



REPORT OF THE DIRECTORS

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 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 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 26.

The directors recommend the payment of a final dividend of HK1.5 cents (2002: HK3.5 cents) per ordinary share, totaling HK\$4,695,429 (2002: HK\$10,948,126) 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 section 79B of the Hong Kong Companies Ordinance, amounted to HK\$163,666,699 (2002: HK\$241,949,157).

FIXED ASSETS

Details of the movements in fixed assets of the Company and 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

(1) Share option scheme of Hong Kong Catering Management Limited ("HKCM")

The Company adopted its share option scheme on 13 March 2000 ("HKCM Scheme"). The following is a summary of HKCM 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 HKCM Scheme:*

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

(b) *Participants of HKCM Scheme:*

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



REPORT OF THE DIRECTORS

SHARE OPTIONS *(continued)*

(1) Share option scheme of HKCM *(continued)*

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

Pending shareholders' approval to amend certain terms of the HKCM Scheme to bring it in line with the Listing Rules, the number of shares which can be issued is 6,425,360 shares representing 2.1% of the issued share capital of the Company at 31 March 2003.

(d) *Maximum entitlement of each participant under HKCM Scheme:*

(i) Pending shareholders' approval to amend certain terms of the HKCM Scheme, no option shall be granted under HKCM Scheme which will result in the aggregate number of shares issued or issuable or which may be issuable under HKCM Scheme or, if any, any other share option scheme to exceed 10% of the share capital of the Company in issue at the date of approval of HKCM Scheme, and

(ii) The Board proposes to amend the maximum entitlement to the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period not to exceed 1% of the share capital of the Company in issue. Where any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the share capital in issue, such further grant must be separately approved by shareholders in general meeting with such participant and his associates abstaining from voting.

(e) *The periods 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 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.

(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 Board proposes to amend the basis of determination of the exercise price to be the higher of:

(i) the closing price of the shares as stated in the daily quotation sheets of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant, which must be a business date; and

(ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

(i) *The remaining life of HKCM Scheme:*

HKCM Scheme will expire on 20 November 2010.



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SHARE OPTIONS *(continued)*

(1) Share option scheme of HKCM *(continued)*

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

Participants	Grant date	Exercise period		Exercise price HK\$	As at 1 Apr. 2002	Number of HKCM Options		As at 31 Mar. 2003
		From	To			Exercised during the year	Lapsed during the year	
Directors								
Chan Ka Lai, Joseph	30 Aug. 2001	1 Oct. 2001	30 Sept. 2011	0.48	1,000,000	-	-	1,000,000
	30 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.48	1,000,000	-	-	1,000,000
	30 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.48	1,000,000	-	-	1,000,000
			Total		3,000,000	-	-	3,000,000
Chiu Wai	30 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.48	600,000	-	-	600,000
	30 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.48	600,000	-	-	600,000
			Total		1,200,000	-	-	1,200,000
Ng Sai Hung	30 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.48	200,000	-	-	200,000
	30 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.48	200,000	-	-	200,000
			Total		400,000	-	-	400,000
Wong Tsui Yue, Lucy	30 Aug. 2001	1 Oct. 2001	30 Sept. 2011	0.48	700,000	-	-	700,000
	30 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.48	400,000	-	-	400,000
	30 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.48	280,000	-	-	280,000
			Total		1,380,000	-	-	1,380,000
Continuous contract employees	30 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.48	11,865,000	(225,000)	(2,715,000)	8,925,000
	30 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.48	11,865,000	-	(2,790,000)	9,075,000
			Total		23,730,000	(225,000)	(5,505,000)	18,000,000
			Grand total		29,710,000	(225,000)	(5,505,000)	23,980,000

There were 225,000 HKCM Options exercised during the year. The weighted average closing price of the Company's shares immediately before the options were exercised was HK\$0.64 per share.



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SHARE OPTIONS *(continued)*

(2) Share option scheme of Saint Honore Holdings Limited ("SHHL")

SHHL, a subsidiary of HKCM, adopted a share option scheme ("SHHL Scheme") on 25 October 2000.

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

Participants	Grant date	Exercise period		Exercise price HK\$	Number of SHHL Options		
		From	To		As at 1 Apr. 2002	Lapsed during the year	As at 31 Mar. 2003
Director							
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		2,600,000	-	2,600,000
Other directors of SHHL and continuous contract employees	15 Jan. 2001	1 May 2001	31 May 2010	0.50	4,970,000	(150,000)	4,820,000
	15 Jan. 2001	1 May 2002	31 May 2010	0.50	2,000,000	-	2,000,000
	31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	4,855,000	(240,000)	4,615,000
	31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	4,855,000	(240,000)	4,615,000
			Total		16,680,000	(630,000)	16,050,000
			Grand total		19,280,000	(630,000)	18,650,000

SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of the Company's principal subsidiaries and associated companies 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 64 and 65.

