

The directors submit their report together with the audited accounts for the year ended 31 March 2003.

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 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 Company has paid an interim dividend of HK2.0 cents (2002: HK2.5 cents) per ordinary share, totalling HK\$3,924,580 (2002: HK\$4,905,725) on 28 January 2003.

The directors recommend the payment of a final dividend of HK3.5 cents (2002: HK3.5 cents) per ordinary share totalling HK\$6,868,015 (2002: HK\$6,868,015) to be payable to shareholders whose names appear in the register of members of the Company on 28 August 2003. Subject to the passing of the necessary resolutions at the forthcoming annual general meeting, such dividend will be payable on or about 9 September 2003.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 23 to the accounts.

Distributable reserves of the Company at 31 March 2003, calculated under the Companies Act of Bermuda, amounted to HK\$211,856,177 (2002: HK\$204,812,875).

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.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 21 to the accounts.

SHARE OPTIONS

No further shares can be granted under the Company's existing share option scheme which was adopted on 25 October 2000 (the "Share Option Scheme") and is carrying an expiry date on 24 October 2010.

The following is a summary of the Share Option Scheme disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"):

(a) *Purpose of the Share Option Scheme:*

The Share Option Scheme will provide staff incentive to motivate the eligible persons to optimise their performance for the benefit of the Group.

(b) *Participants of the Share Option Scheme:*

The directors may at their discretion invite full time employees including executive directors of the Group to subscribe for shares of the Company.

(c) *Total number of shares available for issue under the Share Option Scheme and % of issued share capital at 31 March 2003:*

No further shares can be granted under the Share Option Scheme until the necessary resolution is passed at the general meeting to amend the terms of the Share Option Scheme in the future.

(d) *Maximum entitlement of each participant under the Share Option Scheme:*

(i) No option shall be granted under the Share Option Scheme which will result in aggregate number of shares issued or issuable or which may be issuable under the Share Option Scheme or, if any, any other share option scheme to exceed 10% of the share capital of the Company in issue, and

(ii) No eligible person shall be granted an option or options for such number of shares which in aggregate, would exceed 25% of the total number of shares for which options may be granted under the Share Option Scheme.

(e) *The period within which the shares must be taken up under an option:*

The options may be exercised at any time during the exercise period notwithstanding that the Share Option Scheme may have expired or been terminated.

(f) *The minimum period for which an option must be held before it can be exercised:*

From the date of grant of such options up to the day immediately before the exercise period commences.

SHARE OPTIONS (cont'd)

- (g) *The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid:*
Not applicable.
- (h) *The basis of determining the exercise price:*
The exercise price is determined by the Directors and is equal to the higher of
- (i) the nominal value of the shares, and
 - (ii) not less than 80% of the average closing price per share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of grant of the relevant options.
- (i) *The remaining life of the Share Option Scheme:*
The Share Option Scheme Period will expire on 24 October 2010.

The details of movements of the options issued under the Share Option Scheme ("Share Options") during the year are summarised below:

Participants	Grant date	Exercise Period		Exercise price HK\$	Number of Share Options		
		From	To		As at 1 Apr. 2002	Lapsed during the year	As at 31 Mar. 2003
Directors							
Chan Ka Shun, Raymond	15 Jan. 2001	1 May 2001	31 May 2010	0.50	1,000,000	-	1,000,000
	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	<u>2,600,000</u>	<u>-</u>	<u>2,600,000</u>
Shum Wing Hon	15 Jan. 2001	1 May 2001	31 May 2010	0.50	1,000,000	-	1,000,000
	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	<u>2,600,000</u>	<u>-</u>	<u>2,600,000</u>

SHARE OPTIONS (cont'd)

Participants	Grant date	Exercise Period		Exercise price HK\$	Number of Share Options		
		From	To		As at 1 Apr. 2002	Lapsed during the year	As at 31 Mar. 2003
Wong Man Li, Carrina	15 Jan. 2001	1 May 2001	31 May 2010	0.50	1,000,000	-	1,000,000
	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	<u>2,600,000</u>	<u>-</u>	<u>2,600,000</u>
Wong Chung Piu, Billy	15 Jan. 2001	1 May 2001	31 May 2010	0.50	750,000	-	750,000
	31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	375,000	-	375,000
	31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	375,000	-	375,000
				Total	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>
Continuous contract employees	15 Jan. 2001	1 May 2001	31 May 2010	0.50	2,220,000	(150,000)	2,070,000
	31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	3,880,000	(240,000)	3,640,000
	31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	3,880,000	(240,000)	3,640,000
				Total	<u>9,980,000</u>	<u>(630,000)</u>	<u>9,350,000</u>
				Grand total	<u>19,280,000</u>	<u>(630,000)</u>	<u>18,650,000</u>

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2003 are set out in note 30 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 31 March 2003.

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 56 and 57.

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\$128,000 (2002: HK\$283,000).

DIRECTORS

The directors during the year and up to the date of this report 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

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 (appointed on 7 July 2003)

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Shum Wing Hon and Mr. Chan Ka Lai, Joseph retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Mr. Bingley Wong was appointed as a director on 7 July 2003 with a service contract signed on that date. The service contracts of all other non-executive directors expired on 28 September 2002 and have been renewed thereafter.

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).

DIRECTORS' INTERESTS IN CONTRACTS

Other than the transactions as disclosed in note 28 to the accounts in which Mr. Chan Wai Cheung, Glenn, Mrs. Chan King Catherine, Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond who, as 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, 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 31 March 2003 are disclosed in note 28 to the accounts. Such transactions also constituted connected transactions under the Listing Rules.

The connected transactions between the Group and HKCM and its subsidiaries excluding the Group as described in note 28 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 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;
- (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 28(a) to (c) has not exceeded the cap of HK\$10 million.

DIRECTORS' INTERESTS IN EQUITY AND DEBT SECURITIES

At 31 March 2003, 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	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	(a)	182,000	–	
		(b)	–	28,435,652	
	Chan Ka Shun, Raymond	(a)	212,500	–	
		(b)	–	28,435,652	
	HKCM	Chan Wai Cheung, Glenn	(a)	–	113,742,609
			(b)	–	118,028,098
		Chan King Catherine	(a)	–	113,742,609
			(b)	–	118,028,098
Chan Ka Lai, Joseph		(a)	824,000	–	
		(b)	–	113,742,609	
Chan Ka Shun, Raymond	(a)	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. Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond, being the eligible beneficiaries under the trust, are also considered interested in these shares.
- (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 is holding options in HKCM and there was no movement in such options during the year. The outstanding number of such options are summarised below:

Name of director	Grant date	Exercise period		Exercise price HK\$	Number of HKCM share options
		from	To		At 1 April 2002 and 31 March 2003
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
					3,000,000

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 31 March 2003 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 31 March 2003, 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 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 five largest suppliers and sold less than 30% of its goods and services to its five 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 except in relation to guideline No. 7 that the service contracts of non-executive directors were renewed with no specific terms, but it is determinable by either parties with at least one month written notice in advance.

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 three independent non-executive directors, namely Dr. Cheung Wai Lam, William, Dr. Ho Sai Wah, David and Mr. Bingley Wong and also one non-executive director, Mr. Chan Ka Lai, Joseph. Two 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, 10 July 2003