



Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31 March 2005.

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.

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 28.

The directors recommend a final dividend of HK5.0 cents (2004: HK3.5 cents) per ordinary share, which together with the interim dividend of HK1.0 cent (2004: HK1.0 cent) plus a special dividend of HK4.0 cents (2004: Nil) per ordinary share paid on 26 January 2005 makes a total dividend of HK10.0 cents (2004: HK4.5 cents) per ordinary share for the financial year ended 31 March 2005. Subject to approval by the shareholders at the Annual General Meeting on 8 September 2005, the final dividend will be payable on or about 21 September 2005 to shareholders whose names appear in the register of members on 8 September 2005.

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 2005, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$201,281,063 (2004: HK\$171,085,475).

DONATIONS

Donations made for charitable purposes by the Group during the year amounted to HK\$187,888 (2004: HK\$146,000).

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.

SUBSIDIARIES AND ASSOCIATED COMPANY

Details of the Company's principal subsidiaries and associated company as at 31 March 2005 are set out in note 30 to the accounts.





Report of the Directors

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 Scheme”)

The requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) on share option scheme invalidated HKCM Scheme on 1 September 2001 and no further share option has since been granted. Further details of HKCM Scheme as required to be disclosed under Rule 17.09 of the Listing Rules have not been included as, in the opinion of the Board, the information is obsolete and of no more value.

During the year, there was no movement of share options previously granted under HKCM Scheme (“HKCM Options”) and the details of HKCM Options that remained unexercised are summarized below:

Participants	Grant date	Exercise period		Exercise price HK\$	Number of HKCM Options
		From	To		At 1 Apr. 2004 and 31 Mar. 2005
Director					
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
				Total	3,000,000
Continuous contract employees					
	30 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.48	175,000
	30 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.48	175,000
				Total	350,000
				Grand total	3,350,000





Report of the Directors

SHARE OPTIONS (continued)

(2) Share option scheme of Saint Honore Holdings Limited (“SHHL Scheme”)

As SHHL Scheme no longer fulfils certain requirements of the Listing Rules on share option scheme, it was invalidated on 1 September 2001 and no further share option has since been granted under SHHL Scheme. Further details of SHHL Scheme as required under Rule 17.09 of the Listing Rules have not been included as, in the opinion of the Board, the information is obsolete and of no more value.

During the year, the details of movements of share options previously granted under SHHL Scheme (“SHHL Options”) are summarized below:

Participants	Grant date	Exercise period		Exercise price HK\$	Number of SHHL Options		
		From	To		At 1 Apr. 2004	Exercised during the year (Note a, b)	At 31 Mar. 2005
Other directors							
of SHHL and	15 Jan. 2001	1 May 2001	31 May 2010	0.50	1,030,000	(30,000)	1,000,000
continuous	15 Jan. 2001	1 May 2002	31 May 2010	0.50	1,000,000	-	1,000,000
contract employees	31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	405,000	(105,000)	300,000
of SHHL group	31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	405,000	(105,000)	300,000
Total					2,840,000	(240,000)	2,600,000

Note:

(a) There were 240,000 SHHL Options exercised during the year and the details are summarized below:

Month	Number of SHHL Options exercised			Proceeds from exercise of SHHL Options HK\$
	Exercisable at HK\$0.50	Exercisable at HK\$0.55	Total	
April 2004	-	140,000	140,000	77,000
July 2004	30,000	70,000	100,000	53,500
Total	30,000	210,000	240,000	130,500

(b) The weighted average closing prices of the shares of SHHL immediately before the dates of exercise was HK\$1.72 per share.





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BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Neither the Company nor the Group had any outstanding bank loans, overdrafts or other borrowings subsisted at 31 March 2005 and 31 March 2004.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last 5 financial years is set out on pages 67 and 68.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its shares during the year and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year.