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.



REPORT OF THE DIRECTORS

DONATIONS

Donations made for charitable purposes by the Group during the year amounted to HK\$148,000 (2002: HK\$545,000).

DIRECTORS

The directors during the year were:

Executive directors

Mr. Chan Wai Cheung, Glenn

Mrs. Chan King Catherine

Mr. Chan Ka Lai, Joseph

Mr. Chiu Wai

Mr. Ng Sai Hung

Mr. Shum Wing Hon

Ms. Wong Tsui Yue, Lucy

Independent non-executive directors

Mr. Cassam Soliman Gooljarry

Mrs. Fung Yeh Yi Hao, Yvette

Mr. Chan Ip Sing, Evans (alternate to Mrs. Fung Yeh Yi Hao, Yvette)

Dr. Kwok Lok Wai, William

Ms. Woo Lee Wah, Cecilia (resigned on 25 December 2002)

In accordance with Articles 77 to 79 of the Company's Articles of Association, Mrs. Chan King Catherine, Mr. Chiu Wai and Mrs. Fung Yeh Yi Hao, Yvette, 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 one year commencing on 1 April 2002. Subsequent to the year end date, the service contracts had been renewed.

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

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 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.



REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

(a) The connected transactions between SHHL and its subsidiaries ("SHHL Group") and the Group other than SHHL Group (the "HKCM Group") as listed 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 certain conditions as set out by the Stock Exchange are fulfilled.

(b) During the year, the HKCM Group had the following Transactions with the SHHL Group:

	2003	2002
	HK\$	HK\$
Purchases of bakery and related products (<i>note i</i>)	6,009,508	4,026,102
Rental income in respect of land and buildings (<i>note ii</i>)	2,130,174	754,835
Management fees received (<i>note iii</i>)	4,064,947	3,876,760

(i) Purchases of bakery and related products were charged at prices and terms were determined by reference to those charged to independent customers of the SHHL Group.

(ii) Rental income were reimbursed at costs in respect of certain leased premises on the basis of area occupied.

(iii) Pursuant to the service sharing agreement entered into between the Company and Bread Boutique Limited ("Bread Boutique"), a 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.

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

(i) the Transactions have been entered into by the Company in the ordinary and usual course of its business;

(ii) 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;

(iii) the Transactions are fair and reasonable so far as the shareholders of the Company as a whole are concerned; and

(iv) the aggregate amount of each of the Transactions in notes (b)(i) to (iii) has not exceeded the cap of HK\$10 million.



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CONNECTED TRANSACTIONS *(continued)*

- (d) On 6 May 2002, the Company together with Well-Positioned Corporation ("Well"), a substantial shareholder for both the Company and SHHL, and Mr. Chan Wai Cheung Glenn, who assumed the interest of the minority shareholders, had undertaken to provide in proportion to their respective shareholdings in SHHL a standing facility of not more than HK\$73,981,000 in aggregate to SHHL at the prevailing market interest rate. Accordingly, the Company was required to contribute up to a maximum amount of HK\$44,500,000 should this facility be called upon. This facility expired on 5 August 2002 and it was never called upon during the available draw down period.

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)	–	113,742,609
	Chan King Catherine	(a)	–	113,742,609
	Chan Ka Lai, Joseph	(a)	824,000	–
	Chiu Wai		112,000	–
SHHL	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
	Chiu Wai		28,000	–

Note:

- (a) These shares are directly held by 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, being an eligible beneficiary under the trust, is also considered interested in these shares.
- (b) Well also holds indirect interest in SHHL as 118,028,098 shares of SHHL are held by the Company through its wholly owned subsidiary, Albion Agents Limited.



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DIRECTORS' INTERESTS IN EQUITY AND DEBT SECURITIES *(continued)*

The details of shares options granted to directors are disclosed in the section headed "Share Options" above.

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 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 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 headed "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.

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 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.

AUDIT COMMITTEE

The Audit Committee was established in 1999 with written terms of reference adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants. The Committee comprises three independent non-executive directors namely Mr. Cassam Soliman Gooljarry, Mrs. Fung Yeh Yi Hao, Yvette and Dr. Kwok Lok Wai, William with Mr. Cassam Soliman Gooljarry being the Chairman of the Committee. Mr. Chan Ip Sing, Evans, is also an alternate committee member to Mrs. Fung Yeh Yi Hao, Yvette. As all the members of the Committee are independent non-executive directors, the Committee is independent of management of the Company.

The Committee is responsible for reviewing the Group's financial reporting process, internal controls and risk evaluation. The Committee reviewed the Group's results before they were tabled for the Board's review and approval. During the year, two meetings were held in which all committee members, or the alternate member in the absence of committee member, attended the meetings.

POST BALANCE SHEET EVENT

Details of post balance sheet event are set out in note 31 to the accounts.



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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