



## Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31st March 2001.

### Principal activities and analysis of operations

The Company is engaged in investment holding as well as the operation and management of restaurants. Its subsidiaries are engaged in the operation of restaurants and bakeries and property investment.

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities is set out in note 3 to the accounts.

### Results and appropriations

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

A special interim dividend was declared and paid on 15th November 2000 in the form of 78,200,902 shares in SHHL on the basis that one SHHL's share was distributed for every four ordinary shares in the Company then held. In addition, an interim dividend of HK3 cents (2000: HK3 cents) per share was paid on 19th January 2001.

The directors have recommended a final dividend of HK4 cents (2000: HK7 cents) per share to be payable to shareholders whose names appear in the register of members of the Company on 30th August 2001. Subject to the passing of the necessary resolution at the annual general meeting, such dividend will be payable on or about 11th September 2001 in cash.

### 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 31st March 2001, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$239,192,660 (2000: HK\$327,863,121).



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### **Fixed assets**

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

### **Share capital**

Details of the movements in share capital of the Company are set out in note 20 to the accounts.

### **Subsidiaries and associated companies**

Details of the Company's principal subsidiaries and associated companies as at 31st March 2001 are set out in note 29 to the accounts.

### **Bank loans, overdraft and other borrowings**

Neither the Company nor the Group had any outstanding bank loans, overdraft and other borrowings subsisted as at 31st March 2001.

### **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 9 and 10.

### **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.

### **Donations**

Donations made for charitable purposes by the Group during the year amounted to HK\$1,051,370 (2000: HK\$276,892).





## Report of the Directors

### Directors

The directors during the year were:

#### *Executive directors*

Mr. Glenn Wai Cheung Chan  
Mrs. Catherine King Chan  
Mr. Joseph Ka Lai Chan  
Mr. Sai Hung Ng  
Mr. Wing Hon Shum  
Ms. Lucy Tsui Yue Wong  
Mr. Wai Chiu

#### *Independent non-executive directors*

Mr. Cassam Soliman Gooljarry  
Mrs. Yvette Yi Hao Yeh Fung  
Dr. William Lok Wai Kwok  
Ms. Cecilia Lee Wah Woo

In accordance with Articles 77 to 79 of the Company's Articles of Association, Mr. Cassam Soliman Gooljarry, Dr. William Lok Wai Kwok and Mr. Wing Hong Shum retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

### Directors' service contracts

All the independent non-executive directors have signed a letter of appointment with the Company for a term of 2 years from 1st April 2000.

Save as disclosed above, none of the director has any service contract with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation other than statutory compensation.

### Directors' interests in contracts

No contracts of significance in relation to the Group's business to which the Company, its holding company, subsidiaries or 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.





## Report of the Directors

### Connected transactions

- (a) Significant related party transactions entered by the Group during the year ended 31st March 2001, which do not constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the “HKCM Group”) (the “Listing Rules”), are disclosed in note 27 to the accounts.

Connected transactions between SHHL and its subsidiaries (the “SHHL Group”) and the Group other than SHHL Group (the “HKCM Group”) as described on pages 40 to 42 of the introduction document of SHHL (the “Introduction Document”) dated 30th October 2000 and listed as below (the “Transactions”) have been waived by the Stock Exchange from strict compliance with the provisions of Chapter 14 of the Listing Rules, provided that the conditions as set out in the letters from the Stock Exchange dated 5th December 2000 are fulfilled.

During the year, the HKCM Group had the following significant connected transactions with the SHHL Group:

	2001 HK\$	2000 HK\$
Sales of properties (note (i))	11,843,932	–
Purchase of bakery and related products (note (ii))	3,670,483	3,812,036
Rental income in respect of land and buildings (note (iii))	2,664,818	2,694,406
Management fees received (note (iv))	3,653,162	3,873,892
Consultancy fees received (note (v))	–	1,760,000

- (i) The HKCM Group sold certain properties to the SHHL Group at a consideration of HK\$11,843,932. The resulting amount due from the SHHL Group was subsequently capitalised upon the group reconstruction as set out in note 1 to the accounts.
- (ii) Purchase of bakery and related products were charged at prices and terms determined by reference to those charged to and contracted with other third party customers of the SHHL Group.
- (iii) Rental income were reimbursed at cost in respect of certain shared premises which were determined on the basis of area occupied.
- (iv) Pursuant to the service sharing agreement entered between the Company and Bread Boutique, subsidiary of SHHL, the Company was engaged to provide management and administration services to Bread Boutique. Management fees were charged on a monthly basis and were calculated at a certain percentage on the monthly gross turnover of Bread Boutique.
- (v) Consultancy service provided by the Company to the SHHL Group was charged based on the cost of providing such services.





