

Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The Company is engaged in investment holding and its subsidiaries are engaged in bakery and eatery businesses.

An analysis of the Group's performance for the year by business segments is set out in note 3 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 24.

The Company has paid an interim dividend of HK4.0 cents (2003: HK2.0 cents) per ordinary share, totalling HK\$8,311,080 (2003: HK\$3,924,580) on 28 January 2004.

The directors recommend the payment of a final dividend of HK9.0 cents (2003: HK3.5 cents) per ordinary share totalling HK\$19,031,130 (2003: HK\$6,868,015) to be payable to shareholders whose names appear in the register of members of the Company on 26 August 2004. Subject to the passing of the necessary resolutions at the forthcoming annual general meeting, such dividend will be payable on or about 7 September 2004.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 23 to the accounts.

Distributable reserves of the Company at 31 March 2004, calculated under the Companies Act of Bermuda, amounted to HK\$224,056,008 (2003: HK\$211,856,177).

DONATIONS

Donations made for charitable purposes by the Group during the year amounted to HK\$88,000 (2003: HK\$128,000).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the law in Bermuda.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 13 to the accounts.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2004 are set out in note 30 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 21 to the accounts.

SHARE OPTIONS

The Company's share option scheme adopted on 25 October 2000 (the "Share Option Scheme") does not fulfil certain requirements laid down in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") on share option scheme which became effective on 1 September 2001. No further share option has been granted since then. There remained 2,840,000 share options as at 31 March 2004 being held by a director and three employees and out of which 2,030,000 share options are exercisable up to 31 May 2010 at HK\$0.50 per share and 810,000 share options are exercisable up to 30 September 2011 at HK\$0.55 per share.

Further details of the Share Option Scheme as required to be disclosed under Rule 17.09 of the Listing Rules have not been included as in the opinion of the board of directors (the "Board"), the information is obsolete and of no more value.

The details of movements of the options issued under the Share Option Scheme ("Share Options") during the year are summarized below:

Participants	Grant date	Exercise period		Exercise price HK\$	Number of Share Options				
		From	To		As at 1 Apr. 2003	Exercised during the year <i>(Note a)</i>	Lapsed during the year	Cancelled during the year <i>(Note b)</i>	As at 31 Mar. 2004
Directors									
Chan Ka Shun,	15 Jan. 2001	1 May 2001	31 May 2010	0.50	1,000,000	-	-	-	1,000,000
Raymond	15 Jan. 2001	1 May 2002	31 May 2010	0.50	1,000,000	-	-	-	1,000,000
	31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	300,000	-	-	-	300,000
	31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	300,000	-	-	-	300,000
				Total	<u>2,600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,600,000</u>
Shum Wing Hon	15 Jan. 2001	1 May 2001	31 May 2010	0.50	1,000,000	(1,000,000)	-	-	-
	15 Jan. 2001	1 May 2002	31 May 2010	0.50	1,000,000	(1,000,000)	-	-	-
	31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	300,000	(300,000)	-	-	-
	31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	300,000	(300,000)	-	-	-
				Total	<u>2,600,000</u>	<u>(2,600,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>

SHARE OPTIONS (cont'd)

Participants	Grant date	Exercise period		Exercise price HK\$	Number of Share Options				
		From	To		As at 1 Apr. 2003	Exercised during the year <i>(Note a)</i>	Lapsed during the year	Cancelled during the year <i>(Note b)</i>	As at 31 Mar. 2004
Directors (cont'd)									
Chan Wong Man	15 Jan. 2001	1 May 2001	31 May 2010	0.50	1,000,000	(1,000,000)	-	-	-
Li, Carrina	15 Jan. 2001	1 May 2002	31 May 2010	0.50	1,000,000	(1,000,000)	-	-	-
	31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	300,000	(300,000)	-	-	-
	31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	300,000	(300,000)	-	-	-
				Total	2,600,000	(2,600,000)	-	-	-
Wong Chung	15 Jan. 2001	1 May 2001	31 May 2010	0.50	750,000	(750,000)	-	-	-
Piu, Billy	31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	375,000	(375,000)	-	-	-
	31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	375,000	(375,000)	-	-	-
				Total	1,500,000	(1,500,000)	-	-	-
Continuous contract employees	15 Jan. 2001	1 May 2001	31 May 2010	0.50	2,070,000	(1,958,000)	(2,000)	(80,000)	30,000
	31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	3,640,000	(3,215,000)	(265,000)	(55,000)	105,000
	31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	3,640,000	(3,215,000)	(265,000)	(55,000)	105,000
				Total	9,350,000	(8,388,000)	(532,000)	(190,000)	240,000
				Grand total	18,650,000	(15,088,000)	(532,000)	(190,000)	2,840,000

