ordinary shares in the capital of the Company (the “New Shares”), nil paid, to Convenience Retail Asia Limited;
 - (ii) the authorised and issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme); and
 - (iii) the Company shall apply an amount of HK\$100,000 of the credit arising in its books of account as a result of the reduction of its share capital referred to in paragraph (b)(ii) above in crediting as fully-paid the New Shares and the balance shall be credited to a reserve account in the books of account of the Company; and

NOTICE OF THE SPECIAL GENERAL MEETING

- (c) the directors of the Company be and are hereby authorised to do all acts and things as considered by them to be necessary or desirable in connection with the completion of the Scheme, including (without limitation) the giving of consent to any modifications of, or additions to, the Scheme, which the Court may see fit to impose.”

By Order of the Board of
Saint Honore Holdings Limited
WONG TSUI YUE, LUCY
Company Secretary

Hong Kong, 2 January 2007

Registered office:

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

Head office and principal place of business in Hong Kong:

5th Floor, Express Industrial Building,
43 Heung Yip Road,
Wong Chuk Hang,
Hong Kong

Notes:

1. A shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company, but must attend the meeting in person to represent him/her.
2. A white form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.
3. To be valid, the white form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be lodged with the principal office of the Company in Hong Kong, at 5th Floor, Express Industrial Building, 43 Heung Yip Road, Wong Chuk Hang, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting concerned and, in such event, his/her form of proxy shall be deemed to have been revoked.
4. In the case of joint holders of a share of the Company, any one of such joint holders may vote at the meeting either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of such holders whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder in whose name any share of the Company stands shall for this purpose be deemed joint holders thereof.
5. At the meeting, the chairman thereof will exercise his power under the bye-laws of the Company to put the above resolution to the vote by way of a poll.
6. The register of members of the Company will be closed from 24 January 2007 to 25 January 2007 (both dates inclusive) during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 23 January 2007.



SAINT HONORE HOLDINGS LIMITED

聖安娜控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 192)

FORM OF PROXY FOR USE AT THE SPECIAL GENERAL MEETING TO BE HELD AT 4:00 P.M. ON THURSDAY, 25 JANUARY 2007 (OR AT ANY ADJOURNMENT THEREOF)

For use at the special general meeting (the "Meeting") (or at any adjournment thereof) of the holders of ordinary shares of HK\$0.10 each in the capital of Saint Honore Holdings Limited (the "Company")

I/We¹, _____
of _____
being the registered holder(s) of² _____ ordinary shares of HK\$0.10 each in the capital of the Company, HEREBY
APPOINT the Chairman of the Meeting or³ _____
of _____

as my/our proxy to attend and act for me/us and on my/our behalf at the Meeting (or at any adjournment thereof) to be held at 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on Thursday, 25 January 2007, at 4:00 p.m. (Hong Kong time) (or as such later time thereafter as the meeting of the holders of ordinary shares of HK\$0.10 each in the capital of the Company convened at the direction of the Supreme Court of Bermuda at the same place and on the same day shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing the special resolution set out in the notice dated 2 January 2007 convening the Meeting (the "Notice") and at such Meeting (or any adjournment thereof) to vote for me/us and in my/our name(s) in respect of the special resolution as hereunder indicated, and if no such indication is given, as my/our proxy thinks fit.

SPECIAL RESOLUTION	FOR ⁴	AGAINST ⁴
To approve the Scheme, the allotment and issue of new shares to Convenience Retail Asia Limited and the reduction of capital of the Company		

Dated this _____ day of _____ 2007

Signature(s)⁵ _____

Notes:-

- Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
- Please insert the number of the ordinary shares of HK\$0.10 each in the capital of the Company registered in your name(s) and to which this form of proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all of such shares registered in your name(s).
- If any proxy other than the Chairman of the Meeting is preferred, please strike out the words "the Chairman of the Meeting or" and insert the name and address of the proxy desired in the space provided. You are entitled to appoint one or more than one proxies to attend and vote in your stead. Your proxy need not be a member of the Company, but must attend the Meeting in person to represent you. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON(S) WHO SIGN(S) IT.**
- IMPORTANT: IF YOU WISH TO VOTE FOR THE SPECIAL RESOLUTION, TICK THE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST THE SPECIAL RESOLUTION, TICK THE BOX MARKED "AGAINST".** Failure to tick either box will entitle your proxy to cast your vote or abstain at his discretion. Your proxy will also be entitled to vote or abstain at his discretion on any resolution properly put to the Meeting other than that referred to in the Notice.
- This form of proxy must be signed by you or your attorney authorised in writing or, in the case of a corporation, under its common seal or under the hand of an officer, attorney or other person duly authorised to sign this form of proxy.
- In order to be valid, this form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be lodged with the principal office of the Company at 5th Floor, Express Industrial Building, 43 Heung Yip Road, Wong Chuk Hang, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the Meeting (or any adjournment thereof) at which the person named in this form of proxy proposes to vote, and, in default, this form of proxy shall not be treated as valid. Completion and delivery of this form of proxy will not preclude you from attending the Meeting and voting in person at the Meeting if you so wish, but in the event of your attending the Meeting after having lodged this form of proxy, this form of proxy will be deemed to have been revoked.
- Where there are joint registered holders of any share(s) in the Company, any one of such joint holders may vote at the Meeting, either personally or by proxy, in respect of such share(s) as if he were solely entitled thereto. But if more than one of such joint holders are present at the Meeting personally or by proxy, the most senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority will be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of the relevant joint holding.