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

If you have sold or transferred all your shares in CRA (as defined herein), you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of CRA (as defined herein).



CONVENIENCE RETAIL ASIA LIMITED

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8052)

MAJOR TRANSACTION

PROPOSED TAKEOVER 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



The Letter from the CRA Board is set out on pages 5 to 17 of this circular.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for 7 days from the date of its posting.

2 January 2007

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement dated 17 November 2006 issued jointly by Saint Honore and CRA relating to the Proposal
“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
“Board”	the board of Directors of the Company
“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
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 (as amended) of Bermuda
“Company” or “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)
“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 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
“CRA Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of HK\$0.10 each, trading in board lots of 2,000 CRA Shares on GEM

DEFINITIONS

“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 CRA Board” in this circular, 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
“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
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“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
“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)

DEFINITIONS

“Irrevocable Undertaking”	the irrevocable undertaking dated 15 November 2006 given by WPC in respect of the WPC Committed Shares in favour of the Company as mentioned under the section headed “Irrevocable Undertaking to accept the Proposal” in the Letter from the CRA Board
“King Lun”	King Lun Holdings Limited, which is indirectly beneficially interested in 373,692,000 CRA Shares, representing approximately 55.2% of the issued share capital of CRA as at the Latest Practicable Date
“Latest Practicable Date”	29 December 2006, being the latest practicable date prior to the printing of this circular 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 the Company 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 directors of Saint Honore
“Saint Honore Group”	Saint Honore and its subsidiaries
“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 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

DEFINITIONS

“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
“Scheme Document”	a composite document dated 2 January 2007 which is to be despatched to the Saint Honore Shareholders, containing, inter alia, details of the Scheme, the explanatory statement required under Section 99 of the Companies Act, the notice of the Court Meeting and the notice of the Special General Meeting
“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
“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
“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
“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.

LETTER FROM THE CRA BOARD



CONVENIENCE RETAIL ASIA LIMITED

利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8052)

Executive Directors:

Mr. Yeung Lap Bun, Richard (*Chief Executive Officer*)

Mr. Li Kwok Ho, Bruno (*Chief Financial Officer*)

Non-executive Directors:

Dr. Fung Kwok King, Victor (*Chairman*)

Dr. Fung Kwok Lun, William

Mr. Godfrey Ernest Scotchbrook

Mr. Jeremy Paul Egerton Hobbins

Ms. Wong Yuk Nor, Louisa

Independent non-executive Directors:

Dr. Ch'ien Kuo Fung, Raymond

Mr. Au Man Chung, Malcolm

Mr. Lo Kai Yiu, Anthony

Registered office:

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Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal
place of business:*

12th Floor, LiFung Centre

2 On Ping Street

Siu Lek Yuen

Shatin

New Territories

Hong Kong

2 January 2007

To the CRA Shareholders

Dear Sir/Madam,

**MAJOR TRANSACTION
PROPOSED TAKEOVER 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**

INTRODUCTION

Reference is made to the Announcement that on 14 November 2006, the Company had 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 a scheme of arrangement under Section 99 of the Companies Act involving cancellation of all the Scheme Shares and allotment and issue of new Saint Honore Shares to the Company.

LETTER FROM THE CRA BOARD

The Company has appointed HSBC as its financial adviser in connection with the Proposal.

Neither the Company nor parties acting in concert with it (other than HSBC and members of its group) owns or controls any Saint Honore Shares or any convertible securities, warrants or options in respect of Saint Honore Shares, and none of such persons have dealt in Saint Honore Shares in the 6 months prior to the date of the Announcement. Subject to Note 1 to Rule 3.5 of the Takeovers Code, HSBC and members of its group which are deemed to be acting in concert with the Company do not hold any Saint Honore Shares. To the best of the CRA Directors' knowledge, information and belief having made all reasonable enquiry, Saint Honore is a third party independent of the Company and connected persons of the Company.

The purpose of this circular is to provide you with further information with regard to the Proposal which constitutes a major transaction for the Company under the GEM Listing Rules. The Stock Exchange has granted its consent for an extension of time for the despatch of this circular so that this circular and the Scheme Document could be despatched on the same day.

Saint Honore has made the Proposal by sending the Scheme Document to Saint Honore Shareholders.

TERMS OF 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, the 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 the Company.

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

LETTER FROM THE CRA BOARD

The Cash Alternative and the Share & Cash Alternative will be financed and provided by the Company. The Company intends to finance the cash required for the Proposal from internal resources and external financing. 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.

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 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 the Company as at the Latest Practicable Date, or approximately 13.7% of the enlarged issued share capital of the Company.

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 the Company 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 the Company 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.

LETTER FROM THE CRA BOARD

Subject to the granting of the listing of, and permission to deal in, such CRA Shares on GEM as well as compliance with the stock admission requirements of HKSCC, such CRA Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in such CRA Shares on GEM or any other date as HKSCC chooses. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Upon completion of the Scheme, Saint Honore will become a wholly-owned subsidiary of the Company 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.

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;
- (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;

LETTER FROM THE CRA BOARD

- (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 the Company 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:
 - (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);

LETTER FROM THE CRA BOARD

- (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
 - (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.

LETTER FROM THE CRA BOARD

The Company 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 the Company and Saint Honore may agree in writing), otherwise the Scheme will lapse.

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.

The Company 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.

IRREVOCABLE UNDERTAKING TO ACCEPT THE PROPOSAL

The Company 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 represents 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.

SHAREHOLDING STRUCTURE OF SAINT HONORE AND THE COMPANY

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.

LETTER FROM THE CRA BOARD

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 the Company. As at the Latest Practicable Date, Saint Honore did not have any outstanding share options, warrants, derivatives or other convertible securities.

Shareholding structure of the Company

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 the Company, the Company did not have any outstanding share options, warrants, derivatives or other convertible securities. The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately following implementation of the Proposal assuming all Scheme Shareholders elect to take the Share & Cash Alternative (assuming no options of the Company outstanding as at the Latest Practicable Date are exercised):

CRA Shareholders	As at the Latest Practicable Date		Immediately following implementation of the Proposal	
	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 (<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>

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

CRA Shareholders	As at the Latest Practicable Date		Immediately following implementation of the Proposal	
	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 (<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	<u>677,142,000</u>	<u>100.0</u>	<u>795,976,500</u>	<u>100.0</u>

Note: King Lun 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, 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.

The Proposal will not result in a change of control of the Company.

LETTER FROM THE CRA BOARD

INTENTION REGARDING SAINT HONORE

Following completion of the Scheme, the Company 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.

The Company 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 the Company 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.

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

Upon the Scheme becoming effective, all the 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. The Company 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 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 the Company 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.

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 the Company will be beneficial to both shareholders of the Company and Saint Honore in a number of ways. It is the Company'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 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.

Furthermore, the implementation of the Proposal is expected to enhance the Company'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 the Company's earnings per CRA Share will necessarily be greater than those for the preceding financial period of the Company, being its financial period ended 31 December 2005.**

LETTER FROM THE CRA BOARD

The CRA Board believes that the ability of Saint Honore to take advantage of its listed 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, ie 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 in 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.

FINANCIAL EFFECTS OF THE PROPOSAL

Earnings

As set out in the audited consolidated financial statements of the CRA Group in Section 2 of Appendix 1 to this circular, 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 1 to this circular, 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 3 to this circular), 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 3 to this circular), 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.

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.

LETTER FROM THE CRA BOARD

Gearing position and working capital

It is the Company'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.

As stated in Section 2 of Appendix 3 to this circular, 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.