SHARE OPTIONS (cont'd)

Note:

- (a) There were 15,088,000 Share Options exercised during the year and the details are summarised below:

Month	Number of Share Options exercised			Proceeds from exercise of Share Options HK\$
	Exercisable at HK\$0.50	Exercisable at HK\$0.55	Total	
August 2003	80,000	-	80,000	40,000
September 2003	328,000	380,000	708,000	373,000
October 2003	2,620,000	620,000	3,240,000	1,651,000
November 2003	490,000	1,800,000	2,290,000	1,235,000
December 2003	1,090,000	2,380,000	3,470,000	1,854,000
January 2004	40,000	1,720,000	1,760,000	966,000
February 2004	2,060,000	710,000	2,770,000	1,420,500
March 2004	-	770,000	770,000	423,500
Total	6,708,000	8,380,000	15,088,000	7,963,000

The weighted average closing prices of the Company's shares immediately before the dates of exercise were:

Participants	Weighted average closing price before the dates of exercise HK\$
Shum Wing Hon	1.36
Chan Wong Man Li, Carrina	1.13
Wong Chung Piu, Billy	1.35
Continuous contract employees	1.09
Average	1.17

- (b) The 190,000 Share Options were cancelled upon the optionholders accepted the cash offer of Well-Positioned Corporation ("Well-Positioned") which was opened over the period from 12 February 2004 to 30 March 2004.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Neither the Company nor the Group had any outstanding bank loans, overdrafts and other borrowings subsisted as at 31 March 2004 and 31 March 2003.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 59 and 60.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DIRECTORS

The directors during the year were:

Executive directors

Mr. Chan Wai Cheung, Glenn
Mr. Shum Wing Hon
Mrs. Chan Wong Man Li, Carrina
Mr. Chan Ka Shun, Raymond
Mr. Wong Chung Piu, Billy

Non-executive directors

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

Independent non-executive directors

Dr. Cheung Wai Lam, William
Dr. Ho Sai Wah, David
Mr. Bingley Wong (appointed on 7 July 2003)

In accordance with Bye-law 87 of the Company's Bye-laws, Mrs. Chan King Catherine and Dr. Cheung Wai Lam, William retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Mr. Bingley Wong was appointed as an independent non-executive director on 7 July 2003 with a service contract signed on that date. The service contracts of all other non-executive directors expired on 28 September 2002 and have been renewed. These service contracts would continue unless terminated by either party with one month prior written notice.

No director has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

Separate annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules have been received from all the independent non-executive directors.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in section headed "Connected Transactions" below, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

At 31 March 2004, the following directors and chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

Name of company	Name of director	Number of ordinary shares held			Number of underlying ordinary shares held under equity derivatives	Total number of share interested or deemed to be interested (long position)	Percentage of shareholding %
		Personal interest (Note b)	Family interest	Trust interest			
The Company	Chan Wai Cheung, Glenn	-	-	146,485,250 (Note a)	-	146,485,250	69.32
	Chan King Catherine	-	146,485,250 (Note a)	-	-	146,485,250	69.32
	Chan Ka Lai, Joseph	182,000	-	146,485,250 (Note c)	-	146,667,250	69.41
	Chan Ka Shun, Raymond	162,500	-	146,485,250 (Note c)	2,600,000 (Note d)	149,247,750	70.63
	Chan Wong Man Li, Carrina	968,000	-	-	-	968,000	0.46
HKCM	Chan Wai Cheung, Glenn	-	-	183,658,609 (Note e)	-	183,658,609	55.83
	Chan King Catherine	-	183,658,609 (Note e)	-	-	183,658,609	55.83
	Chan Ka Lai, Joseph	1,200,000	-	183,658,609 (Note c)	3,000,000 (Note f)	187,858,609	57.11
	Chan Ka Shun, Raymond	650,000	-	183,658,609 (Note c)	-	184,308,609	56.03

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (cont'd)

Notes:

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

	Number of ordinary shares held
Shares held by Well-Positioned as beneficial owner	28,457,152
Shares held by Well-Positioned through HKCM's wholly owned subsidiary, Albion Agents Limited ("Albion")	118,028,098
	<u>146,485,250</u>