## Report of the Directors

### Connected transactions *(cont'd)*

The independent non-executive directors of the Company have reviewed the Transactions and have confirmed that:

- (a) the Transactions have been entered into by the Company in the ordinary and usual course of its business;
- (b) the Transactions are either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms not less favourable than those available to or from independent third parties;
- (c) the Transactions are fair and reasonable so far as the shareholders of the Company as a whole are concerned; and
- (d) the aggregate amount of each of the Transactions in notes (ii) to (iv) has not exceeded the cap of HK\$10 million.

### Directors' interests in equity and debt securities

At 31st March 2001, the interests of the directors, chief executives and their associates in the shares and options of the Company and its associated corporations within the meaning of Hong Kong Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Name of Company	Name of director	Number of shares	
		Personal interest	Other interest
The Company	Glenn Wai Cheung Chan	–	113,742,609 note (a)
	Catherine King Chan	–	113,742,609 note (a)
	Joseph Ka Lai Chan	728,000	–
	Wai Chiu	112,000	–
SHHL	Glenn Wai Cheung Chan	–	28,435,652 note (a)
	Catherine King Chan	–	28,435,652 note (a)
	Joseph Ka Lai Chan	182,000	–
	Wai Chiu	28,000	–





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### Directors' interests in equity and debt securities (cont'd)

Notes:

- (a) These shares are directly held by Well-Positioned Corporation, a company beneficially owned by a trust established for the benefit of the family members the Mr. Glenn Wai Cheung Chan and Mrs. Catherine King Chan.
- (b) Movements of options held by the directors under the Company's share option scheme are as follows:

Name of director	As at 1st April 2000	Number of options		As at 31st March 2001
		Granted during the year	Exercised	
Joseph Ka Lai Chan	1,000,000	–	–	1,000,000
Wai Chiu	700,000	–	(700,000)	–
Sai Hung Ng	800,000	–	(800,000)	–
Wing Hon Shum	700,000	–	(700,000)	–
Lucy Tsui Yue Wong	700,000	–	–	700,000
	<u>3,900,000</u>	<u>–</u>	<u>(2,200,000)</u>	<u>1,700,000</u>

All options being exercised during the year were at HK\$0.71 per share. The remaining options can be exercised over the intervening period up to 15th September 2007 at an exercise price of HK\$1.64 per share. On 15th January 2001, Mr. Wing Hon Shum was granted 2,000,000 options to subscribe for shares in SHHL at HK\$0.5 per share. Half of these options are exercisable from 1st May 2001 while the remaining options are exercisable on or after 1st May 2002 and all the options expire on 31st May 2010.

Save as disclosed above, the Company has not received notice of any interests to be recorded under Section 29 of the SDI Ordinance as at 31st March 2001 and at no time during the year was the Company, its subsidiaries or fellow subsidiaries a party to any arrangement to enable any of the Company's directors and chief executives (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### Substantial shareholders

At 31st March 2001, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance shows that other than those of the directors and chief executives as disclosed in the section heading "Directors interests in equity and debt securities" above, the Company had not been notified of any substantial shareholders' interests being 10% or more of the Company's issued share capital.





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### Management contracts

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 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 the Listing Rules.

### Audit Committee

The written terms of reference which describe the authority and duties of the Audit 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 Audit Committee provides an important link between the board of directors and the Company's auditors in matters coming within the scope of the audit of the Group. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The committee comprises four independent non-executive directors, namely Mr. Cassam Soliman Gooljarry, Mrs. Yvette Yi Hao Yeh Fung, Dr. William Lok Wai Kwok and Ms. Cecilia Lee Wah Woo. Two meetings were held during the current financial year.

### Auditors

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

On behalf of the Board

**Glenn Wai Cheung Chan**

*Chairman*

Hong Kong, 12th July 2001

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