ODD LOT TRADING ARRANGEMENT

In order to facilitate the trading of odd lots of CRA Shares issued under the Share & Cash Alternative, and, if applicable, the CRA Share Substitution Election, the Company 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 Share 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 Share 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 professional advisers if they are in doubt about the facility described above.

INFORMATION ON THE CRA GROUP

Business

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

LETTER FROM THE CRA BOARD

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 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 the Company was about HK\$2,106 million.

Attention is drawn to Appendix 1 to this circular which sets out the financial information on the CRA Group.

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	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

LETTER FROM THE CRA BOARD

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 2 to this circular which set out the financial information on the Saint Honore Group.

GEM LISTING RULES REQUIREMENTS AND IMPLICATIONS

The Proposal, if materialised, will constitute a major transaction for the Company under the GEM Listing Rules. The CRA Directors confirmed that no CRA Shareholders would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Proposal. The Proposal has been approved in writing by King Lun which holds approximately 55.2% of the issued share capital of the Company as at the Latest Practicable Date as required under Rule 19.44(2) of the GEM Listing Rules. Accordingly, no general meeting of the Company is required to be held to approve the Proposal.

ADDITIONAL INFORMATION

A detailed timetable for the Proposal is set out on pages 18 to 19 of this circular.

Your attention is also drawn to the financial information on the CRA Group and the Saint Honore Group, the pro forma financial information on the Enlarged Group, and other information set out in the appendices to this circular and the Scheme Document. A copy of the Scheme Document can be found on the website of the Stock Exchange (www.hkex.com.hk) and is for information purposes only.

Alternatively, CRA Shareholders can also collect, for information purposes only, the Scheme Document during normal business hours from 9:00 a.m. to 4:00 p.m. from 2 January 2007 to 25 January 2007 at the branch share registrar of Saint Honore in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-6, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, Hong Kong.

By Order of the Board
Convenience Retail Asia Limited
Fung Kwok King, Victor
Chairman

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 (*Note 2*) 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 branch share registrar of Saint Honore 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 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.

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.

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"). 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				
	30 September		Year ended 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>
	(Unaudited)	(Unaudited)		(Restated)	
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		As at 31 December	
	2006	2005	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)		(Restated)	
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	13	–	19
Fixed assets	14	89,827	81,339
Lease premium for land	15	15,142	15,450
Rental deposits		25,523	22,413
Deferred tax assets	17	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	18	26,647	19,828
Other receivables, deposits and prepayments		32,469	30,605
Lease premium for land	15	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	19	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>

		2005	2004
	<i>Note</i>	<i>HK\$'000</i>	<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	16	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	20	67,367	67,202
Reserves	21	127,917	126,016
Proposed final dividend	21	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		597,310	531,360
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		597,310	531,360

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	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>

APPENDIX 1

FINANCIAL INFORMATION ON THE CRA GROUP

	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	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
	<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>
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
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>9,598</u>	<u>9,598</u>
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	HKFRS 2	HKAS 17	HKFRS 2
	HK\$'000	HK\$'000	HK\$'000	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
	187,901	146,084
Total revenues	2,183,107	1,882,575

Primary reporting format – geographical segments

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

	Hong Kong	Chinese	Group
	2005	Mainland	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<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			14,727
Profit before income tax			81,662
Income tax expenses			(14,048)
Profit for the year			<u>67,614</u>
Segment assets	264,482	72,906	337,388
Unallocated assets			542,061
Total assets			<u>879,449</u>
Segment liabilities	378,723	17,476	396,199
Unallocated liabilities			1,665
Total liabilities			<u>397,864</u>
Capital expenditure	33,593	19,187	52,780
Depreciation	36,689	6,079	42,768
Amortisation	19	430	449

	Hong Kong 2004	Chinese Mainland 2004	Group 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Restated)	(Restated)	(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			<u>8,267</u>
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> </u>	<u> </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> </u>	<u> </u>
	14,048	13,673
	<u> </u>	<u> </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	81,662	74,918
	<u> </u>	<u> </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> </u>	<u> </u>
	14,048	13,673
	<u> </u>	<u> </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	30,392	25,205
	<u>40,483</u>	<u>33,590</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>)	299	295
	<u>249,068</u>	<u>214,406</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 contribution to pension scheme HK\$'000	Total 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 contribution to pension scheme HK\$'000	Total 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
Less: accumulated amortisation	<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				
	Properties	Leasehold	Equipment, furniture and fixtures	Motor vehicles	Total
	HK\$'000	improvements HK\$'000	HK\$'000	HK\$'000	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 lease-holder 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 lease-holder 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 lease-holder 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 lease-holder 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	<u>1,361</u>	<u>586</u>

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	<u>(1,281)</u>	<u>(1,655)</u>	<u>(164)</u>	<u>(99)</u>	<u>(1,445)</u>	<u>(1,754)</u>

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	<u>38</u>	<u>1,168</u>	<u>46</u>	<u>–</u>	<u>84</u>	<u>1,168</u>

	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

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	–	–
At 31 December	<u>5,642,000</u>	<u>2.51</u>	<u>2,250,000</u>	<u>2.24</u>
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>

APPENDIX 1

FINANCIAL INFORMATION ON THE CRA 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 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					30,392
					<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	<u>621</u>	<u>619</u>
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>7,862</u>	<u>7,721</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>299</u>	<u>295</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	<u>2%</u>	<u>2%</u>

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Net cash generated from operations

	2005 HK\$'000	2004 HK\$'000 (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>

(b) Cash flows from financing activities

	Share capital including premium		Minority interests	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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>186,824</u>	<u>184,762</u>	<u>(2,912)</u>	<u>(6,613)</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**

		2005	2004
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Management fee and reimbursement of office and administrative expenses	(i)	14,623	12,915
Rental payable	(ii)	884	508

(b) **Fellow subsidiaries**

		2005	2004
		<i>HK\$'000</i>	<i>HK\$'000</i>
Rental payable	(ii)	4,297	3,640
Net purchases	(iii)	6,778	9,369

(c) **Key management personnel compensation**

		2005	2004
		<i>HK\$'000</i>	<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>14,095</u>	<u>12,481</u>

(d) **Amounts due to related parties**

		2005	2004
		<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due to:			
– Immediate holding company		177	676
– Fellow subsidiaries		2,554	2,941

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

		(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2006	2005	2006	2005
	Note	HK\$'000	HK\$'000	HK\$'000	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		21,171	19,407	29,409	27,029
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)
		21,171	19,407	29,409	27,029
Dividend	5	10,138	10,091	10,138	10,091
Earnings per share for profit attributable to the shareholders of the Company					
– Basic earnings per share	6	HK3.3 cents	HK3.1 cents	HK4.8 cents	HK4.4 cents
– Diluted earnings per share	6	HK3.3 cents	HK3.1 cents	HK4.8 cents	HK4.4 cents

Condensed Consolidated Balance Sheet*As at 30 June 2006*

		(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
	<i>Note</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
		<u>491,219</u>	<u>484,497</u>
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)								
	Attributable to shareholders of the Company							Minority interests	Total equity
	Share capital	Share premium	Merger reserve	Capital reserve	Employee 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	67,271	118,554	177,087	13,433	1,411	24	70,838	(9,358)	439,260
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	67,367	119,457	177,087	13,433	2,466	123	104,564	(2,912)	481,585
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	67,584	122,105	177,087	13,433	3,913	467	106,630	(5,795)	485,424

