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Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Chan Wai Cheung, Glenn, *Chairman*
Mr. Shum Wing Hon, *Deputy-chairman*
Mrs. Chan Wong Man Li, *Carrina, Managing Director*
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

AUDIT COMMITTEE

Dr. Cheung Wai Lam, William, *Committee Chairman*
Mr. Chan Ka Lai, Joseph
Dr. Ho Sai Wah, David
Mr. Bingley Wong

COMPANY SECRETARY

Ms. Wong Tsui Yue, Lucy

AUTHORIZED REPRESENTATIVES

Mrs. Chan Wong Man Li, Carrina
Ms. Wong Tsui Yue, Lucy

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Express Industrial Building
43 Heung Yip Road
Wong Chuk Hang
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

HONG KONG BRANCH SHARE TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-6
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Dah Sing Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

SOLICITORS

Sidley Austin Brown & Wood
Conyers Dill & Pearman

AUDITORS

PricewaterhouseCoopers

STOCK CODE

192

WEBSITE

<http://www.sthonore.com>

Chairman's Statement

On behalf of the board of directors (the "Board"), I am pleased to present the annual report of Saint Honore Holdings Limited (the "Company") and its subsidiaries (collectively called the "Group") for the year ended 31 March 2005.

RESULTS

Our consolidated turnover increased by 5.8% to HK\$568.9 million (2004: HK\$537.5 million) while our profit attributable to shareholders increased by 30.2% to HK\$59.0 million (2004: HK\$45.4 million) after accounting for the after-tax gain on disposal of a property in Macau amounting to HK\$22.0 million (2004: HK\$7.2 million gain on disposal of an investment property).

DIVIDENDS

The directors recommended a final dividend of HK9.0 cents (2004: HK9.0 cents) per ordinary share, which together with the interim dividend of HK5.0 cents (2004: HK4.0 cents) per ordinary share paid on 26 January 2005 makes a total dividend of HK14.0 cents (2004: HK13.0 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.

BUSINESS REVIEW

Turnover of cake and bread products increased marginally by 3.1% mainly attributed to the addition of new outlets. Sales of our festive products recorded a 26.2% growth due to the introduction of new products and effective marketing campaigns. Despite the rebound of the Hong Kong economy, our customers are still very price sensitive when making their daily purchases of bakery products and we have not been able to adjust our selling prices very aggressively. On the other hand, our main ingredients like flour, sugar and dairy produces have all suffered double-digit price increase. We had made efforts to safeguard our gross margin by reducing discounts given to customers, nevertheless, the full year gross profit margin was being eroded by 1.7%. Occupancy costs had increased by nearly 12% partly due to the absence of concession granted after the Severe Acute Respiratory Syndrome in fiscal year 2003/04, higher rental charges demanded by landlords as the retail/property market continued to improve especially in the second half of the fiscal year as well as the addition of outlets. We have exerted tighter control over other expenses including payroll and general operational costs in order to compensate the unavoidable pressure from food costs and rental charges.

To take advantage of the property market boom in Macau, we disposed one of the self-occupied shop premises there and realized an after-tax capital gain of HK\$22.0 million. The Group has made use of the proceeds from this disposal to further develop the bakery market in Macau. We replenished the property disposed with 2 shop premises in less touristy districts as well as acquiring a factory floor of 12,000 square feet for a new central workshop which can further support our outlet growth there. The new workshop has already started production since December 2004 and there were a total of 3 outlets at year end.



Chairman's Statement (Continued)

Fiscal year 2004/05 has been a fruitful year for our PRC market with turnover there nearly doubled, driven primarily by mooncake sales. We had commissioned a new central workshop in Guangzhou which started production in March 2005 and will support the development of the retail market which was only served by 4 outlets at year end. We also acquired a factory block with a total area of 100,000 square feet next to the existing Shenzhen workshop. By so doing we have secured extra production capacity which is in great demand in PRC at the moment. All together, we spent HK\$38.2 million to complete the acquisitions of workshops and outlets mentioned above as well as another 11,000 square feet of factory space in Hong Kong for warehousing purpose.

PROSPECT

We expect the economic growth of Hong Kong will moderate as interest rate is set to increase. Although the costs of the raw materials have become steady recently, the pressure from rising payroll and rental expenses continues. Other than inducing sales by discounts, we have invested more resources in new product development to enrich our product mix. For instance, the steamed bun product line introduced earlier on was well-received by our customers which led us to put forward the schedule of steamer installation to all feasible outlets by the end of the fiscal year. We will streamline our operation to further reduce our expenses. Apart from sourcing more cost effective materials to improve our gross profit, we will not renew the leases for loss-making outlets once they expire.

The development of the Macau and PRC markets will be continued. With the 2 new central workshops at Macau and Guangzhou became operative, we plan to increase the respective number of outlets to 8 and 10 at these locations.

ACKNOWLEDGEMENTS

On behalf of the Board, I must take this opportunity to express our most sincere appreciation of our business partners and staff for their unfailing support throughout the year.

Chan Wai Cheung, Glenn
Chairman

Hong Kong, 13 July 2005

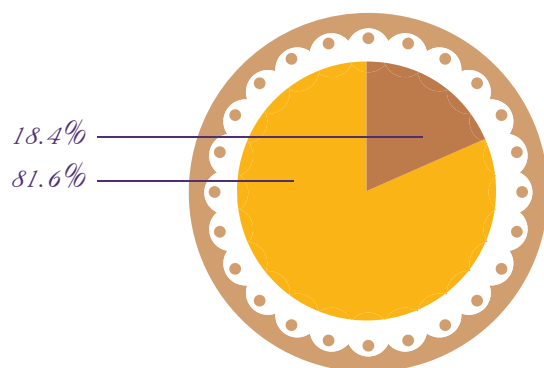
Management Discussion and Analysis of the Operations

The number of outlets are summarized as follows:

	At 31 March 2005	At 31 March 2004	Net Increase
Bakery outlets			
Saint Honore Cake Shop			
Hong Kong	56	54	2
Macau	3	2	1
PRC	4	2	2
Bread Boutique	15	15	–
	78	73	5
Eateries	2	2	–
	80	75	5

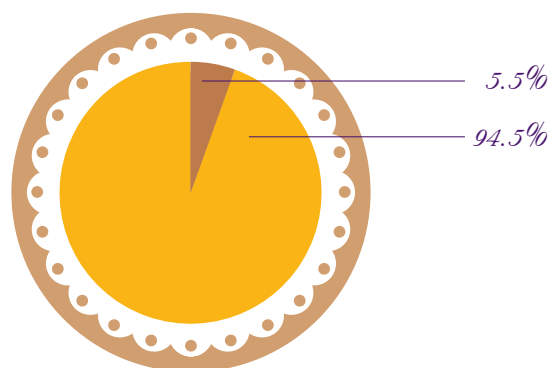
SAINT HONORE CAKE SHOP

Turnover By Products



- Bread & Cake Products
- Festive Products

Turnover By Regions



- Hong Kong & Macau
- PRC & Overseas



Super Soft Cake



Saint Honore appoints well-known artists Mr. Lawrence Cheng and Ms. Teresa Mo as mooncakes ambassadors



Chestnut Cake with Chocolate Crisp

Even though the economy of Hong Kong had improved, our core cake and bread business did not benefit much out of it. Our customers were still very reluctant to spend more on the daily necessities. We had tried to reduce the discounts given to our customers in order to compensate for the effect of rising raw material prices and our turnover was affected. Turnover of cake and bread products grew by only 2.9%. On the other hand, we had accurately foreseen that customers would be more willing to spend more for gift items and captured a sizeable share of this market with the launch of additional festive product lines such as the new flavors of 'snowy' mooncakes. Turnover of our festive products recorded a growth of 26.2%. With the economy returned to a slight inflationary state, we felt the crunch of cost pressure. Nevertheless, our production lines in Shenzhen have sheltered us to some extent our exposure to rising labour costs. With the improved economy, the landlords were asking for a higher rent at the time of lease renewal resulting in a double-digit increase in our occupancy expenses.