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

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

The details of Share Options granted to directors during the year are disclosed in the section headed "Share Options" above. In addition, one director of the Company is holding share options in HKCM and there was no movement in such share options during the year. The outstanding number of such share options are summarized below:

Name of director	Grant date	Exercise period		Exercise price HK\$	Number of HKCM share options at 1 April 2003 and 31 March 2004
		From	To		
Chan Ka Lai, Joseph	30 Aug. 2001	1 Oct. 2001	30 Sept. 2011	0.48	1,000,000
	30 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.48	1,000,000
	30 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.48	1,000,000
					<u>3,000,000</u>

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (cont'd)

Save as disclosed above, as at 31 March 2004, none of the directors or chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them was taken or deemed to have under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDER'S INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2004, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the directors or chief executives of the Company, the following persons, other than directors or chief executives of the Company, had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

Name of substantial shareholders	Number of shares held	Percentage of shareholding %
Albion	118,028,098	55.85
HKCM (note a)	118,028,098	55.85
Well-Positioned (note b)	146,485,250	69.32

Notes:

- (a) Albion was wholly owned by HKCM, hence HKCM has a deemed interest in 118,028,098 shares by virtue of its interest in the shares of Albion.
- (b) It included the interest held by HKCM through its wholly owned subsidiary, Albion, so Well-Positioned also had a deemed interest in 118,028,098 shares by virtue of its interest in the shares of HKCM. Together with the interest in 28,457,152 shares directly held by Well-Positioned as beneficial owner, Well-Positioned has a total interest of 146,485,250 shares in the Company.

Save as disclosed above, as at 31 March 2004, the directors and the chief executives of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company or any share options in respect of such capital.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Board, there are 25% or more of the listed issued share capital of the Company being held in public hands as at 13 July 2004, being the latest practicable date prior to printing of this report.

CONNECTED TRANSACTIONS

(a) The continuing connected transactions between the Group and HKCM and its subsidiaries excluding the Group (“HKCM Group”) as listed below (the “Transactions”) have been exempted by the Stock Exchange in 2000 from strict compliance with the provisions of Chapter 14 of the then Listing Rules, provided that certain conditions as set out by the Stock Exchange are fulfilled.

(b) During the year, the Group had the following Transactions with the HKCM Group:

	2004	2003
	HK\$	HK\$
Sales of bakery and related products <i>(note (i))</i>	5,716,289	6,009,508
Rental expenses in respect of land and buildings <i>(note (ii))</i>	1,723,735	2,130,174
Management fees paid <i>(note (iii))</i>	4,164,493	4,064,947

(i) Sales of bakery and related products were charged at prices and terms determined by reference to those charged to independent customers of the Group.

(ii) Rental expenses were reimbursed at costs in respect of certain shared and leased premises.

(iii) Pursuant to the service sharing agreement entered into between BBL, a wholly owned subsidiary of the Company and HKCM, HKCM was engaged to provide management and administration services to BBL. Management fees were charged on a monthly basis and were calculated at a certain percentage on the monthly gross turnover of BBL.

(c) The independent non-executive directors of the Company have reviewed the Transactions and have confirmed that the Transactions have been entered into:

(i) in the ordinary and usual course of its business;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

(d) On 9 June 2004, the Group entered into new supply agreement, sub-leasing agreement, distribution agreement and administration agreement with HKCM to formalize the above Transactions in compliance with the new requirements of Chapter 14A of the Listing Rules. Major terms and conditions remained materially unchanged except that all the new agreements now carry a fixed term of three years and deemed to have commenced on 1 April 2004.

MANAGEMENT CONTRACTS

Save as disclosed in note 28 to the accounts, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its five largest suppliers and sold less than 30% of its goods and services to its five largest customers.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except in relation to guideline No. 7 that the service contracts of non-executive directors were renewed with no specific tenure, but they are determinable by either party with at least one month written notice in advance.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee (the "Committee") were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants. The Committee comprises three independent non-executive directors, namely Dr. Cheung Wai Lam, William, Dr. Ho Sai Wah, David and Mr. Bingley Wong and also one non-executive director, Mr. Chan Ka Lai, Joseph.

The Committee is responsible for reviewing the Group's financial reporting process, internal controls and risk evaluation and two meetings were held during the year. The Committee had reviewed the Group's results for the year ended 31 March 2004 before they were tabled for the Board's review and approval.

SUBSEQUENT EVENTS

Details of the subsequent events are set out in note 31 to the accounts.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chan Wai Cheung, Glenn

Chairman

Hong Kong, 8 July 2004