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) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
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)		
	Hong Kong	Chinese Mainland	Group
	Three months ended 30 June		
	2005	2005	2005
	HK\$'000	HK\$'000	HK\$'000
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)		
	Hong Kong	Chinese Mainland	Group
	Six months ended 30 June		
	2005	2005	2005
	HK\$'000	HK\$'000	HK\$'000
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	<u>10,138</u>	<u>10,091</u>	<u>10,138</u>	<u>10,091</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 HK\$'000	(Audited) 31 December 2005 HK\$'000
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>
Closing net book amount	<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 HK\$'000	(Audited) 31 December 2005 HK\$'000
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 Shares of HK\$0.10 each <i>No. of shares</i> <i>HK\$'000</i>		(Audited) 31 December 2005 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)	(Audited)
	30 June	31 December
	2006	2005
	HK\$'000	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

		(Unaudited)	
		Six months ended	
		30 June	
		2006	2005
	Note	HK\$'000	HK\$'000
Management fee and reimbursement of office and administrative expenses	(i)	8,408	7,373
Rental payable	(ii)	442	442

(b) Fellow subsidiaries

		(Unaudited)	
		Six months ended	
		30 June	
		2006	2005
		HK\$'000	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	<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

		Three months ended 30 September		Nine months ended 30 September	
		2006	2005	2006	2005
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	589,777	501,400	1,665,016	1,471,018
Cost of sales		(441,386)	(373,858)	(1,252,617)	(1,114,839)
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		(20,138)	(17,682)	(59,628)	(49,441)
Profit before income tax		27,183	25,853	63,867	58,564
Income tax expenses	3	(5,395)	(4,365)	(12,670)	(10,047)
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		(1,350)	(1,365)	(4,382)	(4,123)
		<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	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	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) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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)							
	Three months ended 30 September							
	2006							2005
	Employee share-based							
	Share premium	Merger reserve	Capital reserve	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	122,959	177,087	13,433	4,634	1,023	119,658	438,794	395,016

	(Unaudited)							
	Nine months ended 30 September							
	2006							2005
	Employee share-based							
	Share premium	Merger reserve	Capital reserve	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	122,959	177,087	13,433	4,634	1,023	119,658	438,794	395,016

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 the Company nor 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 the Company, being its financial period ended 31 December 2005.

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.

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 Standard ("new HKFRSs"). 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 has 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	2004
	2006	2005	2006	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)		(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>

APPENDIX 2 FINANCIAL INFORMATION ON THE SAINT HONORE GROUP

ASSETS AND LIABILITIES

	As at 30 September 2006 HK\$'000 (Unaudited)	As at 31 March 2006 HK\$'000	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

		2006 HK\$	(Restated) 2005 HK\$
	Note		
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>

APPENDIX 2 FINANCIAL INFORMATION ON THE SAINT HONORE GROUP

Consolidated Balance Sheet

At 31 March 2006

			(Restated)
		2006	2005
	Note	HK\$	HK\$
ASSETS			
Non-current assets			
Trademarks	12	27,600,000	27,600,000
Property, plant and equipment	13	142,091,572	136,354,294
Leasehold land and land use rights	14	74,153,796	74,397,844
Deposits for purchase of properties		–	3,575,972
Held-to-maturity investments	16	3,875,000	–
Rental deposits paid		11,553,853	11,530,848
Deferred income tax assets	27	833,139	2,392,640
		<u>260,107,360</u>	<u>255,851,598</u>
Current assets			
Inventories	17	11,566,136	10,105,418
Trade receivables	18	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	21	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	20	5,576,153	4,979,655
Trade payables	22	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>

APPENDIX 2 FINANCIAL INFORMATION ON THE SAINT HONORE GROUP

			(Restated)
		2006	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
Total equity		<u><u>232,194,938</u></u>	<u><u>218,065,149</u></u>

APPENDIX 2 FINANCIAL INFORMATION ON THE SAINT HONORE GROUP

Balance Sheet

At 31 March 2006

			(Restated)
		2006	2005
	Note	HK\$	HK\$
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><u>243,067,850</u></u>	<u><u>260,774,111</u></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><u>243,067,850</u></u>	<u><u>260,774,111</u></u>

APPENDIX 2 FINANCIAL INFORMATION ON THE SAINT HONORE GROUP

Consolidated Cash Flow Statement

For the year ended 31 March 2006

		2006	(Restated) 2005
	Note	HK\$	HK\$
Cash flows from operating activities			
Cash generated from operations	28	89,668,271	69,925,814
Hong Kong profits tax paid		(5,067,950)	(5,663,018)
Income tax paid to other jurisdictions		(5,528,630)	(2,669,807)
Net cash generated from operating activities		<u>79,071,691</u>	<u>61,592,989</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(34,368,327)	(56,269,293)
Purchase of leasehold land and land use rights		(2,246,883)	(14,285,286)
Proceeds from sale of property, plant and equipment		1,277,159	36,418,430
Purchase of held-to-maturity investments		(3,875,000)	–
Interest received		2,962,896	631,080
Net cash used in investing activities		<u>(36,250,155)</u>	<u>(33,505,069)</u>
Cash flows from financing activities			
Proceed from issuance of ordinary shares		900,000	130,500
Dividends paid		(27,736,410)	(29,617,980)
Net cash used in financing activities		<u>(26,836,410)</u>	<u>(29,487,480)</u>
Net increase/(decrease) in cash and cash equivalents		15,985,126	(1,399,560)
Cash and cash equivalents at the beginning of the year		<u>129,558,010</u>	<u>130,957,570</u>
Cash and cash equivalents at the end of the year		<u>145,543,136</u>	<u>129,558,010</u>

APPENDIX 2 FINANCIAL INFORMATION ON THE SAINT HONORE GROUP

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 HK\$	2005 HK\$
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>

APPENDIX 2 FINANCIAL INFORMATION ON THE SAINT HONORE GROUP

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

	2006 HK\$	2005 HK\$
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 HK\$	2005 HK\$
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.

(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.

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

					(Restated)	
	Bakery	2006	Group	Bakery	2005	Group
	HK\$	Eatery	HK\$	HK\$	Eatery	HK\$
		HK\$			HK\$	
Turnover	569,210,740	20,210,623	589,421,363	539,351,424	29,549,897	568,901,321
Segment results	50,114,381	(1,524,576)	48,589,805	69,391,911	319,633	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			40,966,199			59,214,402
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			438,434,089			414,980,090
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			206,239,151			196,914,941
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

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

	2006 HK\$	2005 HK\$
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 HK\$	Capital expenditure HK\$	Total assets HK\$	Capital expenditure HK\$
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 HK\$	2005 HK\$
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 (note 26)	143,124	492,788
Other staff costs	6,653,196	6,315,903
	<u>172,700,469</u>	<u>171,719,122</u>

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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 HK\$	2005 HK\$
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 HK\$	2005 HK\$
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 HK\$	(Restated) 2005 HK\$
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 HK\$	2005 HK\$
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	14,934,990	19,040,130
	<u>23,631,270</u>	<u>29,626,980</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 HK\$	(Restated) 2005 HK\$
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>213,837,740</u>	<u>213,554,530</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.

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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	8,752,467	50,660,165	103,482,679	4,941,769	119,737,191	12,482,084	300,056,355
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	–	(9,745,079)	(81,358,680)	(3,644,247)	(87,386,347)	(6,710,775)	(188,845,128)
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
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	8,752,467	60,311,038	23,915,672	1,563,634	34,080,935	7,730,548	136,354,294
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	8,752,467	60,311,038	23,915,672	1,563,634	34,080,935	7,730,548	136,354,294
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	8,752,467	62,192,595	25,579,243	1,520,804	36,091,980	7,954,483	142,091,572
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	8,752,467	62,192,595	25,579,243	1,520,804	36,091,980	7,954,483	142,091,572

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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.

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17. INVENTORIES

	Group	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
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	2005
	<i>HK\$</i>	<i>HK\$</i>
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	2005	2006	2005
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
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.