We made use of the proceed from the disposal of a property in Macau for greater market penetration there. 2 new outlets were opened before end of the fiscal year with two more to come on the schedule. A new factory with the capacity to support more outlet growth has been in place since December 2004.



Fresh Chestnut Cake



Double Flavours Chiffon & Steamed Cakes

Our festive products are apparently perceived to be of better quality over our rivals in PRC and their turnover has posted a 80% growth. 2 new outlets have been added in Guangzhou while the existing outlets are showing continuous growth in daily cake and bread products. In order to support the turnover growth there, a new factory was commissioned by March 2005 and we can now concentrate on sourcing for suitable locations to expand our outlet chain there.

BREAD BOUTIQUE

Bread Boutique recorded a moderate growth of 6.1% in sales which was mainly contributed to the increase in Chinese dim sum sales. In view of the growth, we acquired additional 11,000 square feet of factory space in March 2005. We passed to our customers part of the effect of rising material costs by cutting some sales discounts. At the same time, we will continue measures to cut back other operating expenses so as to offset the rise in depreciation and utility charges.

EC EATERY

The booming economy has brought in more competitors but the Individual Visit Scheme is not directing new customer flows to us. Turnover reported only a 1.4% growth, yet rising material costs and other operating expenses had eroded our net profit margin. We expect the landlords will ask for a substantial increase in rental charge when the existing leases expire in the near future. The management is contemplating relocation plan at present.



LIQUIDITY AND CAPITAL RESOURCES

Our freely-held cash on hand slightly decreased to about HK\$129.6 million at 31 March 2005 (2004: HK\$131.0 million) as we had spent over HK\$70 million on capital expenditure during the year. The Group's financial position stays healthy with zero gearing. The Group plans to invest about additional HK\$27.1 million to further expand and upgrade the outlet network and production capacity apart from the amount already committed and contracted at year end. These projects will be financed internally and there is no immediate need for external fund raising.

EMPLOYEES AND REMUNERATION POLICIES

At 31 March 2005, the Group had a total of 1,970 (2004: 1,748) full time employees of which 720 (2004: 519) staff were based in PRC and Macau. Employees' remuneration package was determined with reference to prevailing market practices and individual performance. Remuneration package includes basic salaries, sales incentives (which are only payable to some operational staff), medical and retirement benefit schemes. Discretionary bonus may be granted to eligible employees based on the performance of the Group and individual employees. Though the share option scheme of the Company has become invalid since 2001, there were still some share options previously granted by the Company that remained unexercised at the year end. The details of the share options are set out in the section headed "Share Options" in the report of the directors.

PLEDGE OF ASSETS

No assets were pledged throughout the year.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group conducts most of its business transactions in Hong Kong dollars and Renminbi ("RMB"). At 31 March 2005, the Group did not have any outstanding RMB forward exchange contracts (2004: HK\$23.0 million). In view of a possible RMB revaluation after fiscal year end, the Group has since committed HK\$40.0 million in RMB forward exchange contracts which will all expire within the next fiscal year.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 31 March 2005.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chan Wai Cheung, Glenn, *Chairman, Aged 71*

Mr. Chan worked for the Hong Kong Government for more than 10 years in the then Urban Services Department. In 1972, he left the public sector and joined a catering group in Hong Kong. Approximately 2 years later, he co-founded Hong Kong Catering Management Limited (“HKCM”) which obtained a listing status on the then The Hong Kong Stock Exchange Limited in 1990 and is the intermediate holding company of the Company. He is now the chairman of HKCM. He is the spouse of Mrs. Chan King Catherine and the father of Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond, all of them are directors of the Company.

Mr. Shum Wing Hon, *Deputy-chairman, Aged 63*

Mr. Shum is a founder of Saint Honore Cake Shop Limited (“Saint Honore”) and possesses more than 40 years of experience in the bakery industry. Mr. Shum was appointed the deputy-chairman of the Company in July 2000. He is responsible for production and quality control of the bakery operation of the Group. He is also an executive director of HKCM.

Mrs. Chan Wong Man Li, Carrina, *Managing Director, Aged 42*

Mrs. Chan holds a master degree in business administration jointly conferred by the J.L. Kellogg Graduate School of Management, Northwestern University in the United States and the Hong Kong University of Science and Technology. Mrs. Chan also holds a bachelor degree in administrative studies from the Trent University in Canada. Mrs. Chan joined Saint Honore in 1986 and is now the managing director of the Group.

Mr. Chan Ka Shun, Raymond, *Aged 41*

Mr. Chan obtained his master degree in business administration from the University of South Australia and a bachelor of science degree from the University of Denver in the United States. He joined Saint Honore in 1992 and was appointed a director of the Company in July 2000. He is in charge of logistics and the PRC operations. Mr. Chan is the son of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine as well as the brother of Mr. Chan Ka Lai, Joseph.

Mr. Wong Chung Piu, Billy, *Aged 46*

Mr. Wong joined Bread Boutique Limited (“BBL”) in 1990 after working for a reputable bakery chain for 10 years. He is in charge of the Group’s Bread Boutique bakery chain. He was appointed a director of the Company in July 2000.



NON-EXECUTIVE DIRECTORS

Mrs. Chan King Catherine, Aged 71

Mrs. Chan is the co-founder and an executive director of HKCM. She now assists in the overall management and control of HKCM. She is the spouse of Mr. Chan Wai Cheung, Glenn and the mother of Mr. Chan Ka Shun, Raymond and Mr. Chan Ka Lai, Joseph.

Mr. Chan Ka Lai, Joseph, Aged 39

Mr. Chan graduated from the McGill University in Canada with a degree in chemical engineering. He is the managing director of HKCM and is responsible for the overall management of the restaurant operation of HKCM. He was appointed a director of the Company in July 2000. Mr. Chan is the son of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine as well as the brother of Mr. Chan Ka Shun, Raymond.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cheung Wai Lam, William, Aged 46

Dr. Cheung is a medical professional and has worked in the public hospital for 7 years before he started his own practice specializing in surgery. He has also been actively involved in applying information technology to improve the quality of medical practice and is currently the CEO of Fosson Limited.

Dr. Ho Sai Wah, David, Aged 47

Dr. Ho graduated from Sydney University with Honors in Medicine in 1984. After going through orthodox training in Internal Medicine and Cardiology, he went on and obtained a PhD (Medicine) from Sydney University and completed his Post Doc Fellowship in The University of Alabama in the United States. A renowned cardiologist, Dr. Ho has made numerous worldwide presentations and publications in the field of angioplasty and stenting for coronary and peripheral artery disease. He had been Associate Professor with the University of Hong Kong for 7 years before he started his own cardiology practice in 2000.

