

The directors submit their report together with the audited accounts for the year ended 31st March 2002.

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 performance for the year by business and geographical 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 22.

The directors have declared an interim dividend of HK2.5 cents (2001: Nil) per ordinary share, totalling HK\$4,905,725, which was paid on 29th January 2002.

The directors recommend the payment of a final dividend of HK3.5 cents per share (2001: HK6 cents) per ordinary share totalling HK\$6,868,015 (2001: HK\$11,773,740) to be payable to shareholders whose names appear in the register of members of the Company on 29th August 2002. Subject to the passing of the necessary resolutions at the forthcoming annual general meeting, such dividend will be payable on or about 10th September 2002.

RESERVES

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

Distributable reserves of the Company at 31st March 2002, calculated under the Companies Act of Bermuda, amounted to HK\$204,812,875 (2001 restated: HK\$216,413,165).

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 20 to the accounts.

SHARE OPTIONS

The share option scheme adopted by the Company (the "Share Option Scheme"), commenced on 25th October 2000, is effective for 10 years expiring on 24th October 2010. It was adopted for the purpose of providing staff incentives. Under the Share Option Scheme, directors may, at their discretion, invite employees of the Group, including executive directors, to take up options to subscribe for shares of the Company which, in aggregate may not exceed 10% of the issued share capital of the Company, excluding for this purpose the shares issued pursuant to the Share Option Scheme. The maximum number of shares in respect of which options may be granted to any one full time employee and executive director shall not exceed 25% of the maximum number of share in respect of which options may be granted under the Share Option Scheme.

SHARE OPTIONS (cont'd)

According to the Share Option Scheme, the exercise price per share was set at not less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of the grant of the options.

On 31st August 2001, the Company granted a further 10,310,000 share options to executive directors and full time employees of the Group to subscribe for the Company's share ("Share Options") at an exercise price of HK\$0.55 per share. No option was exercised over the period from the date of grant to year end.

The details of the movements of Share Options during the year are summarised below:

Participants	Grant date	Exercise period		Exercise price HK\$	Number of Share Options				
		From	To		At 1st Apr. 2001	Granted during the year	Lapsed during the year	At 31st Mar. 2002	
Directors									
Chan Ka Shun, Raymond	15th Jan. 2001	1st May 2001	31st May 2010	0.50	1,000,000	-	-	1,000,000	
	15th Jan. 2001	1st May 2002	31st May 2010	0.50	1,000,000	-	-	1,000,000	
	31st Aug. 2001	1st Mar. 2002	30th Sept. 2011	0.55	-	300,000	-	300,000	
	31st Aug. 2001	1st Sept. 2002	30th Sept. 2011	0.55	-	300,000	-	300,000	
				Total	2,000,000	600,000	-	2,600,000	
Shum Wing Hon	15th Jan. 2001	1st May 2001	31st May 2010	0.50	1,000,000	-	-	1,000,000	
	15th Jan. 2001	1st May 2002	31st May 2010	0.50	1,000,000	-	-	1,000,000	
	31st Aug. 2001	1st Mar. 2002	30th Sept. 2011	0.55	-	300,000	-	300,000	
	31st Aug. 2001	1st Sept. 2002	30th Sept. 2011	0.55	-	300,000	-	300,000	
				Total	2,000,000	600,000	-	2,600,000	
Wong Man Li, Carrina	15th Jan. 2001	1st May 2001	31st May 2010	0.50	1,000,000	-	-	1,000,000	
	15th Jan. 2001	1st May 2002	31st May 2010	0.50	1,000,000	-	-	1,000,000	
	31st Aug. 2001	1st Mar. 2002	30th Sept. 2011	0.55	-	300,000	-	300,000	
	31st Aug. 2001	1st Sept. 2002	30th Sept. 2011	0.55	-	300,000	-	300,000	
				Total	2,000,000	600,000	-	2,600,000	

SHARE OPTIONS (cont'd)

Participants	Grant date	Exercise period		Exercise price HK\$	Number of Share Options			
		From	To		At 1st Apr. 2001	Granted during the year	Lapsed during the year	At 31st Mar. 2002
Wong Chung Piu,	15th Jan. 2001	1st May 2001	31st May 2010	0.50	750,000	-	-	750,000
Billy	31st Aug. 2001	1st Mar. 2002	30th Sept. 2011	0.55	-	375,000	-	375,000
	31st Aug. 2001	1st Sept. 2002	30th Sept. 2011	0.55	-	375,000	-	375,000
				Total	750,000	750,000	-	1,500,000
Continuous	15th Jan. 2001	1st May 2001	31st May 2010	0.50	2,440,000	-	(220,000)	2,220,000
contract	31st Aug. 2001	1st Mar. 2002	30th Sept. 2011	0.55	-	3,880,000	-	3,880,000
employees	31st Aug. 2001	1st Sept. 2002	30th Sept. 2011	0.55	-	3,880,000	-	3,880,000
				Total	2,440,000	7,760,000	(220,000)	9,980,000
				Grand Total	9,190,000	10,310,000	(220,000)	19,280,000

At 31st March 2002, the number of unexercised options granted under the Share Option Scheme was 19,280,000, representing 9.8% of the issued shares of the Company.