DIRECTORS

The directors during the year were:

Executive directors

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

Independent non-executive directors

Mrs. Fung Yeh Yi Hao, Yvette
Mr. Chan Ip Sing, Evans (alternate to Mrs. Fung Yeh Yi Hao, Yvette)
Mr. Cassam Soliman Gooljarry
Dr. Kwok Lok Wai, William

In accordance with Articles 77 to 79 of the Company's Articles of Association, Mr. Chan Wai Cheung, Glenn, Mr. Shum Wing Hon 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

The service contracts entered into between the Company and the independent non-executive directors continue annually unless they are terminated by either party with at least 1 month written notice in advance.

No director has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within 1 year without payment of compensation (other than statutory compensation).

Separate annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules have been received from all the independent non-executive directors.





Report of the Directors

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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 March 2005, the following directors and chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange:

Name of company	Name of director	Number of ordinary shares held			Number of underlying ordinary shares held under equity derivatives	Total number of shares interested or deemed to be interested (long position)	Percentage of shareholding %
		Personal interest (Note a)	Family interest	Trust interest			
The Company	Chan Wai Cheung, Glenn	-	-	183,658,609 (Note b)	-	183,658,609	55.83
	Chan King Catherine	-	183,658,609 (Note b)	-	-	183,658,609	55.83
	Chan Ka Lai, Joseph	1,200,000	-	183,658,609 (Note c)	3,000,000 (Note d)	187,858,609	57.11
	Chiu Wai	112,000	-	-	-	112,000	0.03
	Wong Tsui Yue, Lucy	100,000	-	-	-	100,000	0.03





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DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Name of company	Name of director	Number of ordinary shares held			Number of underlying ordinary shares held under equity derivatives	Total number of shares interested or deemed to be interested (long position)	Percentage of shareholding %
		Personal interest (Note a)	Family interest	Trust interest			
SHHL	Chan Wai Cheung, Glenn	-	-	146,485,250 (Note e)	-	146,485,250	69.24
	Chan King Catherine	-	146,485,250 (Note f)	-	-	146,485,250	69.24
	Chan Ka Lai, Joseph	182,000	-	146,485,250 (Note c)	-	146,667,250	69.33
	Chiu Wai	28,000	-	-	-	28,000	0.01

Notes:

- These shares are held by the directors as beneficial owners.
- These shares are directly held by Well-Positioned Corporation ("Well-Positioned"), 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 Wai Cheung, Glenn and Mrs. Chan King Catherine are interested in these shares in the capacity of the founder of the trust and the spouse of founder respectively.
- Mr. Chan Ka Lai, Joseph, being the eligible beneficiary of the family trust established by Mr. Chan Wai Cheung, Glenn, is also deemed to be interested in these shares held by Well-Positioned.
- These are underlying shares in respect of the share options granted by the Company, the details of which are stated in the section "Share Options". The aforesaid interest is held by Mr. Chan Ka Lai, Joseph as beneficial owner.
- Being the founder of the trust, Mr. Chan Wai Cheung, Glenn has trust interest in SHHL shares held by the following means:

	Number of SHHL shares held
SHHL shares directly held by Well-Positioned as beneficial owner	28,457,152
SHHL share held by Well-Positioned through its wholly owned subsidiary, Albion Agents Limited	118,028,098
	<u>146,485,250</u>

- Mrs. Chan King Catherine, being the spouse of Mr. Chan Wai Cheung, Glenn, is also deemed to be interested in SHHL shares held by Well-Positioned.





Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(continued)

Save as disclosed above, at 31 March 2005, none of the directors or chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2005, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the directors or chief executives of the Company, the following person, other than directors or chief executives of the Company, had an interest or short position in the shares or underlying shares which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

Name of substantial shareholder	Number of ordinary shares held	Capacity	Percentage of Shareholding %
Well-Positioned (<i>Note</i>)	183,658,609	Beneficial owner	55.83

Note: The 183,658,609 shares are held by Well-Positioned, a wholly owned subsidiary held by a trust established by Mr. Chan Wai Cheung, Glenn for the benefit of the family members of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine.

Save as disclosed above, at 31 March 2005, the directors and the chief executives of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares which would require to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.





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SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Board, there are 25% or more of the listed issued share capital of the Company being held in public hands at 19 July 2005, being the latest practicable date prior to printing of this report.