Mr. Bingley Wong, Aged 75

Mr. Wong has over 42 years extensive experience in accounting, auditing and taxation. He is a fellow member of a number of professional bodies: Hong Kong Institute of Certified Public Accountants, CPA Australia, Association of International Accountants, Institute of Chartered Secretaries and Administrators, Hong Kong Institute of Company Secretaries, Hong Kong Institute of Directors Limited and The Australian Institute of Company Directors and is also a member of Hong Kong Securities Institute. Mr. Wong is a certified public accountant and established Bingley Wong & Co., CPA after working over 20 years in the Inland Revenue Department and he is the managing directors of Bingley Consulting Limited and BW Nominee Limited. He renders public services as a director of the Hong Kong Chiu Chow Chamber of Commerce Limited and Yan Oi Tong in 1983. He was appointed as independent non-executive director of the Company in July 2003.

SENIOR MANAGEMENT

Ms. Wong Tsui Yue, Lucy, Aged 44

Ms. Wong is the company secretary of both the Company and HKCM. She graduated from the Victoria University of Wellington in New Zealand with a bachelor degree in commerce. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Accountants in Australia. She has been an executive director of HKCM since 1997.

Mr. Chan Kin Kong, Allan, Aged 41

Mr. Chan is the financial controller of the Group. He joined Saint Honore in 1996 and has over 16 years of experience in accounting and financial management. Mr. Chan obtained his master degree in business administration from the City University of Hong Kong. Mr. Chan also holds a bachelor of social science degree from the University of Hong Kong. He is currently a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Cheng Kwok Hung, Terrence, Aged 41

Mr. Cheng is the sales and training manager of Saint Honore. Mr. Cheng obtained a higher diploma in institutional management and catering studies from the Hong Kong Polytechnic University. He joined Saint Honore in 1996 and has more than 17 years of sales and operational experience in the food and catering industry.

Mr. Tao Yip Wing, Ringo, Aged 42

Mr. Tao is the production manager of Saint Honore. He received a master degree in hotel and tourism management and bachelor degree in hotel and catering management from the Hong Kong Polytechnic University. Mr. Tao joined the Group in 2005 and has 23 years of working experience in catering operation and management. He is a committee member of Hong Kong Chefs Association.

Mr. Sham Cheong, Aged 59

Mr. Sham is the purchasing manager of Saint Honore. Mr. Sham joined Saint Honore in 1976. He has 36 years of experience in the food industry. Before joining Saint Honore, he earned 8 years of experience in production and management in the food industry.

Ms. Shiu Man Shan, Cathy, Aged 39

Ms. Shiu is the marketing manager of Saint Honore. She holds a bachelor degree of arts from the University of Hong Kong. Ms. Shiu joined Saint Honore in 1999 and has 14 years of experience in marketing and public relations field in different commercial sectors.

Mr. Lee Sze Ming, Charles, Aged 37

Mr. Lee is the project manager of Saint Honore. He holds a bachelor degree in management studies from the University of Hong Kong. Mr. Lee joined the Group in 2002 and has 16 years of experience in project management.

Ms. Cheng Wai Fun, Linda, Aged 36

Ms. Cheng is the human resources and administration manager of Saint Honore. She joined the Group in 2003 and has 11 years of experience in human resources and administration. Ms. Cheng holds a bachelor degree in business administration from the Open University of Hong Kong. She is an associate member of the Hong Kong Institute of Human Resources Management.



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 and its subsidiaries are engaged in bakery and eatery businesses.

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 23.

The Company has paid an interim dividend of HK5.0 cents (2004: HK4.0 cents) per ordinary share, totalling HK\$10,577,850 (2004: HK\$8,311,080) on 26 January 2005.

The directors recommend a final dividend of HK9.0 cents (2004: HK9.0 cents) per ordinary share totalling HK\$19,040,130 (2004: HK\$19,031,130) to be payable to shareholders whose names appear in the register of members of the Company on 8 September 2005. Subject to the passing of the necessary resolutions at the forthcoming annual general meeting, such dividend will be payable on or about 21 September 2005.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 22 to the accounts.

Distributable reserves of the Company at 31 March 2005, calculated under the Companies Act of Bermuda, amounted to HK\$233,057,711 (2004: HK\$224,056,008).

DONATIONS

Donations made for charitable purposes by the Group during the year amounted to HK\$98,000 (2004: HK\$88,000).

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.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2005 are set out in note 30 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 Company's share option scheme was adopted on 25 October 2000 (the "Share Option 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 the Share Option Scheme on 1 September 2001 and no further share option has since been granted. Further details of the Share Option 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.

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

Participants	Grant date	Exercise period		Exercise price HK\$	Number of Share Options		
		From	To		At 1 Apr. 2004	Exercised during the year (Note a & b)	At 31 Mar. 2005
Director							
Chan Ka Shun,	15 Jan. 2001	1 May 2001	31 May 2010	0.50	1,000,000	–	1,000,000
Raymond	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
Continuous contract employees	15 Jan. 2001	1 May 2001	31 May 2010	0.50	30,000	(30,000)	–
	31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	105,000	(105,000)	–
	31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	105,000	(105,000)	–
				Total	240,000	(240,000)	–
				Grand total	2,840,000	(240,000)	2,600,000



SHARE OPTIONS (Continued)

Note:

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

Month	Number of Share Options exercised			Proceeds from exercise of Share 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 Company's shares immediately before the dates of exercise was HK\$1.72 per share.

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 61 and 62.

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. Shum Wing Hon

Mrs. Chan 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

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Wong Chung Piu, Billy and Dr. Ho Sai Wah, David 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 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.

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, its fellow subsidiaries or its holding companies 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 (Continued)

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 <i>(Note a)</i>	Family interest	Trust interest			
The Company	Chan Wai Cheung, Glenn	-	-	146,485,250 <i>(Note b)</i>	-	146,485,250	69.24
	Chan King Catherine	-	146,485,250 <i>(Note b)</i>	-	-	146,485,250	69.24
	Chan Ka Lai, Joseph	182,000	-	146,485,250 <i>(Note c)</i>	-	146,667,250	69.33
	Chan Ka Shun, Raymond	162,500	-	146,485,250 <i>(Note c)</i>	2,600,000 <i>(Note d)</i>	149,247,750	70.55
	Chan Wong Man Li, Carrina	206,000	-	-	-	206,000	0.10
HKCM	Chan Wai Cheung, Glenn	-	-	183,658,609 <i>(Note e)</i>	-	183,658,609	55.83
	Chan King Catherine	-	183,658,609 <i>(Note e)</i>	-	-	183,658,609	55.83
	Chan Ka Lai, Joseph	1,200,000	-	183,658,609 <i>(Note c)</i>	3,000,000 <i>(Note f)</i>	187,858,609	57.11
	Chan Ka Shun, Raymond	650,000	-	183,658,609 <i>(Note c)</i>	-	184,308,609	56.03

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

(Continued)

Notes:

- (a) These shares are held by the directors as beneficial owners.
- (b) These shares are 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, in the following manner:

	Number of ordinary shares held
Shares directly held by Well-Positioned as beneficial owner	28,457,152
Shares held by Well-Positioned through HKCM's wholly owned subsidiary, Albion Agents Limited ("Albion")	118,028,098
	<u>146,485,250</u>

Mr. Chan Wai Cheung, Glenn is interested in these shares in the capacity as founder of the trust and Mrs. Chan King Catherine, being the spouse of Mr. Chan Wai Cheung, Glenn is also deemed to be interested in these shares.