The Share Options granted on 31st August 2001 carry an exercise price of HK\$0.55 per share as compared to the closing price of HK\$0.69 per share at the date before the grant of options. No consideration is payable for the grant of share options.

Under the Black-Scholes option pricing model¹, the fair value of the Share Options granted during the current year is estimated to be approximately HK\$3,711,600. The following significant assumptions were used to derive the fair value:

- (a) an expected volatility of 6.16%; and
- (b) the corresponding 3 years Hong Kong Exchange Fund Notes interest rate at the date the options were granted was 4.99%.

¹ The Black-Scholes option pricing model is one of the commonly used models developed to estimate the fair value of publicly traded options that have no vesting restriction and are fully transferable. Any changes in the assumptions adopted may materially affect the estimation of the value of an option.

SHARE OPTIONS *(cont'd)*

The value of Share Options granted to the respective parties during the year is as follows:

	HK\$
Directors	918,000
Continuous contract employees	<u>2,793,600</u>
	<u>3,711,600</u>

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st March 2002 are set out in note 27 to the accounts.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Neither the Company nor the Group had any outstanding bank loans, overdrafts and other borrowings subsisted as at 31st March 2002.

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 57 and 58.

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\$283,000 (2001: HK\$690,000).

DIRECTORS

The directors during the year were:

Executive directors

Mr. Chan Wai Cheung, Glenn

Mr. Shum Wing Hon

Ms. Wong Man Li, Carrina

Mr. Chan Ka Shun, Raymond

Mr. Wong Chung Piu, Billy

DIRECTORS (cont'd)

Non-executive directors

Mr. Chan Ka Lai, Joseph

Mrs. Chan King Catherine

Dr. Cheung Wai Lam, William*

Dr. Ho Sai Wah, David*

* *Independent non-executive directors*

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

DIRECTORS' SERVICE CONTRACTS

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 directors 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 25 to the accounts in which Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine who are deemed substantial shareholders of HKCM, have beneficial interests, no contracts of significance in relation the Group's business to which the Company, its holding companies, 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.

CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31st March 2002 are disclosed in note 25 to the accounts. Such transactions also constituted connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Connected transactions between the Group and HKCM and its subsidiaries excluding the Group as listed in note 25 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 letter 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 Company in the ordinary and usual course of its business;

CONNECTED TRANSACTIONS (cont'd)

- (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 25(a) to (c) has not exceeded the cap of HK\$10 million.

DIRECTORS' INTERESTS IN EQUITY AND DEBT SECURITIES

At 31st March 2002, the interests of the directors, chief executives and their associates in the shares 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	Note	Number of shares held	
			Personal interest	Other interest
The Company	Chan Wai Cheung, Glenn	(a)	-	28,435,652
		(b)	-	118,028,098
	Chan King Catherine	(a)	-	28,435,652
		(b)	-	118,028,098
	Chan Ka Lai, Joseph		182,000	-
	Chan Ka Shun, Raymond		212,500	-
HKCM	Chan Wai Cheung, Glenn	(a)	-	113,742,609
	Chan King Catherine	(a)	-	113,742,609
	Chan Ka Lai, Joseph		728,000	-
	Chan Ka Shun, Raymond		850,000	-

Notes:

- (a) These shares are directly held by Well-Positioned Corporation ("Well"), 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.
- (b) Well also holds indirect interests in the Company as 118,028,098 shares of the Company are held by HKCM through its wholly owned subsidiary, Albion Agents Limited.

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

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 was holding options in HKCM and movements in such options during the year were as follows:

Name of director	Grant date	Exercise period		Exercise price HK\$	Number of HKCM share options			
		From	To		At 1st Apr. 2001	Cancelled during the year	Granted during the year	At 31st Mar. 2002
Chan Ka Lai, Joseph	16th Sept. 1997	16th Sept. 1999	15th Sept. 2007	1.64	1,000,000	(1,000,000)	-	-
	30th Aug. 2001	1st Oct. 2001	30th Sept. 2011	0.48	-	-	1,000,000	1,000,000
	30th Aug. 2001	1st Mar. 2002	30th Sept. 2011	0.48	-	-	1,000,000	1,000,000
	30th Aug. 2001	1st Sept. 2002	30th Sept. 2011	0.48	-	-	1,000,000	1,000,000
					<u>1,000,000</u>	<u>(1,000,000)</u>	<u>3,000,000</u>	<u>3,000,000</u>

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 2002 and at no time during the year was the Company, its holding companies, 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

At 31st March 2002, 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 holding
HKCM (note a)	118,028,098	60.15%
Well-Positioned Corporation (note b)	28,435,652	14.49%

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 25 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 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 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 two independent non-executive directors, namely Dr. Cheung Wai Lam, William, Dr. Ho Sai Wah, David and one non-executive director, Mr. Chan Ka Lai, Joseph. Two meetings were held during the current financial year.

AUDITORS

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

On behalf of the Board

Chan Wai Cheung, Glenn

Chairman

Hong Kong, 11th July 2002