CONNECTED TRANSACTIONS

- (a) On 9 June 2004, the Company entered into new supply agreement, sub-leasing agreement, distribution agreement and administration agreement with SHHL and its subsidiaries (the “SHHL Group”) to formalize the continuing connected transactions between the Group other than SHHL Group (the “HKCM Group”) and the SHHL group in compliance with the requirements of Chapter 14A of the Listing Rules. All the agreements carry a fixed term of three years and are deemed to have commenced on 1 April 2004. The continuing connected transactions under the distribution agreement and the administration agreement are exempted from further reporting requirements under the Listing Rules.
- (b) Details of the continuing connected transactions conducted during the fiscal year under the supply agreement and sub-leasing agreement (the “Transactions”) are as follows:

	2005	2004
	HK\$	HK\$
Purchases of bakery and related products (<i>note i</i>)	5,920,984	5,716,289
Rental income in respect of land and buildings (<i>note ii</i>)	1,597,979	1,723,735

- (i) Purchases of bakery and related products were charged at prices and terms determined by reference to those charged to independent customers of the SHHL Group.
- (ii) Rental income was reimbursed at costs in respect of certain leased premises on the basis of area occupied and relevant rent as a percentage of the monthly gross turnover whichever is higher.
- (c) The independent non-executive directors of the Company have reviewed the Transactions and have confirmed that the Transactions have been entered into:
- (i) in the ordinary and usual course of its business;
- (ii) on normal commercial terms; and
- (iii) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.





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CONNECTED TRANSACTIONS

(continued)

- (d) We have received a letter from the Company's auditors confirming that the Transactions:
- (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the Group;
 - (iii) have been entered into in accordance with the relevant agreements governing the Transactions; and
 - (iv) have not exceeded the cap of HK\$10 million as disclosed in the announcement previously made on 16 June 2004.

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 ON CORPORATE GOVERNANCE PRACTICES (THE "CODE")

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules which was in force prior to 1 January 2005 except in relation to guideline No.7 that service contracts of independent non-executive directors are renewed with no specific tenure, but they are determinable by either party with at least one month written notice in advance.

The Code of Best Practice was replaced by the Code which took effect on 1 January 2005. Upon its implementation, the Company has taken the following measures to comply with the new requirements:

1. The roles of chairman and chief executive officer have become segregated upon appointment of Mr. Chan Ka Lai, Joseph as the managing director of the Company with effect from 1 June 2005. Mr. Chan Ka Lai, Joseph is the son of Mr. Chan Wai Cheung, Glenn, the chairman of the Company and Mrs. Chan King, Catherine, another director of the Company.





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COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

(THE "CODE")

(continued)

2. Subject to shareholders' approval in the forthcoming annual general meeting, the Company will amend the Articles of Association so that all directors will be subject to retirement by rotation in accordance with the Code.
3. Both Mr. Cassam Soliman Gooljarry and Dr. Kwok Lok Wai, William have been serving as non-executive directors for over 9 years. In accordance with Appendix 14A4.3, the Company will propose to shareholders for consideration in the forthcoming annual general meeting to renew their appointments.
4. The Company adopted its own code for securities transactions in March 2005. The code applies to all directors of the Company and specified employees of the Group who are regarded as in possession of price-sensitive information of the Group. Having made the necessary enquiries with all directors, they confirmed that they had complied with the required standards set out in the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.
5. Proper physical meetings of the Board are being held at least quarterly each year.
6. Directors and officers liabilities insurance has been in place to protect our executives in discharging their duties and responsibilities.

AUDIT COMMITTEE

As the Audit Committee (the "Committee") was established in 1999, the Committee formally adopted in July 2005 the terms of reference as set out in the Code to ratify its scope of duties. The Committee is responsible for reviewing the Group's financial reporting process, internal controls and risk evaluation. The Committee comprises 3 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 as the Committee chairman. Mr. Chan Ip Sing, Evans is also an alternate committee member for Mrs. Fung Yeh Yi Hao, Yvette. 2 meetings were held during the year.

SUBSEQUENT EVENT

Details of subsequent 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, 13 July 2005