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

	Group		Company	
	2006	2005	2006	2005
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
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	2005
	<i>HK\$</i>	<i>HK\$</i>
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	2005
	<i>HK\$</i>	<i>HK\$</i>
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	<i>HK\$</i>
Issued and fully paid		
At 1 April 2004	211,317,000	21,131,700
Issue of shares upon exercise of share options	240,000	24,000
At 31 March 2005	211,557,000	21,155,700
Issue of shares upon exercise of share options	1,800,000	180,000
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>

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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>

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(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 (<i>Note 6</i>)	143,124	492,788
Less: Amounts utilized	<u>(166,083)</u>	<u>(452,675)</u>
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)
At the end of the year	<u>536,861</u>	<u>(401,720)</u>
It was analyzed as follows:		
Deferred income tax assets	(833,139)	(2,392,640)
Deferred income tax liabilities	<u>1,370,000</u>	<u>1,990,920</u>
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	<u>(2,962,896)</u>	<u>(631,080)</u>
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	<u>(22,959)</u>	<u>40,113</u>
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”):

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30.1 Sales and purchase of goods and services

	2006 HK\$	2005 HK\$
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 2006

		Unaudited	
		Six months ended 30 September	
		(Restated)	
		2006	2005
	<i>Note</i>	<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)
Profit before income tax	4	23,641	27,127
Income tax expense	5	(4,408)	(5,102)
Profit attributable to shareholders of the Company		<u>19,233</u>	<u>22,025</u>
Dividend	6	<u>6,425</u>	<u>8,696</u>
Earnings per share	7		
Basic		<u>9.0 cents</u>	<u>10.4 cents</u>
Diluted		<u>9.0 cents</u>	<u>10.3 cents</u>

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Consolidated Balance Sheet

At 30 September 2006

		Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
	Note		
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	9	3,487	5,576
Trade payables		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

APPENDIX 2 FINANCIAL INFORMATION ON THE SAINT HONORE GROUP

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

	Unaudited			Unaudited (Restated)		
	Six months ended 30 September 2006			Six months ended 30 September 2005		
	Bakery HK\$'000	Eatery HK\$'000	Group HK\$'000	Bakery HK\$'000	Eatery HK\$'000	Group HK\$'000
Turnover	<u>295,488</u>	<u>5,891</u>	<u>301,379</u>	<u>301,682</u>	<u>13,905</u>	<u>315,587</u>
Segment results	<u>24,084</u>	<u>(874)</u>	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 HK\$'000	2005 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 HK\$'000	2005 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>

APPENDIX 2 FINANCIAL INFORMATION ON THE SAINT HONORE GROUP

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>
Income tax charge	<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>
	<u>6,425</u>	<u>8,696</u>

7. Earnings per share

	Unaudited	
	Six months ended 30 September	
		(Restated)
	2006	2005
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to shareholders of the Company	<u>19,233</u>	<u>22,025</u>
	<u>2006</u>	<u>2005</u>
Number of shares		
Weighted average number of ordinary shares in issue	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 <i>HK\$'000</i>	Audited 31 March 2006 <i>HK\$'000</i>
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 <i>HK\$'000</i>	Audited 31 March 2006 <i>HK\$'000</i>
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 Company's shareholders a scheme document containing further details about the Proposal on or before 12 January 2007.

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 1 to this circular 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

	Pro forma adjustments				Unaudited pro forma adjusted statement of assets and liabilities of the Enlarged Group HK\$'000
Historical financial information of the CRA Group as at 30 June 2006 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) (11,000)	(2(a)(i)) (2(b))	144,431
	<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> (Note 1)	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)
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)
	<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*

	Pro forma adjustments				
Historical financial information of the CRA Group as at 30 June 2006 HK\$'000	Historical financial information of the Saint Honore Group as at 30 September 2006 HK\$'000 (Note 1)	Other pro forma adjustments			Unaudited pro forma adjusted statement of assets and liabilities of the Enlarged Group HK\$'000
		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	(315,882)	(2(a)(ii))	460,312
			(11,000)	(2(b))	
	<u>771,869</u>	<u>216,575</u>			<u>661,302</u>
Total assets	<u>911,456</u>	<u>484,146</u>			<u>1,487,485</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> (Note 1)	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)
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)
	<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)
491,219	0.73	456,071	0.58

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 2 to this circular. 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:

(a) 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.

(b) 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 as if the Proposal was completed on 30 June 2006 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 values 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 1 to this circular.
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 1 to this circular after making pro forma adjustments set out below.

Historical financial information of the CRA Group for the year ended 31 December 2005 <i>HK\$'000</i>	Pro forma adjustments			Unaudited pro forma adjusted profit attributable to the shareholders of the Enlarged Group <i>HK\$'000</i>
	Historical financial information of the Saint Honore Group for the year ended 31 March 2006 <i>HK\$'000</i> (Note 1)	Other pro forma adjustments <i>HK\$'000</i>	<i>Notes</i>	
Profit attributable to shareholders	73,578	(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 2 to this circular.
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 the Company 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 circular.



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 117 to 126 under the heading of “Financial Information of the Enlarged Group” (the “Unaudited Pro Forma Financial Information”) in Appendix 3 to the circular (the “Circular”) of the Company, 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 117 to 126 of the circular.

Respective responsibilities of 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 rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by rule 7.31(7) of the Listing Rules, 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 rule 7.31(1) of the Listing Rules.

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 rule 7.31(1) of the Listing Rules.

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 circular.

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.

1. FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

The following is the management discussion and analysis principally extracted from the interim results of the Saint Honore Group for the six months ended 30 September 2006.

Business Review

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

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

Hong Kong Operations

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

Macau Operations

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

PRC Operations

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

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

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

Prospect

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

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

Liquidity and Capital Resources

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

Pledge of Assets

No assets were pledged throughout the period.

Employees

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

Contingent Liabilities

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

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

2. FOR THE YEAR ENDED 31 MARCH 2006

The following is the management discussion and analysis principally extracted from the annual report of the Saint Honore Group for the year ended 31 March 2006.

Saint Honore Cake Shop*Hong Kong Market*

The Hong Kong market which contributed to around 70% of the Saint Honore Group's consolidated turnover for the past year remained to be its major market segment. This market performed fairly in the past year. The core cake and bread business grew by 4% while turnover of its festive products on the other hand dropped by 9%. Overall, turnover in Hong Kong grew by a mere 2%.

Despite the steady recovery of local economy, fierce competitions among operators left the Saint Honore Group with little room to raise prices. In order to maintain its market share, the Saint Honore Group diverted its efforts to develop new products and to distinguish itself from competitors. The Saint Honore Group added over 250 new items and more than doubled its product choices available to customers. For instance, the newly launched coffee bun successfully captured the hearts of both young and old; fresh chestnut cake and mini pastries were all well accepted by the market. With the population becoming more health conscious, more health oriented products such as high fiber grain bread and low-sugar content mooncake/festive puddings are being developed to capture the growing demands of this market. Also, sales of cake coupons jumped by 50% over the corresponding period due to active promotion thus securing advance sales for the Saint Honore Group in the future.

The Saint Honore Group's gross margin was eroded by 2% as direct food costs were bidden up in line with world commodity prices and its inability to pass them to its customers. The Saint Honore Group managed to make this up with savings on rental and labour costs. During the year, the Saint Honore Group closed six outlets located at prime commercial areas upon expiry of leases and reopened nine new one with a fresher look largely at residential areas commanding a lower rent. Its Shenzhen factory which is operating at a comparatively lower wage rate has sheltered the Saint Honore Group to some extent the effect of the latest round of pay rises brought about by the recovery of the Hong Kong economy.