- (c) Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond, being the eligible beneficiaries of the family trust established by Mr. Chan Wai Cheung, Glenn, are also deemed to be interested in these shares held by Well-Positioned.
- (d) These are underlying shares in respect of share options granted under the Share Option Scheme. The aforesaid interests are held by Mr. Chan Ka Shun, Raymond as beneficial owner.
- (e) These shares are held by Well-Positioned and, being the founder of the trust, Mr. Chan Wai Cheung, Glenn has the trust interest in HKCM, Mrs. Chan King Catherine, being the spouse of Mr. Chan Wai Cheung, Glenn, is also deemed to be interested in these shares.
- (f) These are underlying shares in respect of share options granted under the share option scheme of HKCM adopted on 13 March 2000. The aforesaid interest is held by Mr. Chan Ka Lai, Joseph as beneficial owner.

One director of the Company is holding share options in HKCM and there was no movement in such share options during the year. The details of these outstanding share options are summarized below:

Name of director	Grant date	Exercise period		Exercise price HK\$	Number of HKCM share options at 1 April 2004 and 31 March 2005
		From	To		
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
					<u>3,000,000</u>



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 persons, 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 shareholders	Number of ordinary shares held	Percentage of shareholding %
Albion	118,028,098	55.79
HKCM (<i>note a</i>)	118,028,098	55.79
Well-Positioned (<i>note b</i>)	146,485,250	69.24

Notes:

- (a) Albion was wholly owned by HKCM, hence HKCM has a deemed interest in 118,028,098 shares by virtue of its interest in the shares of Albion.
- (b) It included the interest held by HKCM through its wholly owned subsidiary, Albion. Therefore Well-Positioned also had a deemed interest in 118,028,098 shares by virtue of its interest in the shares of HKCM. Together with the interest in 28,457,152 shares directly held by Well-Positioned as beneficial owner, Well-Positioned has a total interest of 146,485,250 shares in the Company.

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.

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 HKCM and its subsidiaries other than the Group (the "HKCM Group") to formalize the continuing connected transactions between the Group and the HKCM Group in compliance with the requirements of Chapter 14A of the Listing Rules. All the agreements carry a fixed term of 3 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 HK\$	2004 HK\$
Sales of bakery and related products (<i>note (i)</i>)	5,920,984	5,716,289
Rental expenses in respect of land and buildings (<i>note (ii)</i>)	1,597,979	1,723,735

- (i) Sales of bakery and related products were charged at prices and terms determined by reference to those charged to independent customers of the Group.
- (ii) Rental expenses were reimbursed at costs in respect of certain leased premises on the basis of area occupied and relevant rent as 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.



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

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 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 the service contracts of non-executive directors are renewed with no specific tenure, but they are determinable by either party with at least 1 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. Subject to shareholders' approval in the forthcoming annual general meeting, the Company will amend the Bye-laws so that all directors will be subject to retirement by rotation in accordance with the Code.
2. 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 Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.
3. Proper physical meetings of the Board are being held at least quarterly each year.
4. Directors and officers liabilities insurance has been in place to protect our executives in discharging their duties and responsibilities.

AUDIT COMMITTEE

The Audit Committee (the "Committee") has been established since 2000. Due to the implementation of the Code on 1 January 2005, the Committee adopted the rectified terms of reference in July 2005. 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 Dr. Cheung Wai Lam, William, Dr. Ho Sai Wah, David and Mr. Bingley Wong and also 1 non-executive director, Mr. Chan Ka Lai, Joseph with Dr. Cheung Wai Lam, William nominated as the Committee chairman. 2 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, 13 July 2005



Report of the Auditors

PRICEWATERHOUSECOOPERS 

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central
Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF SAINT HONORE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the accounts on pages 23 to 60 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors of the Company are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 July 2005

Consolidated Profit and Loss Account

For the year ended 31 March 2005

	Note	2005 HK\$	2004 HK\$
Turnover	3	568,901,321	537,515,842
Other revenues	3	2,592,257	1,702,219
Costs of inventories consumed		(176,789,571)	(158,126,574)
Staff costs	4	(174,227,664)	(170,162,610)
Operating lease rentals		(54,295,928)	(48,542,062)
Depreciation of fixed assets		(28,923,228)	(29,823,206)
Other operating expenses		(87,272,436)	(82,192,512)
Amortization of intangible asset		(4,600,000)	(4,600,000)
Gain on disposal of properties	5	26,112,921	7,159,160
Profit before taxation	5	71,497,672	52,930,257
Taxation	6	(12,458,319)	(7,571,286)
Profit attributable to shareholders	7	59,039,353	45,358,971
Dividends	8	29,626,980	27,342,210
Earnings per share	9		
Basic		27.9 cents	22.6 cents
Diluted		27.6 cents	21.9 cents



Consolidated Balance Sheet

At 31 March 2005

	Note	2005 HK\$	2004 HK\$
Non-current assets			
Intangible asset	12	27,600,000	32,200,000
Fixed assets	13	208,888,581	177,543,241
Deposits for purchase of properties		3,575,972	–
Rental deposits paid		11,530,848	10,397,239
Deferred tax assets	24	2,392,640	999,639
		253,988,041	221,140,119
Current assets			
Inventories	15	10,105,418	8,045,478
Trade receivables	16	4,752,199	2,713,071
Deposits, prepayments and other receivables		13,714,935	7,621,382
Taxation recoverable		997,930	343,027
Cash and cash equivalents		129,558,010	130,957,570
		159,128,492	149,680,528
Current liabilities			
Amount due to intermediate holding company	18	4,979,655	3,509,647
Trade payables	19	14,549,614	10,328,860
Other payables and accrued charges		46,107,248	42,169,042
Taxation payable		6,526,740	1,305,616
Cake coupon liabilities – current portion		41,380,293	43,096,520
		113,543,550	100,409,685
Net current assets		45,584,942	49,270,843
Total assets less current liabilities		299,572,983	270,410,962

	Note	2005 HK\$	2004 HK\$
Financed by:			
Share capital	20	21,155,700	21,131,700
Reserves	22	176,005,762	146,486,889
Dividend reserve	22	19,040,130	19,031,130
Shareholders' funds		216,201,592	186,649,719
Non-current liabilities			
Cake coupon liabilities – non-current portion		75,110,064	76,162,303
Rental deposits received		71,000	401,000
Provision for long service payments	23	6,199,407	6,159,294
Deferred tax liabilities	24	1,990,920	1,038,646
		83,371,391	83,761,243
		299,572,983	270,410,962

On behalf of the Board

Chan Wai Cheung, Glenn
Chairman

Chan Wong Man Li, Carrina
Managing Director



Balance Sheet

At 31 March 2005

	Note	2005 HK\$	2004 HK\$
Non-current assets			
Interests in subsidiaries	14	196,687,872	196,687,872
Current assets			
Amounts due from subsidiaries	17	24,739,939	33,412,079
Deposits, prepayments and other receivables		156,861	153,040
Dividend receivable		19,040,130	19,031,130
Taxation recoverable		58,221	5,194
Cash and cash equivalents		20,721,068	2,971,299
		64,716,219	55,572,742
Current liabilities			
Other payables and accrued charges		629,980	618,706
Net current assets			
		64,086,239	54,954,036
Total assets less current liabilities			
		260,774,111	251,641,908
Financed by:			
Share capital	20	21,155,700	21,131,700
Reserves	22	220,578,281	211,479,078
Dividend reserve	22	19,040,130	19,031,130
Shareholders' funds			
		260,774,111	251,641,908

