



## *Report of the Directors*

The directors submit their report together with the audited accounts for the year ended 31 March 2005.

### **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 23.

The Company has paid an interim dividend of HK5.0 cents (2004: HK4.0 cents) per ordinary share, totalling HK\$10,577,850 (2004: HK\$8,311,080) on 26 January 2005.

The directors recommend a final dividend of HK9.0 cents (2004: HK9.0 cents) per ordinary share totalling HK\$19,040,130 (2004: HK\$19,031,130) to be payable to shareholders whose names appear in the register of members of the Company on 8 September 2005. Subject to the passing of the necessary resolutions at the forthcoming annual general meeting, such dividend will be payable on or about 21 September 2005.

### **RESERVES**

Movements in the reserves of the Company and the Group during the year are set out in note 22 to the accounts.

Distributable reserves of the Company at 31 March 2005, calculated under the Companies Act of Bermuda, amounted to HK\$233,057,711 (2004: HK\$224,056,008).

### **DONATIONS**

Donations made for charitable purposes by the Group during the year amounted to HK\$98,000 (2004: HK\$88,000).

### **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 at 31 March 2005 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 20 to the accounts.

## SHARE OPTIONS

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disclosed under Rule 17.09 of the Listing Rules have not been included as, in the opinion of the Board, the information is obsolete and of no more value.

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		At 1 Apr. 2004	Exercised during the year (Note a & b)	At 31 Mar. 2005
Director							
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	2,600,000	–	2,600,000
Continuous contract employees	15 Jan. 2001	1 May 2001	31 May 2010	0.50	30,000	(30,000)	–
	31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	105,000	(105,000)	–
	31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	105,000	(105,000)	–
				Total	240,000	(240,000)	–
				Grand total	2,840,000	(240,000)	2,600,000



**SHARE OPTIONS (Continued)**

Note:

(a) There were 240,000 Share Options exercised during the year and the details are summarized 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	
April 2004	–	140,000	140,000	77,000
July 2004	30,000	70,000	100,000	53,500
Total	30,000	210,000	240,000	130,500

(b) The weighted average closing prices of the Company's shares immediately before the dates of exercise was HK\$1.72 per share.

**BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS**

Neither the Company nor the Group had any outstanding bank loans, overdrafts or other borrowings subsisted at 31 March 2005 and 31 March 2004.

**FIVE-YEAR FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last 5 financial years is set out on pages 61 and 62.

**PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company had not redeemed any of its shares during the year and neither the Company nor any of its subsidiaries had 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

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Wong Chung Piu, Billy and Dr. Ho Sai Wah, David retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

## **DIRECTORS' SERVICE CONTRACTS**

The service contracts entered into between the Company and the non-executive directors continue annually unless they are terminated by either party with at least 1 month written notice in advance.

No director has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within 1 year without payment of compensation (other than statutory compensation).

Separate annual confirmations 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, its fellow subsidiaries or its holding companies 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.



*Report of the Directors (Continued)*

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

At 31 March 2005, 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 (the "SFO")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange:

Name of company	Name of director	Number of ordinary shares held			Number of underlying ordinary shares held under equity derivatives	Total number of shares interested or deemed to be interested (long position)	Percentage of shareholding %
		Personal interest <i>(Note a)</i>	Family interest	Trust interest			
The Company	Chan Wai Cheung, Glenn	-	-	146,485,250 <i>(Note b)</i>	-	146,485,250	69.24
	Chan King Catherine	-	146,485,250 <i>(Note b)</i>	-	-	146,485,250	69.24
	Chan Ka Lai, Joseph	182,000	-	146,485,250 <i>(Note c)</i>	-	146,667,250	69.33
	Chan Ka Shun, Raymond	162,500	-	146,485,250 <i>(Note c)</i>	2,600,000 <i>(Note d)</i>	149,247,750	70.55
	Chan Wong Man Li, Carrina	206,000	-	-	-	206,000	0.10
HKCM	Chan Wai Cheung, Glenn	-	-	183,658,609 <i>(Note e)</i>	-	183,658,609	55.83
	Chan King Catherine	-	183,658,609 <i>(Note e)</i>	-	-	183,658,609	55.83
	Chan Ka Lai, Joseph	1,200,000	-	183,658,609 <i>(Note c)</i>	3,000,000 <i>(Note f)</i>	187,858,609	57.11
	Chan Ka Shun, Raymond	650,000	-	183,658,609 <i>(Note c)</i>	-	184,308,609	56.03

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

(Continued)

Notes:

- (a) These shares are held by the directors as beneficial owners.
- (b) These shares are held by Well-Positioned Corporation ("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:

	<b>Number of ordinary shares held</b>
Shares directly 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.