Macau Market

The Saint Honore Group opened 3 new outlets in Macau. Turnover recorded a growth of nearly 50% while the gross margin was reduced by 4.4% due to increase in raw material prices despite having a small raise in selling prices during the year. The Saint Honore Group expect this market continues to be favorable due to booming casino business there. To tackle the labour shortage problem, the Saint Honore Group has started importing workers from PRC as well as transplanting some of the labour-intensive production processes to its PRC plant. With six retail outlets and a centralized workshop now in full operation, the Saint Honore Group can now capture the OEM and corporate sales market on top of the retail market.

PRC Market

Despite one outlet was added in Guangzhou, turnover grew by around 45% as the organic growth on existing outlets for both the Saint Honore Group's normal cake and bread products as well as festive products remained strong. A new corporate sales team has also been setup to promote its products through established distribution network in PRC.

The Saint Honore Group expects shortly to take vacant possession of the whole factory block located next to its existing Shenzhen plant. The premises was acquired last year. The Saint Honore Group is in the process of drawing up a blue print to integrate the two buildings into a highly functional plant which should provide the capacity needed to support foreseeable expansion there.

Overall

In order to improve its production efficiency and to better react to market and sales demand, the Saint Honore Group is implementing a new Enterprise Resources Planning system that is expected to be implemented before end of 2006. According to the new HKFRS, the Saint Honore Group ceased amortizing its trademarks and correspondingly there has been an annual saving of HK\$4.6 million from April 2005 onwards.

Bread Boutique

Bread Boutique contributed to 19.7% of consolidated turnover. Sales performance of this chain was quite stable with the number of outlets remained at fifteen for the past few years. Operating profit suffered a slight decline of 5.8% when compared to 2005 due to increment in food costs, rental and public utilities expenses. The Saint Honore Group will revamp the outlets by stages to refresh its image.

EC Eatery

Turnover contribution of the Saint Honore Group's eatery business dropped by 32% due to the closure of Tsim Sha Tsui outlet earlier on in the fiscal year. Performance of the remaining shop at Causeway Bay was far from satisfactory ever since the access to the basement level where the eatery is located was redesigned by the landlord resulted in a lesser pedestrian flow. Gross margin was eroded by 1.8% due to rising food cost. As management has decided to concentrate its effort to develop the core bakery business, the eatery business will be phased out when the current rental lease expires in late 2006.

Liquidity and Capital Resources

The Saint Honore Group's freely-held cash on hand increased to about HK\$145.5 million at 31 March 2006 (2005: HK\$129.6 million) as capital expenditure for the year was considerably reduced to HK\$36.6 million (2005: HK\$70.6 million). The Saint Honore Group's financial position stays healthy with zero gearing. Apart from the HK\$1.7 million (2005: HK\$4.4 million) already committed and contracted at the year end, the Saint Honore Group plans to invest an additional sum of about HK\$14.3 million (2005: HK\$27.1 million) to expand and upgrade the outlet network and production capacity. These projects will be financed internally and there is no immediate need for external fund raising.

Employees and Remuneration Policies

At 31 March 2006, the Saint Honore Group had a total of 1,950 (2005: 1,970) full time employees of which 770 (2005: 720) staff were local staff of PRC and Macau. Employees' remuneration package was determined with reference to prevailing market practices and individual performance. Remuneration package includes basic salaries, sales incentives (which are only payable to some operational staff), medical and retirement benefit schemes. Discretionary bonus may be granted to eligible employees based on the performance of the Saint Honore Group and individual employees. Though the share option scheme of Saint Honore had become invalid since 2001, there were still some share options previously granted by Saint Honore that remained unexercised at the year end.

Pledge of Assets

No asset was pledged throughout the year.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Saint Honore Group conducts most of its business transactions in Hong Kong dollars and Renminbi (“RMB”). The Saint Honore Group hedges its RMB exchange exposure by using foreign exchange forward contracts as well as holding surplus cash in RMB deposits. At 31 March 2006, the Saint Honore Group did not have any outstanding foreign exchange forward contract and had RMB fixed deposits amounted to RMB26.5 million.

Contingent Liabilities

The Saint Honore Group had no significant contingent liabilities at 31 March 2006.

3. FOR THE YEAR ENDED 31 MARCH 2005

The following is the management discussion and analysis principally extracted from the annual report of the Saint Honore Group for the year ended 31 March 2005.

Saint Honore Cake Shop

Even though the economy of Hong Kong had improved, the Saint Honore Group’s core cake and bread business did not benefit much from it. Its customers were still very reluctant to spend more on the daily necessities. The Saint Honore Group had tried to reduce the discounts given to its customers in order to compensate for the effect of rising raw material prices and its turnover was affected. Turnover of cake and bread products grew by only 2.9%. On the other hand, the Saint Honore Group had accurately foreseen that customers would be more willing to spend more for gift items and captured a sizeable share of this market with the launch of additional festive product lines such as the new flavours of “snowy” mooncakes. Turnover of festive products recorded a growth of 26.2%. As the economy returned to a slight inflationary state, the Saint Honore Group felt the crunch of cost pressure. Nevertheless, its production lines in Shenzhen have sheltered the Saint Honore Group to some extent its exposure to rising labour costs. With the improved economy, the landlords were asking for a higher rent at the time of lease renewal resulting in a double-digit increase in occupancy expenses.

The Saint Honore Group made use of the proceeds from the disposal of a property in Macau for greater market penetration there. Two new outlets were opened before end of the fiscal year with two more to come on the schedule. A new factory with the capacity to support more outlet growth has been in place since December 2004.

The Saint Honore Group’s festive products are apparently perceived to be of better quality over its rivals in PRC and their turnover has posted a 80% growth. Two new outlets have been added in Guangzhou while the existing outlets are showing continuous growth in daily cake and bread products. In order to support the turnover growth there, a new factory was commissioned by March 2005 and

the Saint Honore Group can now concentrate on sourcing for suitable locations to expand its outlet chain there.

Bread Boutique

Bread Boutique recorded a moderate growth of 6.1% in sales which was mainly contributed to the increase in Chinese dim sum sales. In view of the growth, the Saint Honore Group acquired additional 11,000 square feet of factory space in March 2005. The Saint Honore Group passed to its customers part of the effect of rising material costs by cutting some sales discounts. At the same time, the Saint Honore Group will continue measures to cut back other operating expenses so as to offset the rise in depreciation and utility charges.

EC Eatery

The booming economy has brought in more competitors but the Individual Visit Scheme is not directing new customer flows to the Saint Honore Group. Turnover reported only a 1.4% growth, yet rising material costs and other operating expenses had eroded net profit margin. The Saint Honore Group expects the landlords will ask for a substantial increase in rental charge when the existing leases expire in the near future. The management is contemplating relocation plan at present.

Liquidity and Capital Resources

The Saint Honore Group's freely-held cash on hand slightly decreased to about HK\$129.6 million at 31 March 2005 (2004: HK\$131.0 million) as it had spent over HK\$70 million on capital expenditure during the year. The Saint Honore Group's financial position stays healthy with zero gearing. The Saint Honore Group plans to invest about additional HK\$27.1 million to further expand and upgrade the outlet network and production capacity apart from the amount already committed and contracted at year end. These projects will be financed internally and there is no immediate need for external fund raising.

Employees and Remuneration Policies

At 31 March 2005, the Saint Honore Group had a total of 1,970 (2004: 1,748) full time employees of which 720 (2004: 519) staff were based in PRC and Macau. Employees' remuneration package was determined with reference to prevailing market practices and individual performance. Remuneration package includes basic salaries, sales incentives (which are only payable to some operational staff), medical and retirement benefit schemes. Discretionary bonus may be granted to eligible employees based on the performance of the Saint Honore Group and individual employees. Though the share option scheme of Saint Honore has become invalid since 2001, there were still some share options previously granted by Saint Honore that remained unexercised at the year end.