On behalf of the Board

Chan Wai Cheung, Glenn
Chairman

Chan Wong Man Li, Carrina
Managing Director

Consolidated Cash Flow Statement

	Note	2005 HK\$	2004 HK\$
Net cash inflow generated from operating activities	25	<u>65,168,961</u>	<u>64,733,663</u>
Investing activities			
Purchase of fixed assets		(70,554,579)	(37,135,523)
Deposits for purchase of properties		(3,575,972)	–
Net proceeds from sale of fixed assets		36,418,430	17,816,848
Interest income		631,080	592,037
Net cash outflow from investing activities		<u>(37,081,041)</u>	<u>(18,726,638)</u>
Net cash inflow before financing activities		28,087,920	46,007,025
Financing activities			
Issue of shares upon the exercise of share options		130,500	7,963,000
Dividends paid		(29,617,980)	(15,181,895)
Net cash outflow from financing activities		<u>(29,487,480)</u>	<u>(7,218,895)</u>
(Decrease)/increase in cash and cash equivalents		(1,399,560)	38,788,130
Cash and cash equivalents at the beginning of the year		<u>130,957,570</u>	<u>92,169,440</u>
Cash and cash equivalents at the end of the year		<u>129,558,010</u>	<u>130,957,570</u>



Consolidated Statement of Changes in Equity

For the year ended 31 March 2005

	Share capital HK\$	Share premium HK\$	Contributed surplus HK\$	Exchange fluctuation reserve HK\$	Retained earnings HK\$	Dividend reserve HK\$	Total HK\$
At 1 April 2003	19,622,900	-	104,929,484	69,124	17,020,120	6,868,015	148,509,643
Issue of shares upon exercise of share options	1,508,800	6,454,200	-	-	-	-	7,963,000
Profit for the year	-	-	-	-	45,358,971	-	45,358,971
Under-provision of dividend in previous year	-	-	-	-	(2,800)	2,800	-
2002/03 final dividend paid	-	-	-	-	-	(6,870,815)	(6,870,815)
2003/04 interim dividend proposed	-	-	-	-	(8,176,280)	8,176,280	-
2003/04 interim dividend paid	-	-	-	-	(134,800)	(8,176,280)	(8,311,080)
2003/04 final dividend proposed	-	-	-	-	(19,031,130)	19,031,130	-
At 31 March 2004	21,131,700	6,454,200	104,929,484	69,124	35,034,081	19,031,130	186,649,719
At 1 April 2004	21,131,700	6,454,200	104,929,484	69,124	35,034,081	19,031,130	186,649,719
Issue of shares upon exercise of share options	24,000	106,500	-	-	-	-	130,500
Profit for the year	-	-	-	-	59,039,353	-	59,039,353
Under-provision of dividend in previous year	-	-	-	-	(9,000)	9,000	-
2003/04 final dividend paid	-	-	-	-	-	(19,040,130)	(19,040,130)
2004/05 interim dividend proposed	-	-	-	-	(10,577,850)	10,577,850	-
2004/05 interim dividend paid	-	-	-	-	-	(10,577,850)	(10,577,850)
2004/05 final dividend proposed	-	-	-	-	(19,040,130)	19,040,130	-
At 31 March 2005	21,155,700	6,560,700	104,929,484	69,124	64,446,454	19,040,130	216,201,592

Notes to the Accounts

1. BASIS OF PREPARATION

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They are also prepared under the historical cost convention except that the investment properties are stated at fair value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March.

Subsidiaries are those entities in which the Company, directly or indirectly controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove a majority of the members of the board of directors; or to cast a majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less accumulated impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.



2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Group accounting *(Continued)*

(ii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as movements in reserves.

(b) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

In accordance with Statement of Standard Accounting Practice ("SSAP") 30, goodwill on acquisitions occurring on or after 1 April 2001 is included in intangible assets and is amortized using the straight-line method over its estimated useful life of not more than 20 years.

Goodwill on acquisitions that occurred prior to 1 April 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 such that goodwill previously written off against reserves has not been restated. However any impairment arising on such goodwill is accounted for in accordance with the policy set out below.

The gain or loss on disposal of an entity includes the unamortized balance of goodwill relating to the entity disposed of or, for pre 1 April 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realized in the profit and loss account.

(ii) Trademarks

Expenditures on acquired trademarks are capitalized at cost and amortized using the straight-line method over their useful lives of not more than 20 years.

(iii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount. Such impairment losses are recognized in the profit and loss account.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued annually by independent professional valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment property revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating results. Any subsequent increases are credited to operating results up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realized in respect of previous valuations is released from the investment property revaluation reserve to the profit and loss account.

(d) Fixed assets

(i) *Other properties*

Other properties are interests in land and buildings other than investment properties and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

Depreciation on other properties is calculated to write off their costs less accumulated impairment losses over the unexpired periods of the leases or their expected useful lives to the Group on a straight-line basis, whichever is shorter. The expected useful life used for this purpose is 50 years.

(ii) *Leasehold improvements*

Leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment losses. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

Depreciation on leasehold improvements is calculated to write off their costs less accumulated impairment losses over the shorter of the unexpired periods of the leases or their expected useful lives to the Group on a straight-line basis. The annual rate used for this purpose is 15%.



2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Fixed assets *(Continued)*

(iii) Other tangible fixed assets

Other tangible fixed assets, comprising air-conditioning plant, furniture, fixtures and equipment, and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation on other tangible fixed assets is calculated to write off their costs less accumulated impairment losses over their expected useful lives to the Group on a straight-line basis. The annual rates used for this purpose range from 10% to 25%.

(iv) Impairment

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in other properties and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognized to reduce the asset to its recoverable amount. Such impairment losses are recognized in the profit and loss account.

(v) Gain or loss on disposal of fixed assets

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the profit and loss account.

(e) Assets under operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account over the lease periods on a straight-line basis.

(f) Inventories

Inventories comprise raw materials, packing materials, work-in-progress and finished goods, and are stated at the lower of cost and net realizable value. Cost is calculated on a first-in, first-out basis. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(g) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and cash investments with maturity of 3 months or less from the date of investment.

(i) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

The Group recognizes a provision for long service payments for existing employees which are payable upon termination of their employment in accordance with statutory requirements. The provision is calculated with reference to the statutory requirements, the employees' turnover statistics, the employees' remuneration and their age profile.

(j) Cake coupon liabilities

Cake coupons are recorded as liabilities when sold. Cake coupons surrendered in exchange for products during the year are recognized as sales and transferred to the profit and loss account using the weighted average cake coupon sale value. The estimated value of the cake coupons which are expected to be redeemed in the next 12 months is classified as current liabilities at the end of the year.

(k) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.



2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Revenue recognition

Revenue from the sale of bakery products is recognized on the transfer of ownership, which generally coincides with the time of delivery.

Sales revenue from eatery operations is recognized when services are rendered to customers.

Interest income is recognized on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Rental income is recognized on an accrual basis over the lease period.

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlement to annual leave is recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(ii) Pension obligations

The Group participates in the following principal defined contribution pension schemes:

Schemes established under Mandatory Provident Fund Schemes Ordinance (“MPF Schemes”)
Contributions to the MPF Schemes by the Group are calculated as a percentage of employees’ basic salaries but subject to a cap in accordance with the statutory requirements except for some managerial staff whose monthly contributions are calculated based on their actual salaries. The Group’s contributions are charged to the profit and loss account when incurred.