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

One director of the Company is holding share options in HKCM and there was no movement in such share options during the year. The details of these outstanding share options are summarized below:

Name of director	Grant date	Exercise period		Exercise price HK\$	Number of HKCM share options at 1 April 2004 and 31 March 2005
		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**  
*(Continued)*

Save as disclosed above, at 31 March 2005, none of the directors or chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

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

At 31 March 2005, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the directors or chief executives of the Company, the following persons, other than directors or chief executives of the Company, had an interest or short position in the shares or underlying shares which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who 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.

<b>Name of substantial shareholders</b>	<b>Number of ordinary shares held</b>	<b>Percentage of shareholding %</b>
Albion	118,028,098	55.79
HKCM ( <i>note a</i> )	118,028,098	55.79
Well-Positioned ( <i>note b</i> )	146,485,250	69.24

*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. Therefore Well-Positioned also had a deemed interest in 118,028,098 shares by virtue of its interest in the shares of HKCM. Together with the interest in 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, at 31 March 2005, the directors and the chief executives of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares which would require to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

## 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 at 19 July 2005, being the latest practicable date prior to printing of this report.

## CONNECTED TRANSACTIONS

- (a) On 9 June 2004, the Company entered into new supply agreement, sub-leasing agreement, distribution agreement and administration agreement with HKCM and its subsidiaries other than the Group (the "HKCM Group") to formalize the continuing connected transactions between the Group and the HKCM Group in compliance with the requirements of Chapter 14A of the Listing Rules. All the agreements carry a fixed term of 3 years and are deemed to have commenced on 1 April 2004. The continuing connected transactions under the distribution agreement and the administration agreement are exempted from further reporting requirements under the Listing Rules.
- (b) Details of the continuing connected transactions conducted during the fiscal year under the supply agreement and sub-leasing agreement (the "Transactions") are as follows:

	<b>2005</b> <b>HK\$</b>	2004 HK\$
Sales of bakery and related products ( <i>note (i)</i> )	<b>5,920,984</b>	5,716,289
Rental expenses in respect of land and buildings ( <i>note (ii)</i> )	<b>1,597,979</b>	1,723,735

- (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 leased premises on the basis of area occupied and relevant rent as percentage of the monthly gross turnover, whichever is higher.
- (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.





**CONNECTED TRANSACTIONS** *(Continued)*

- (d) We have received a letter from the Company's auditors confirming that the Transactions:
- (i) have received the approval of the Board;
  - (ii) are in accordance with the pricing policies of the Group;
  - (iii) have been entered into in accordance with the relevant agreements governing the Transactions; and
  - (iv) have not exceeded the cap of HK\$10 million as disclosed in the announcement previously made on 16 June 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 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

**COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (THE "CODE")**

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules which was in force prior to 1 January 2005 except in relation to guideline No.7 that the service contracts of non-executive directors are renewed with no specific tenure, but they are determinable by either party with at least 1 month written notice in advance.

The Code of Best Practice was replaced by the Code which took effect on 1 January 2005. Upon its implementation, the Company has taken the following measures to comply with the new requirements:

1. Subject to shareholders' approval in the forthcoming annual general meeting, the Company will amend the Bye-laws so that all directors will be subject to retirement by rotation in accordance with the Code.
2. The Company adopted its own code for securities transactions in March 2005. The code applies to all directors of the Company and specified employees of the Group who are regarded as in possession of price-sensitive information of the Group. Having made the necessary enquiries with all directors, they confirmed that they had complied with the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.
3. Proper physical meetings of the Board are being held at least quarterly each year.
4. Directors and officers liabilities insurance has been in place to protect our executives in discharging their duties and responsibilities.

#### **AUDIT COMMITTEE**

The Audit Committee (the “Committee”) has been established since 2000. Due to the implementation of the Code on 1 January 2005, the Committee adopted the rectified terms of reference in July 2005. The Committee is responsible for reviewing the Group’s financial reporting process, internal controls and risk evaluation. The Committee comprises 3 independent non-executive directors namely Dr. Cheung Wai Lam, William, Dr. Ho Sai Wah, David and Mr. Bingley Wong and also 1 non-executive director, Mr. Chan Ka Lai, Joseph with Dr. Cheung Wai Lam, William nominated as the Committee chairman. 2 meetings were held during the year.

#### **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, 13 July 2005