Pledge of Assets

No assets were pledged throughout the year.

Exposure to Fluctuations In Exchange Rates and Related Hedges

The Saint Honore Group conducts most of its business transactions in Hong Kong dollars and Renminbi (“RMB”). At 31 March 2005, the Saint Honore Group did not have any outstanding RMB forward exchange contracts (2004: HK\$23.0 million). In view of a possible RMB revaluation after fiscal year end, the Saint Honore Group has since committed HK\$40.0 million in RMB forward exchange contracts which will all expire within the next fiscal year.

Contingent Liabilities

The Saint Honore Group had no significant contingent liabilities at 31 March 2005.

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.

永利竹 評值顧問有限公司 | 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 adviser, 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 adviser, 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 3.75% 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

Properties held and occupied by the Group	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	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

Properties held and occupied by the Group	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	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

Properties held and occupied by the Group		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	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

Properties held and occupied by the Group		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	HK\$8,830,000
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 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>	<p>The property is occupied by the Group as shop/dormitory.</p>	HK\$43,000,000

Note:

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	<p>The saleable floor area of the property is approximately 732 square feet (68 sq.m.).</p> <p>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.</p>		

Note:

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 275/9300th shares of and in New Kowloon Inland Lot No. 5894	<p>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.</p> <p>The gross floor area of the property is approximately 4,266 square feet with an open space area of approximately 933 square feet.</p> <p>The saleable floor area is approximately 3,576 square feet (332.22 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 and lorry parking purpose.</p>	HK\$5,390,000

Note:

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>	The property is occupied by the Group as workshop.	HK\$10,720,000

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>	HK\$7,510,000

Note:

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>	HK\$4,520,000

Note:

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	<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>	HK\$5,340,000
133/2414th shares of and in Kwai Chung Town Lot No. 305			

Note:

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>	HK\$4,520,000

Note:

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>		

Note:

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	<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>	HK\$28,000,000

Note:

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:			8,994,866	5,946.10 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 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 RMB	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	<p>The property comprises 8 units on the 1st to 8th floor of a 8-storey industrial building completed in about 1995.</p> <p>The property has a total gross floor area of approximately 9,496 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\$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 RMB	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 circular, for which the CRA Directors collectively and individually accept full responsibility in respect of information (other than that relating to Saint Honore and its shareholders), include particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The CRA Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular (other than that relating to Saint Honore and its shareholders) is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular (other than that relating to Saint Honore and its shareholders) misleading; and
- (c) all opinions expressed in this circular (other than that relating to Saint Honore and its shareholders) have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

INTERESTS AND SHORT POSITIONS OF CRA DIRECTORS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND CERTAIN MAJOR ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of each of the CRA Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and certain of its major associated corporations (Note 1) (within the meaning of Part XV of the SFO) as required to be recorded in the register maintained by the Company pursuant to section 352 of SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealing by the CRA Directors under the GEM Listing Rules and/or the Code of Conduct for dealings in securities adopted by the Company, were as follows:

The Company

Long positions in CRA Shares and the underlying CRA Shares of equity derivatives

Name of Directors	Number of		Nature of interests/Holding capacity	Approximate percentage of interests
	(i) shares	(ii) underlying shares		
Dr. Fung Kwok King, Victor	373,692,000	–	Corporate (Note 2)	55.19%
Dr. Fung Kwok Lun, William	373,692,000	–	Corporate (Note 2)	55.19%
Mr. Yeung Lap Bun, Richard	17,896,000	1,300,000 (Note 3)	Personal/ beneficiary	2.83%
Mr. Li Kwok Ho, Bruno	2,676,000	250,000 (Note 4)	Personal/ beneficiary	0.43%

Name of Directors	Number of		Nature of interests/Holding capacity	Approximate percentage of interests
	(i) shares	(ii) underlying shares		
Ms. Wong Yuk Nor, Louisa	1,338,000	250,000 (Note 5)	Personal/ beneficiary	0.23%
Dr. Ch'ien Kuo Fung, Raymond	1,000,000	–	Personal/ beneficiary	0.15%
Mr. Jeremy Paul Egerton Hobbins	180,000	–	Personal/ beneficiary	0.03%

Major associated corporations

Long positions in shares and the underlying shares of equity derivatives

Name of Directors	Name of associated corporations	Class of shares	Number of		Nature of interests/ Holding capacity	Approximate percentage of interests
			(i) shares	(ii) underlying shares		
Dr. Fung Kwok King, Victor	Li & Fung (Gemini) Limited	Ordinary shares	5,222,807	–	Corporate (Note 6)	
			602,631	–	Corporate (Notes 2 & 7)	84.80%
	Li & Fung (Distribution) Limited	Full voting ordinary shares	13,800,000	–	Corporate (Note 8)	100.00%
	Integrated Distribution Services Group Limited	Ordinary shares	157,960,917	–	Corporate (Note 9)	
			2,405,509	–	Personal/ beneficiary	51.90%
Dr. Fung Kwok Lun, William	Li & Fung (Gemini) Limited	Ordinary shares	5,222,807	–	Corporate (Note 6)	76.02%
	Li & Fung (Distribution) Limited	Full voting ordinary shares	13,800,000	–	Corporate (Note 8)	100.00%
	Integrated Distribution Services Group Limited	Ordinary shares	157,960,917	–	Corporate (Note 9)	51.12%

Name of Directors	Name of associated corporations	Class of shares	Number of		Nature of interests/ Holding capacity	Approximate percentage of interests
			(i) shares	(ii) underlying shares		
Mr. Jeremy Paul Egerton Hobbins	Li & Fung (Gemini) Limited	Ordinary shares	462,018	–	Corporate (Note 10)	6.73%
	Integrated Distribution Services Group Limited	Ordinary shares	1,202,754	–	Personal/ beneficiary	0.39%
Mr. Li Kwok Ho, Bruno	Integrated Distribution Services Group Limited	Ordinary shares	4,000	–	Other (Note 11)	0.00%

Notes:

- Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William, by virtue of their interests in King Lun and the Company are deemed to be interested in the shares and underlying shares of certain associated corporations of the Company under SFO. A waiver from full compliance with the requirements under Rule 19.66(1) of and paragraphs 38 and 38A of Part B of Appendix I to the GEM Listing Rules for the disclosure of CRA Directors' interests in the shares and underlying shares of the associated corporations has been granted by the Stock Exchange on 18 December 2006.
- 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.
- 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 the Company. 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.
- 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 the Company. 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.
- 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 the Company. 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.
- King Lun through its wholly owned subsidiary, LF (1937) held 5,222,807 shares in Li & Fung (Gemini) Limited ("LFG"). Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun and LF (1937) as set out in note (2) above.
- 602,631 shares in LFG are owned by a company which is held by J.P. Morgan Trust Company (Jersey) Limited.
- Out of the total 13,800,000 shares, LFG holds 6,800,000 shares and LF (1937) holds 7,000,000 shares. Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun and LF (1937) and indirect interests in LFG as set out in notes (2) and (6) above.
- Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun, LF (1937), LFG and Li & Fung (Distribution) Limited as set out in notes (2), (6) and (8) above.

10. 462,018 shares in LFG are held by Martinville Holdings Limited which is owned by Mr. Jeremy Paul Egerton Hobbins.
11. 4,000 shares in Integrated Distribution Services Group Limited are jointly held by Mr. Li Kwok Ho, Bruno and his wife, Sandra Maria Li Ng.