Schemes established under Occupational Retirement Schemes Ordinance (“ORSO Schemes”)
The Group has discontinued all contributions to the ORSO Schemes when it joined the MPF Schemes. For those group companies who opted not to transfer the accrued benefits of the employees in the ORSO Schemes as voluntary contributions to the MPF Schemes, such benefits are retained and their investment returns are accumulated. The contributions forfeited by those employees who leave the scheme prior to vesting fully in the contribution are credited to the profit and loss account when refunded.

The assets of the schemes are held separately from those of the Group in independently administered funds.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Employee benefits *(Continued)*

(iii) *Equity compensation benefits*

Share options are granted to executive directors and to full-time employees at the discretion of directors. No employee benefit cost is recognized when options are granted. When the options are exercised, the proceeds received are credited to share capital and share premium.

(n) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated revenues represent rental income from properties and gain on disposal of investment property. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash and exclude items such as taxation recoverable, deferred tax assets and investment property. Segment liabilities comprise operating liabilities and exclude items such as taxation payable and deferred tax liabilities. Capital expenditure comprises additions to intangible assets and fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customers are located. Total assets and capital expenditure are based on where the assets are located.

(o) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognized as a provision.



3. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the operation of bakeries and eateries. Turnover comprises takings and service charges less discounts and credit card commission from bakery and eatery operations. Revenues recognized during the year are as follows:

	Group	
	2005	2004
	HK\$	HK\$
Turnover		
Bakery operation	539,351,424	508,385,481
Eatery operation	29,549,897	29,130,361
	568,901,321	537,515,842
Other revenues		
Interest income	631,080	592,037
Rental income from an investment property	–	541,471
Rental income from other properties	1,961,177	568,711
	2,592,257	1,702,219
Total revenues	571,493,578	539,218,061

Primary reporting format – business segments

For management purpose, the Group is currently organized into 2 main business segments – bakery and eatery. These segments are the basis on which the Group reports its primary segment information.

- Bakery – manufacturing and retailing of bakery products
- Eatery – operating eateries

3. TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

There are no significant sales between the business segments. An analysis of the Group's turnover and results by business segments is as follows:

	Bakery HK\$	2005 Eatery HK\$	Group HK\$	Bakery HK\$	2004 Eatery HK\$	Group HK\$
Turnover	539,351,424	29,549,897	568,901,321	508,385,481	29,130,361	537,515,842
Segment results	69,216,862	319,633	69,536,495	42,981,964	1,678,951	44,660,915
Unallocated revenues			1,961,177			8,269,342
Profit before taxation			71,497,672			52,930,257
Taxation			(12,458,319)			(7,571,286)
Profit attributable to shareholders			59,039,353			45,358,971
Segment assets	401,378,058	8,347,905	409,725,963	361,588,986	7,888,995	369,477,981
Unallocated assets			3,390,570			1,342,666
Total assets			413,116,533			370,820,647
Segment liabilities	181,926,855	6,470,426	188,397,281	178,694,221	3,132,445	181,826,666
Unallocated liabilities			8,517,660			2,344,262
Total liabilities			196,914,941			184,170,928
Capital expenditure	70,466,529	88,050	70,554,579	36,458,025	677,498	37,135,523
Depreciation	27,162,475	1,760,753	28,923,228	27,786,918	2,036,288	29,823,206
Amortization charge	4,600,000	-	4,600,000	4,600,000	-	4,600,000

The gain on disposal of a self-occupied property amounting to HK\$26,112,921 was allocated to the segment results for the bakery operation in current year and the gain on disposal of an investment property of HK\$7,159,160 was included as unallocated revenues in last year results.



3. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

Secondary reporting format – geographical segments

The geographical analysis is divided into two regions:

- Hong Kong and Macau
- The People's Republic of China

	2005		2004	
	Total assets HK\$	Capital expenditure HK\$	Total assets HK\$	Capital expenditure HK\$
Hong Kong & Macau	338,000,643	52,563,379	332,559,067	34,879,639
The People's Republic of China	75,115,890	17,991,200	38,261,580	2,255,884
	413,116,533	70,554,579	370,820,647	37,135,523

No geographical analysis on segment results is provided as less than 10% of the Group's turnover and less than 10% of the consolidated results of the Group are attributable to markets outside Hong Kong and Macau.

4. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Group	
	2005 HK\$	2004 HK\$
Wages and salaries, including directors' fees	155,995,026	155,281,949
Termination benefits	495,061	88,729
Provision for/(reversal of) leave balance	1,320,976	(47,126)
Retirement benefit costs – defined contribution scheme (note 10)	7,099,368	6,651,483
Provision for long service payments (note 23)	492,788	518,262
Other staff costs	8,824,445	7,669,313
	174,227,664	170,162,610

5. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting) the following:

	Group	
	2005	2004
	HK\$	HK\$
Auditors' remuneration	771,926	733,197
Non-audit service fees paid to the Company's auditors	80,261	213,626
Gain on disposal of an investment property	–	(7,159,160)
Gain on disposal of other property	(26,112,921)	–
(Gain)/loss on disposal of other fixed assets	(19,498)	346,705
Net exchange (gain)/losses	(118,266)	511,716
	<u> </u>	<u> </u>

6. TAXATION

The amount of taxation charged to the consolidated profit and loss account represents:

	Group	
	2005	2004
	HK\$	HK\$
Current taxation		
Hong Kong profits tax	6,427,682	6,418,826
Overseas taxation	6,453,284	2,422,127
Under/(over) provision in prior years	18,080	(49,144)
Deferred taxation credit (note 24)	(440,727)	(1,220,523)
	<u> </u>	<u> </u>
Taxation charge	12,458,319	7,571,286

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

Overseas taxation included HK\$4,112,785 relating to the sale of a Macau property (2004: Nil).



Notes to the Accounts (Continued)

6. TAXATION (Continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	Group	
	2005 HK\$	2004 HK\$
Profit before taxation	71,497,672	52,930,257
Calculated at a taxation rate of 17.5% (2004: 17.5%)	12,512,093	9,262,795
Effect of different taxation rates in other countries	(16,437)	(350,539)
Income not subject to taxation	(514,281)	(1,464,779)
Expenses not deductible for taxation purposes	833,263	939,073
Under/(over) provision in prior year	18,080	(49,144)
Utilization of previously unrecognized tax losses	(404,850)	–
Unrecognized temporary differences	–	(914,230)
Tax losses not recognized	2,577	65,158
Increase in opening net deferred tax liabilities resulting from an increase in taxation rate	–	80,178
Others	27,874	2,774
Taxation charge	12,458,319	7,571,286

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$38,619,683 (2004: HK\$27,381,726).

