



The directors submit their report together with the audited financial statements for the year ended 31 March 2006.

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 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 29.

The Company paid an interim dividend of HK4 cents (2005: HK5 cents) per ordinary share, totalling HK\$8,534,280 (2005: HK\$10,577,850) on 25 January 2006.

The directors recommend a final dividend of HK7 cents (2005: HK9 cents) per ordinary share totalling HK\$14,934,990 for the year ended 31 March 2006 (2005: HK\$19,040,130). This will be payable to shareholders whose names appear in the register of members of the Company on 21 September 2006 subject to the passing of the necessary resolutions at the forthcoming annual general meeting, such dividend will be payable on or about 5 October 2006.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 25 to the financial statements.

Distributable reserves of the Company at 31 March 2006, calculated under the Companies Act of Bermuda, amounted to HK\$214,451,450 (2005: HK\$233,057,711).

DONATIONS

Donations made for charitable purposes by the Group during the year amounted to HK\$228,000 (2005: HK\$98,000).

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 13 to the financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2006 are set out in note 32 to the financial statements.



Report of the Directors

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 23 to the financial statements.

SHARE OPTIONS

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disclosed under Rule 17.09 of the Listing Rules have not been included as, in the opinion of the Board, the information is obsolete and of no more value.

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 April 2005	Exercised during the year (note)	At 31 March 2006
A Director							
Chan Ka Shun,	15 January 2001	1 May 2001	31 May 2010	0.50	1,000,000	(1,000,000)	–
Raymond	15 January 2001	1 May 2002	31 May 2010	0.50	1,000,000	(800,000)	200,000
	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	2,600,000	(1,800,000)	800,000

Note:

There were 1,800,000 Share Options exercised on 5 August 2005 at an exercise price of HK\$0.50 each. The closing price of the Company's shares immediately before the date of exercise was HK\$2.60 per share.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Neither the Company nor the Group had any outstanding bank loans, overdrafts and other borrowings subsisted at 31 March 2006 and 31 March 2005.



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 74.

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

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Chan Wai Cheung, Glenn, Mr. Shum Wing Hon, Mrs. Chan Wong Man Li, Carrina, Mr. Chan Ka Shun, Raymond, Mr. Chan Kai Lai, Joseph and Mr. Bingley Wong shall 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, the NEDs and INEDs continue annually unless they are terminated by either party with at least one 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 one 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 INEDs.



Report of the 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.

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

At 31 March 2006, the following directors and chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange:

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 (note a)	Family interest	Trust interest			
The Company	Chan Wai Cheung, Glenn	-	-	155,223,250 (note b)	-	155,223,250	72.75
	Chan King Catherine	-	155,223,250 (note b)	-	-	155,223,250	72.75
	Chan Ka Lai, Joseph	182,000	-	155,223,250 (note c)	-	155,405,250	72.84
	Chan Ka Shun, Raymond	162,500	-	155,223,250 (note c)	800,000 (note d)	156,185,750	73.20
	Chan Wong Man Li, Carrina	206,000	-	-	-	206,000	0.10



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

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 (note a)	Family interest	Trust interest			
HKCM	Chan Wai Cheung, Glenn	-	-	186,224,609 (note e)	-	186,224,609	56.61
	Chan King Catherine	-	186,224,609 (note e)	-	-	186,224,609	56.61
	Chan Ka Lai, Joseph	1,200,000	-	186,224,609 (note c)	3,000,000 (note f)	190,424,609	57.89
	Chan Ka Shun, Raymond	650,000	-	186,224,609 (note c)	-	186,874,609	56.81

Notes:

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

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

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



Report of the Directors

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

(Continued)

Notes: (Continued)

- (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 2005 and 31 March 2006
		From	To		
Chan Ka Lai, Joseph	30 August 2001	1 October 2001	30 September 2011	0.48	1,000,000
	30 August 2001	1 March 2002	30 September 2011	0.48	1,000,000
	30 August 2001	1 September 2002	30 September 2011	0.48	1,000,000
					3,000,000

Save as disclosed above, at 31 March 2006, none of the directors or chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them was taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.



SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2006, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the directors or chief executives of the Company, the following persons, other than directors or chief executives of the Company, had an interest or short position in the shares or underlying shares which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who 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	55.32
HKCM (note a)	118,028,098	55.32
Well-Positioned (note b)	155,223,250	72.75
DJE Investment S.A. (note c)	12,900,000	6.05

Notes:

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

Save as disclosed above, at 31 March 2006, the directors and the chief executives of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares which would require to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

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 21 July 2006, being the latest practicable date prior to printing of this report.



Report of the Directors

CONNECTED TRANSACTIONS

(1) On 9 June 2004, the Company entered into a supply agreement, sub-leasing agreement, distribution agreement and administration agreement with HKCM and its subsidiaries other than the Group (“HKCM Group”) to formalize the continuing connected transactions between the Group and 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 of the Listing Rules.

(2) Details of the continuing connected transactions under the supply agreement and sub-leasing agreement (the “Transactions”) are as follows:

	2006 HK\$	2005 HK\$
Sales of bakery and related products (note (a))	8,269,762	5,920,984
Rental expenses in respect of land and buildings (note (b))	1,504,419	1,597,979

(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 cost 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.

(3) The INEDs of the Company have reviewed the Transactions and have confirmed that the Transactions have been entered into:

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

(b) on normal commercial terms; and

(c) 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)*

(4) We have received a letter from the Company's auditors confirming that the Transactions:

- (a) have received the approval of the Board;
- (b) are in accordance with the pricing policies of the Group;
- (c) have been entered into in accordance with the relevant agreements governing the Transactions; and
- (d) 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 30 to the financial statements, 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.

AUDITORS

The financial statements 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, 17 July 2006