Save as disclosed herein, as at the Latest Practicable Date, none of the CRA Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

- (a) As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the CRA Directors or chief executive of the Company, the following persons (other than a CRA Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in CRA Shares or underlying CRA Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in CRA Shares

Name	Number of CRA Shares	Nature of interests/ Holding capacity	Approximate percentage of interests
King Lun	373,692,000	Corporate (Note 1)	55.19%
Commonwealth Bank of Australia	60,000,000	Corporate (Note 2)	8.86%
Aberdeen Asset Management Plc and its associates	68,050,000	Other (Note 3)	10.05%
Arisaig Greater China Fund Limited ("Arisaig China")	68,176,000	Corporate	10.05%
Arisaig Partners (Mauritius) Limited ("Arisaig Partners")	68,176,000	Other (Note 4)	10.05%
Cooper Lindsay William Ernest ("Mr. Cooper")	68,176,000	Corporate (Note 5)	10.05%

Notes:

1.

These shares are held by Li & Fung (Retailing) Limited (“LFR”). King Lun indirectly owns 100% interests in LFR through its wholly owned subsidiary, Li & Fung (1937) Limited (“LF (1937)”). All of King Lun, LFR and LF (1937) are taken to be interested in the shares. Please refer to Note (2) in the above section headed “Interests and Short Positions of CRA Directors in the shares, underlying shares and debentures of the Company and certain major associated corporations”.
2.

These shares are indirectly held by Commonwealth Bank of Australia through a chain of 100% owned companies, namely Colonial Holding Company Limited, Commonwealth Insurance Holdings Limited, Colonial First State Group Ltd, First State Investments (UK Holdings) Limited, SI Holdings Limited, First State Investment Management (UK) Limited and First State Investments International Ltd.
3.

Aberdeen Asset Management Plc and its associates (together “the Aberdeen Group”) on behalf of accounts managed by the Aberdeen Group.
4.

These shares are held by Arisaig China of which Arisaig Partners is the fund manager.
5.

These shares are held by Arisaig China. Arisaig Partners, which is indirectly owned as to 33.33% by Mr. Cooper through a chain of companies, namely Madelene Ltd. (100%), Arisaig Partners (Holdings) Ltd. (33.33%) and Arisaig Partners (BVI) Limited (100%), is the fund manager of Arisaig China.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any substantial shareholders’ interests or short positions which are required to be kept under Section 336 of SFO.

- (b)

As at the Latest Practicable Date, so far as is known to the CRA Directors or chief executive of CRA, the following persons (other than a CRA Director or chief executive of the Company) were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the CRA Group (other than the Company):

Name of company	Name of shareholder	Number of shares/ Amount of registered capital	Approximate percentage of interests
Convenience Retail Southern China Limited 利亞華南便利店 有限公司 ^{Note 1}	Guangzhou Grain Group Co., Ltd. 廣州市糧食集團 有限責任公司 ^{Note 1}	RMB15,000,000	25%
	Shanghai Shenhong Corporation 上海申宏有限公司 ^{Note 1}	RMB6,000,000	10% ^{Note 2}

Notes:

1.

The legal name of the company is in Chinese.
2.

Shanghai Shenhong Corporation agreed to transfer 8.5% equity interest in Convenience Retail Southern China Limited to Circle K Convenience Stores PRC Limited pursuant to a conditional sale and purchase agreement dated 7 November 2006 (details of which were disclosed in the announcement of the Company dated 9 November 2006).

Save as disclosed above, as at the Latest Practicable Date, the CRA Directors were not aware of any other person (other than a CRA Director or chief executive of the Company) who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the CRA Group (other than the Company).

Material Interests

Save for the two premises leased to the CRA Group pursuant to two lease agreements both dated 12 May 2004 by IDS (Hong Kong) Limited (details of which were disclosed in the announcement of the Company dated 12 May 2004), as at the Latest Practicable Date, none of the CRA Directors had any direct or indirect interests in any assets which have since 31 December 2005 (being the date to which the latest published audited consolidated accounts of the CRA Group were made up) been acquired or disposed of by or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to the Company or any of its subsidiaries.

Save for the purchase agreement dated 10 December 2004 entered into between the CRA Group and IDS (Hong Kong) Limited for the purchase of various products (details of which are set out in the announcement of the Company dated 10 December 2004), as at the Latest Practicable Date, none of the CRA Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries, which was subsisting and was significant in relation to the business of the CRA Group.

3. COMPETING INTEREST

As at the Latest Practicable Date, in so far as the CRA Directors were aware, none of the CRA Directors or the management shareholders of the Company or their respective associates had any interests in a business which competes or is likely to compete with the business of the CRA Group.

4. EXPERTS

- (a) The following are the qualifications of the experts who have given their opinions or advices which are contained in this circular:

Name	Qualifications
HSBC	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)
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong
RHL Appraisal Ltd.	Independent property valuer

- (b) Save for the shareholding in any member of the CRA Group being owned or controlled on a non-discretionary basis, none of HSBC or members of its group (other than exempt fund managers) had any shareholding, directly or indirectly, in any member 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 CRA Group as at the Latest Practicable Date.

- (c) As at the Latest Practicable Date, none of PricewaterhouseCoopers or RHL Appraisal Ltd. had any shareholding, directly or indirectly, in any member 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 CRA Group.
- (d) As at the Latest Practicable Date, each of HSBC, PricewaterhouseCoopers and RHL Appraisal Ltd. had given and has not withdrawn their respective written consents to the issue of this circular with the inclusion of its advice and/or opinion and/or report and/or letter and/or summary of valuations (as the case may be) and references to its name in the form and context in which it appears.
- (e) As at the Latest Practicable Date, none of HSBC, PricewaterhouseCoopers and RHL Appraisal Ltd. had any interest, direct or indirect, in any assets which have been acquired by or disposed of by or leased to any member of the CRA Group, nor which are proposed to be acquired or disposed of by or leased to any member of the CRA Group since 31 December 2005, the date to which the latest published audited financial statements of the Company were made up.
- (f) The letters and reports prepared by PricewaterhouseCoopers and RHL Appraisal Ltd. set out in Appendices 3 and 5 to this circular respectively were given for incorporation in this circular.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the CRA Directors to be pending or threatened against the Company or any of its subsidiaries.

6. SERVICE CONTRACTS

Each of the executive CRA Directors has entered into a service contract with the Company for an initial term of three years commencing on 1 January 2001 and will continue thereafter subject at all times (including the initial three years period) to termination by not less than three months' prior notice in writing by either party on the other. Pursuant to the said service contracts, Mr. Yeung Lap Bun, Richard is entitled to a basic salary of HK\$2,400,000 for 2007 and Mr. Li Kwok Ho, Bruno is entitled to a basic salary of HK\$1,728,000 for 2007.

Save as disclosed above, none of the CRA Directors has entered into any service contracts with any of its subsidiaries which is not determinable by the CRA Group within one year without payment of compensation, other than statutory compensation.

7. 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 the two years immediately prior to the date of this circular which was or might be material.

8. PROCEDURES FOR DEMANDING A POLL AT A GENERAL MEETING

Pursuant to the articles of association of CRA, at any general meeting of CRA a resolution put to vote of the meeting shall be decided on a show of hands unless (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 poll is demanded:

- (i) by the chairman of such meeting; or
- (ii) be at least three CRA Shareholders present in person (or in the case of a CRA Shareholder being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any CRA Shareholder or CRA Shareholders present in person (or in the case of a CRA Shareholder being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all CRA Shareholders having the right to vote at the meeting; or
- (iv) by any CRA Shareholder or CRA Shareholders present in person (or in the case of a CRA Shareholder being a corporation, by its duly authorized representative) or by proxy and holding shares in CRA conferring a right to vote at the meeting being 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 shares conferring that right.