8. DIVIDENDS

	Group	
	2005 HK\$	2004 HK\$
Under-provision of dividend in previous year	9,000	–
Interim, paid, of HK5.0 cents (2004: HK4.0 cents) per ordinary share	10,577,850	8,311,080
Final, proposed, of HK9.0 cents (2004: HK9.0 cents) per ordinary share (note 22(a))	19,040,130	19,031,130
	<u>29,626,980</u>	<u>27,342,210</u>

At a meeting held on 13 July 2005, the directors declared a final dividend of HK9.0 cents per ordinary share for the year ended 31 March 2005. This proposed final dividend is not reflected as a dividend payable in these accounts. It is reflected as an appropriation of retained earnings and is presented as a dividend reserve in the balance sheet.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share are based on the following:

	2005 HK\$	2004 HK\$
Earnings		
Earnings for the purpose of the calculation of basic and diluted earnings per share	<u>59,039,353</u>	<u>45,358,971</u>
Number of shares	2005	2004
Weighted average number of ordinary shares for the purpose of the calculation of basic earnings per share	211,520,616	200,753,104
Effect of dilutive potential ordinary shares	<u>2,033,914</u>	<u>6,181,846</u>
Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share	<u>213,554,530</u>	<u>206,934,950</u>



10. RETIREMENT BENEFIT COSTS

The Group participates in the MPF Schemes and the Group's contributions to the MPF Schemes are set at 5% of employees' relevant income up to a maximum of HK\$1,000 per employee per month ("Mandatory Contributions") except for some managerial staff whose monthly contributions are calculated based on their actual salaries. The Mandatory Contributions to the MPF Schemes are fully and immediately vested on the employees as accrued benefits once they are paid. The Group's contributions in excess of the Mandatory Contributions are voluntary contributions which are subject to a vesting scale.

Since 1 December 2000, the Group had discontinued all contributions to the ORSO Schemes when it joined the MPF Schemes. For those group companies which opted not to transfer the accrued benefits of the employees in the ORSO Schemes as voluntary contributions to the MPF Schemes, such benefits are retained and their investment returns are accumulated. Employees can withdraw their accrued benefits upon termination of their employment.

Both funds are established under trust with the assets of the funds held separately from those of the Group by independent trustees.

Aggregate amount of unvested benefits accrued to the Group during the year amounted to HK\$15,970 (2004: HK\$80,641). The aggregate amount of unvested benefits refunded to the Group was HK\$159,564 (2004: HK\$11,986). At 31 March 2005, the aggregate amount of unvested benefits not yet refunded was HK\$6,308 (2004: HK\$149,902).

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Director's emoluments were determined by the Board with reference to their qualifications and experience, responsibilities to be undertaken, and the prevailing market level of remuneration of similar position. The aggregate amounts of emoluments payable to directors of the Company during the year were as follows:

	Group	
	2005 HK\$	2004 HK\$
Directors' fees	250,000	237,500
Other emoluments:		
Basic salaries and benefits in kind	5,659,391	5,451,087
Performance related bonuses	1,909,330	1,826,947
Pension contributions	190,577	184,669
	<u>8,009,298</u>	<u>7,700,203</u>

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

For both years, all of the above were paid to executive directors except for directors' fees amounting to HK\$250,000 (2004: HK\$237,500) which were paid to 5 (2004: 5) non-executive directors.

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2005	2004
Nil – HK\$1,000,000	7	7
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	2	–
HK\$2,000,001 – HK\$2,500,000	–	2
HK\$2,500,001 – HK\$3,000,000	1	–
	<u>10</u>	<u>10</u>

No directors have waived emoluments in respect of the 2 years ended 31 March 2005 and 2004 and no emoluments were paid or payable by the Group to any directors as an inducement to join the Group or as compensation for loss of office. No share options were granted to the directors during both years.

(b) Five highest paid individuals

During the year, the 5 individuals whose emoluments were the highest in the Group were also executive directors of the Company. Their aggregate emoluments during the year are disclosed in the directors' other emoluments above (the directors' fees are payable to non-executive directors only).



Notes to the Accounts (Continued)

12. INTANGIBLE ASSET

(i) Trademark

	Group HK\$
Net book value, 1 April 2004	32,200,000
Amortization charge	<u>(4,600,000)</u>
Net book value, 31 March 2005	<u>27,600,000</u>
At 31 March 2005	
Cost	92,000,000
Accumulated amortization	<u>(64,400,000)</u>
Net book value	<u>27,600,000</u>
At 31 March 2004	
Cost	92,000,000
Accumulated amortization	<u>(59,800,000)</u>
Net book value	<u>32,200,000</u>

At 31 March 2005, the remaining amortization period of trademark was 6 years.

(ii) Goodwill

Goodwill on acquisition occurring prior to 1 April 2001 was written off against the Group's contributed surplus. At 31 March 2005, such goodwill amounted to HK\$75,101,546 (2004: HK\$75,101,546).

13. FIXED ASSETS

Group

	Other properties HK\$	Leasehold improvements HK\$	Air- conditioning plant HK\$	Furniture, fixtures, and equipment HK\$	Motor vehicles HK\$	Total HK\$
Cost						
At 1 April 2004	137,194,718	103,482,679	4,941,769	119,737,191	12,482,084	377,838,441
Additions	38,245,238	15,389,178	789,380	12,471,240	3,659,543	70,554,579
Disposals	(12,547,237)	(6,602,792)	–	(1,060,234)	(1,046,579)	(21,256,842)
At 31 March 2005	<u>162,892,719</u>	<u>112,269,065</u>	<u>5,731,149</u>	<u>131,148,197</u>	<u>15,095,048</u>	<u>427,136,178</u>
Accumulated depreciation						
At 1 April 2004	21,195,151	81,358,680	3,644,247	87,386,347	6,710,775	200,295,200
Charge for the year	2,708,541	13,536,449	523,268	10,518,734	1,636,236	28,923,228
Disposals	(2,608,765)	(6,541,736)	–	(837,819)	(982,511)	(10,970,831)
At 31 March 2005	<u>21,294,927</u>	<u>88,353,393</u>	<u>4,167,515</u>	<u>97,067,262</u>	<u>7,364,500</u>	<u>218,247,597</u>
Net book value						
At 31 March 2005	<u>141,597,792</u>	<u>23,915,672</u>	<u>1,563,634</u>	<u>34,080,935</u>	<u>7,730,548</u>	<u>208,888,581</u>
At 31 March 2004	<u>115,999,567</u>	<u>22,123,999</u>	<u>1,297,522</u>	<u>32,350,844</u>	<u>5,771,309</u>	<u>177,543,241</u>



Notes to the Accounts (Continued)

13. FIXED ASSETS (Continued)

Group (Continued)

The Group's interests in other properties at their net book values are analyzed as follows:

	2005 HK\$	2004 HK\$
In Hong Kong, held on:		
Leases of over 50 years	7,620,833	7,820,833
Leases of between 10 to 50 years	85,732,074	77,330,591
Outside Hong Kong, held on:		
Leases of over 50 years	16,905,927	19,609,191
Leases of between 10 to 50 years	31,338,958	11,238,952
	<u>141,597,792</u>	<u>115,999,567</u>

14. INTERESTS IN SUBSIDIARIES

	Company 2005 HK\$	2004 HK\$
Unlisted shares, at cost	193,687,880	193,687,880
Loan to a subsidiary	2,999,992	2,999,992
	<u>196,687,872</u>	<u>196,687,872</u>

The loan to a subsidiary is unsecured, interest-free and has no fixed terms of repayment. The details of principal subsidiaries are set out in note 30.

15. INVENTORIES

	Group	
	2005	2004
	HK\$	HK\$
Raw materials	5,252,591	3,891,643
Packing materials	3,562,681	3,240,926
Work in progress	529,657	459,387
Finished goods	760,489	453,522
	<u>10,105,418</u>	<u>8,045,478</u>

At 31 March 2005 and 2004, all inventories were stated at cost.

