

The directors have pleasure to present their first report and the audited accounts for the year ended 31st March 2001.

GROUP RECONSTRUCTION

The Company was incorporated in Bermuda on 21st June 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended).

In October 2000, pursuant to a group reconstruction (the "Group Reconstruction") in preparation for the listing of the shares of the Company on the Stock Exchange, the Company acquired the entire issued share capital of Eltham Agents Limited, Bodega Limited and Easywin Limited through a share swap and became the holding company of the Group. Details of the Group Reconstruction are set out in the Introduction Document. The Company's shares were listed on the Stock Exchange by introduction on 21st November 2000.

The Group Reconstruction has been reflected in the accounts by regarding the Company as having been the holding company of the Group from the beginning of the earliest period presented. The basis of preparation for these accounts is set out in note 1 to the accounts.

BYE-LAWS

By a written resolution of the sole shareholder of the Company dated 25th October 2000, the Company adopted its new Bye-laws.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

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

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

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.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March 2001 are set out in the consolidated profit and loss account on page 18.

The directors recommend the payment of a final dividend of HK6 cents per share for the financial year ended 31st March 2001. The proposed final dividends, if approved by the shareholders at the annual general meeting on 30th August 2001, will be paid on or about 11th September 2001 to shareholders whose names appear on the register of members on 30th August 2001.

RESERVES

Movements in the reserves of the Company since its incorporation and of the Group during the year are set out in note 21 to the accounts.



RESERVES (cont'd)

Distributable reserves of the Company at 31st March 2001, calculated under the Companies Act 1981 of Bermuda, amounted to HK\$204,639,425.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 19 to the accounts.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st March 2001 are set out in note 27 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 49 to 50.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares since the Company was listed on the Stock Exchange.

DONATIONS

Donations made for charitable purposes by the Group during the year amounted to HK\$690,000 (2000: HK\$233,892).

DIRECTORS

The directors during the period were:

Executive directors

Mr. Glenn Wai Cheung Chan	(appointed on 20th July 2000)
Mr. Wing Hon Shum	(appointed on 20th July 2000)
Ms. Carrina Man Li Wong	(appointed on 20th July 2000)
Mr. Raymond Ka Shun Chan	(appointed on 20th July 2000)
Mr. Billy Chung Piu Wong	(appointed on 20th July 2000)

Non-executive directors

Mrs. Catherine King Chan	(appointed on 20th July 2000)
Mr. Joseph Ka Lai Chan	(appointed on 20th July 2000)
Dr. Wai Lam Cheung*	(appointed on 24th July 2000)
Dr. David Sai Wah Ho*	(appointed on 24th July 2000)

* *Independent non-executive directors*

In accordance with Bye-law 87 of the Company's Bye-laws, Mrs. Catherine King Chan and Mr. Billy Chung Piu Wong retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of 2 years from 1st May 2000 and all the non-executive directors have signed a letter of appointment with the Company for a term of 2 years from 29th September 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

Other than the transactions as disclosed in note 26 to the accounts in which Mr. Glenn Wai Cheung Chan and Ms. Catherine King Chan, who are deemed substantial shareholders of HKCM, have beneficial interests, no contracts of significance in relation to the Group's business to which the Company, its holding companies, 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.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31st March 2001 are disclosed in note 26 to the accounts. Such transactions also constituted connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

Connected transactions between the Group and HKCM and its subsidiaries other than the Group (the "HKCM Group") as described on pages 40 to 42 of the Introduction Document and also in note 26 to the accounts (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.

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 Group 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 note 26(a) to (c) 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 and chief executives 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	–	28,435,652 note (a)
	Catherine King Chan	–	28,435,652 note (a)
	Joseph Ka Lai Chan	182,000	–
	Raymond Ka Shun Chan	212,500	–
HKCM	Glenn Wai Cheung Chan	–	113,742,609 note (a)
	Catherine King Chan	–	113,742,609 note (a)
	Joseph Ka Lai Chan	728,000	–
	Raymond Ka Shun Chan	850,000	–

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 of Mr. Glenn Wai Cheung Chan and Mrs. Catherine King Chan.



DIRECTORS' INTERESTS IN EQUITY AND DEBT SECURITIES (cont'd)

Notes: (cont'd)

- (b) The Company adopted a share option scheme on 25th October 2000 (the "Share Option Scheme"), pursuant to which it may grant options to executive directors and full time employees of the Group to subscribe for shares in the Company. On 15th January 2001, options were granted to the executive directors and other employees of the Group to subscribe for an aggregate of 9,190,000 shares in the Company at an exercise price of HK\$0.50 per share. Details of the options are set out in note 20 to the accounts. No option was exercised over the period from the date of grant to year end. As at 31st March 2001, the share options held by the directors of the Company are as follows:

Name of director	Number of options		Balance at 31st March 2001
	Exercisable during 1st May 2001 to 31st May 2010	Exercisable during 1st May 2002 to 31st May 2010	
Raymond Ka Shun Chan	1,000,000	1,000,000	2,000,000
Wing Hon Shum	1,000,000	1,000,000	2,000,000
Billy Chung Piu Wong	750,000	–	750,000
Carrina Man Li Wong	1,000,000	1,000,000	2,000,000
	3,750,000	3,000,000	6,750,000



DIRECTORS' INTERESTS IN EQUITY AND DEBT SECURITIES (cont'd)

Notes: (cont'd)

- (c) In addition, certain directors were holding options in HKCM and movements in such options during the year were as follows:

Name of director	Number of options		31st March 2001
	1st April 2001	Granted during the year	
Joseph Ka Lai Chan	1,000,000	–	1,000,000
Raymond Ka Shun Chan	500,000	–	–
Wing Hon Shum	700,000	–	–
Billy Chung Piu Wong	100,000	–	–
Carrina Man Li Wong	700,000	–	–
	3,000,000	–	1,000,000

All options were exercised during the year at HK\$0.71 per share. The remaining unexercised options at year end carry an exercise price of HK\$1.64 per share.

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 holding company, its subsidiaries or its 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' INTERESTS

At 31st March 2001, the following entities had or were deemed to have interests in the Company under the provisions of the SDI Ordinance as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance.

	Number of shares held in the Company	Percentage of holding
HKCM (note a)	118,028,098	60.15%
Well-Positioned Corporation (note b)	28,435,652	14.49%



SUBSTANTIAL SHAREHOLDERS' INTERESTS *(cont'd)*

Notes:

- (a) These shares are held by HKCM through its wholly-owned subsidiary, Albion Agents Limited.
- (b) It is also deemed to be interested in the Company indirectly by virtue of being the controlling shareholder of HKCM.

MANAGEMENT CONTRACTS

Save as disclosed in note 26 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 since the listing of the Company's shares on the Stock Exchange.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Company was in compliance with the Code of Best Practice as set out in the Listing Rules since it was listed on the Stock Exchange.

AUDIT COMMITTEE

Pursuant to the Listing Rules, an Audit Committee, comprising two independent non-executive directors and one non-executive director has been established.

The board of directors of the Company made reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants and adopted written terms of reference which set out the authority and duties of the Audit Committee. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

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