A demand by a person as proxy for a CRA Shareholder or in the case of a CRA Shareholder being a corporation by its duly authorized representative shall be deemed to be the same as a demand by a CRA Shareholder.

9. GENERAL

- (a) The qualified accountant of the Company is Hui Chi Ho, Sam, an associate of the Hong Kong Institute of Certified Public Accountants.
- (b) The company secretary of the Company is Wong Wing Ha, a fellow of the Chartered Institute of Secretaries.
- (c) The compliance officer of the Company is Li Kwok Ho, Bruno, a member of the Institute of Chartered Accountants of Scotland.
- (d) The principal share registrar and the transfer office of the Company is Butterfield Fund Services (Cayman) Limited, P.O. Box 705, Butterfield House, Fort Street, George Town, Grand Cayman, Cayman Islands.
- (e) The Hong Kong branch share registrar and transfer office is Abacus Share Registrars Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (f) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The head office and principal place of business of

the Company is at 12th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

- (g) The audit committee of the Company (the “Audit Committee”) was established in January 2001 to review the CRA Group’s financial reporting, internal controls, and corporate governance and risk management matters and to make relevant recommendations to the CRA Board. The Audit Committee comprises three independent non-executive CRA Directors, namely Dr. Ch’ien Kuo Fung, Raymond (being the Chairman of the Audit Committee), Mr. Au Man Chung, Malcolm and Mr. Lo Kai Yiu, Anthony, and two non-executive CRA Directors, namely Mr. Godfrey Ernest Scotchbrook and Mr. Jeremy Paul Egerton Hobbins. All committee members possess appropriate industry and financial experience to advise on the above matters.

Dr. Ch’ien Kuo Fung, Raymond

Dr. Ch’ien, aged 54, is an independent non-executive CRA Director since January 2001. Dr. Ch’ien is Chairman of CDC Corporation and its subsidiary, China.com Inc. and Chairman of MTR Corporation Limited. Dr. Ch’ien serves on the boards of HSBC Holdings plc, The Hongkong and Shanghai Banking Corporation Limited, Inchcape plc, VTech Holdings Limited and The Wharf (Holdings) Limited. In public service, Dr. Ch’ien is Chairman of the Advisory Committee on Corruption of the Independent Commission Against Corruption, Chairman of the Hong Kong/European Union Business Cooperation Committee and is a Hong Kong member of the APEC Business Advisory Council. Dr. Ch’ien is an honorary President and past Chairman of the Federation of Hong Kong Industries. From 1992 to 1997, Dr. Ch’ien was a member of the Executive Council of Hong Kong, then under British Administration. He was appointed a member of the Executive Council of the Hong Kong Special Administrative Region on 1 July 1997 and served until June 2002. Dr. Ch’ien received a doctoral degree in Economics from the University of Pennsylvania in 1978. He was appointed a Justice of the Peace in 1993 and a Commander in the Most Excellent Order of the British Empire in 1994. In 1999, he was awarded the Gold Bauhinia Star Medal.

Au Man Chung, Malcolm

Mr. Au, aged 57, is an independent non-executive CRA Director since January 2001. Mr. Au holds a Bachelor of Science degree in Chemical Engineering and a Master of Science degree in Food Science both from the University of Wisconsin, USA and a Master of Business Administration degree from the University of Toronto, Canada. Mr. Au is also a non-executive director of China-Hongkong Photo Products Holdings Ltd and Eu Yan Sang International, a listed company in Singapore.

Lo Kai Yiu, Anthony

Mr. Lo, aged 58, is an independent non-executive CRA Director since August 2005. Mr. Lo is the chairman and co-chief executive of Shanghai Century Acquisition Corporation, a company listed on the American Stock Exchange. He has over 25 years of experience in banking, finance and investments. Mr. Lo also serves as an independent non-executive director of Hong Kong listed Playmates Holdings Limited, Tristate Holdings Limited and IDT International Limited. He is also a director of the Taiwan Fund, Inc., a company listed on the

New York Stock Exchange. From 1998 to May 2006, Mr. Lo was a member of the listing committee of the Stock Exchange. Mr. Lo is qualified as a chartered accountant with the Canadian Institute of Chartered Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Godfrey Ernest Scotchbrook

Mr. Scotchbrook, aged 60, prior to re-designation as non-executive CRA Director in August 2005, had been an independent non-executive CRA Director since November 2002. Mr. Scotchbrook presently serves as an independent director of Del Monte Pacific Limited (a company engaged in the production, marketing and distribution of premium branded food and beverage products) and a non-executive director of Boustead Singapore Limited (a company engaged in engineering services and geo-spatial technology) in Singapore. Mr. Scotchbrook was a founder of Scotchbrook Communications Ltd., a firm specialising in investor relations, issues management, corporate positioning and public affairs; and is a veteran in corporate governance. He is a Fellow of the Hong Kong Management Association and also of the British Chartered Institute of Public Relations.

Jeremy Paul Egerton Hobbins

Mr. Hobbins, aged 59, is the group managing director of Li & Fung (Retailing) Limited (controlling shareholder of the Company) and its subsidiaries. He is also a director of various companies within the Li & Fung Group including Integrated Distribution Services Group Limited and Li & Fung (Gemini) Limited. Mr. Hobbins joined the Li & Fung Group in 1999 and was Deputy Chairman of Li & Fung (Distribution) Limited. Mr. Hobbins was the chief executive of Inchcape Marketing Services-Asia Pacific and was also the chief executive officer of Inchcape Marketing Services Limited which was listed in Singapore, from 1997 to 1998. In addition, he served as a member of the group management board of Inchcape plc and a director of Inchcape NRG, a business machines joint-venture with Ricoh. Previously, he was the chief executive officer of Inchcape Berhad, prior to which he was the chief executive officer of Inchcape Buying Services from 1993 to 1996. Before joining the Inchcape group, he was the president and chief executive officer of the Campbell Soup Company, UK & Ireland, and previously was president of the Dairy Division of Ault Foods, Canada. He has also held senior positions at Procter & Gamble, Hutchison Whampoa and Cadbury Schweppes. He has completed Advanced Management Programmes at the London Business School, Imede and Insead.

- (h) The authorised share capital of the Company is HK\$200,000,000 comprising 2,000,000,000 ordinary shares of HK\$0.1 each. As at the Latest Practicable Date, 677,142,000 ordinary shares have been issued and paid up.
- (i) Dealing in securities of the Company may be settled through CCASS and that investors should seek the advice of their stockbroker or the professional adviser for detail of such settlement arrangement.
- (j) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours up to 4:00 p.m. on 16 January 2006 at the principal office of the Company at 12th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong:

- (a) the memorandum and articles of association of the Company;
- (b) the service contracts referred to in the paragraph 6 in this Appendix;
- (c) the report from PricewaterhouseCoopers on the pro forma financial information of the Enlarged Group, the text of which is set out in Appendix 3 to this circular;
- (d) the annual reports of the Company for the three financial years ended 31 December 2005;
- (e) the half year report of the Company for the six months ended 30 June 2006;
- (f) the third quarterly report of the Company for the nine months ended 30 September 2006;
- (g) the annual reports of Saint Honore for the three financial years ended 31 March 2006;
- (h) the interim report of Saint Honore for the six months ended 30 September 2006;
- (i) the valuation certificates and the associated report from RHL Appraisal Ltd., the text of which is set out in Appendix 5 to this circular;
- (j) the Scheme Document dated 2 January 2007 despatched to the Saint Honore Shareholders; and
- (k) the written consents referred to in paragraph 4 in this Appendix.