16. TRADE RECEIVABLES

At 31 March 2005, the ageing analysis of the trade receivables was as follows:

	Group	
	2005	2004
	HK\$	HK\$
Current to 30 days	3,381,732	2,438,389
31 to 60 days	201,938	151,403
Over 60 days	1,168,529	123,279
	<u>4,752,199</u>	<u>2,713,071</u>

Sales are normally conducted by cash and through redemption of cake coupons. Credit sales are made mainly to certain corporate customers who are normally granted with respective credit terms of 30 days and 61 to 120 days. Overseas corporate customers are generally required to pay a deposit in the amount of 20% to 30% of their estimated purchase values.

17. AMOUNTS DUE FROM SUBSIDIARIES

The balances are unsecured, interest-free and have no fixed terms of repayment.

18. AMOUNT DUE TO INTERMEDIATE HOLDING COMPANY

The balance is unsecured, interest-free and has no fixed terms of repayment.



Notes to the Accounts (Continued)

19. TRADE PAYABLES

At 31 March 2005, the ageing analysis of the trade payables was as follows:

	Group	
	2005	2004
	HK\$	HK\$
Current to 30 days	11,137,636	6,409,102
31 to 60 days	1,672,549	3,521,327
Over 60 days	1,739,429	398,431
	14,549,614	10,328,860

20. SHARE CAPITAL

	Company	
	2005	2004
	HK\$	HK\$
Authorized 400,000,000 ordinary shares of HK\$0.10 each	40,000,000	40,000,000
Issued and fully paid 211,557,000 (2004: 211,317,000) ordinary shares of HK\$0.10 each	21,155,700	21,131,700

The movements of share capital during the year are as follows:

	Number of shares	
	2005	2004
Ordinary shares of HK\$0.10 each		
At the beginning of the year	211,317,000	196,229,000
Issue of shares upon exercise of share options	240,000	15,088,000
At the end of the year	211,557,000	211,317,000

21. SHARE OPTIONS

The share option scheme adopted by the Company does not fulfil certain requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which have become effective since 1 September 2001, the share option scheme is invalid and no further share option can be granted under this scheme.

The details of movements of share options granted under the share option scheme during the year are as follows:

	Number of share options	
	2005	2004
At the beginning of the year	2,840,000	18,650,000
Exercised (note a)	(240,000)	(15,088,000)
Lapsed	-	(532,000)
Cancelled	-	(190,000)
At the end of the year (note b)	2,600,000	2,840,000

(a) The details of share options exercised during the year are as follows:

Month	Number of share options exercised			Proceeds from exercise of share 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



Notes to the Accounts (Continued)

21. SHARE OPTIONS (Continued)

(b) Share options outstanding at the end of the year have the following terms:

Grant date	Exercise period		Exercise price HK\$	Number of share options	
	From	To		2005	2004
Director					
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 employees					
15 Jan. 2001	1 May 2001	31 May 2010	0.50	-	30,000
31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	-	105,000
31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	-	105,000
			Total	-	240,000
			Grand total	2,600,000	2,840,000

22. RESERVES

(a) The reserves of the Group and of the Company at 31 March 2005 are analyzed as follows:

	Group		Company	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Reserves	176,005,762	146,486,889	220,578,281	211,479,078
Dividend reserve (note 8)	19,040,130	19,031,130	19,040,130	19,031,130
Total reserves (note (b) & (c))	195,045,892	165,518,019	239,618,411	230,510,208

22. RESERVES (Continued)

(b) Group

	Share premium HK\$	Contributed surplus (note (d)) HK\$	Exchange fluctuation reserve HK\$	Retained earnings HK\$	Dividend reserve HK\$	Total HK\$
At 1 April 2003	-	104,929,484	69,124	17,020,120	6,868,015	128,886,743
Premium on issue of shares upon the exercise of share options	6,454,200	-	-	-	-	6,454,200
Profit for the year	-	-	-	45,358,971	-	45,358,971
Under-provision of dividend in previous year	-	-	-	(2,800)	2,800	-
2002/03 final dividend paid	-	-	-	-	(6,870,815)	(6,870,815)
2003/04 interim dividend proposed	-	-	-	(8,176,280)	8,176,280	-
2003/04 interim dividend paid	-	-	-	(134,800)	(8,176,280)	(8,311,080)
2003/04 final dividend proposed	-	-	-	(19,031,130)	19,031,130	-
At 31 March 2004	6,454,200	104,929,484	69,124	35,034,081	19,031,130	165,518,019
At 1 April 2004	6,454,200	104,929,484	69,124	35,034,081	19,031,130	165,518,019
Premium on issue of shares upon exercise of share options	106,500	-	-	-	-	106,500
Profit for the year	-	-	-	59,039,353	-	59,039,353
Under-provision of dividend in previous year	-	-	-	(9,000)	9,000	-
2003/04 final dividend paid	-	-	-	-	(19,040,130)	(19,040,130)
2004/05 interim dividend proposed	-	-	-	(10,577,850)	10,577,850	-
2004/05 interim dividend paid	-	-	-	-	(10,577,850)	(10,577,850)
2004/05 final dividend proposed	-	-	-	(19,040,130)	19,040,130	-
At 31 March 2005	6,560,700	104,929,484	69,124	64,446,454	19,040,130	195,045,892



Notes to the Accounts (Continued)

22. RESERVES (Continued)

(c) Company

	Share premium HK\$	Contributed surplus (Note (d)) HK\$	Retained earnings HK\$	Dividend reserve HK\$	Total HK\$
At 1 April 2003	–	180,031,060	24,957,102	6,868,015	211,856,177
Premium on issue of shares upon the exercise of share options	6,454,200	–	–	–	6,454,200
Profit for the year	–	–	27,381,726	–	27,381,726
Under-provision of dividend in previous year	–	–	(2,800)	2,800	–
2002/03 final dividend paid	–	–	–	(6,870,815)	(6,870,815)
2003/04 interim dividend proposed	–	–	(8,176,280)	8,176,280	–
2003/04 interim dividend paid	–	–	(134,800)	(8,176,280)	(8,311,080)
2003/04 final dividend proposed	–	–	(19,031,130)	19,031,130	–
At 31 March 2004	6,454,200	180,031,060	24,993,818	19,031,130	230,510,208
At 1 April 2004	6,454,200	180,031,060	24,993,818	19,031,130	230,510,208
Premium on issue of shares upon exercise of share options	106,500	–	–	–	106,500
Profit for the year	–	–	38,619,683	–	38,619,683
Under-provision of dividend in previous year	–	–	(9,000)	9,000	–
2003/04 final dividend paid	–	–	–	(19,040,130)	(19,040,130)
2004/05 interim dividend proposed	–	–	(10,577,850)	10,577,850	–
2004/05 interim dividend paid	–	–	–	(10,577,850)	(10,577,850)
2004/05 final dividend proposed	–	–	(19,040,130)	19,040,130	–
At 31 March 2005	6,560,700	180,031,060	33,986,521	19,040,130	239,618,411

22. RESERVES (Continued)

- (d) The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for all the issued ordinary shares of its direct subsidiaries, and the cost of investment in these subsidiaries. The contributed surplus of the Group represents the difference between the nominal value of the Company's shares issued in connection with the Group reconstruction and the fair value of the underlying subsidiaries at the time of their initial acquisitions by the Company's intermediate holding company, Hong Kong Catering Management Limited ("HKCM").
- (e) Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to the shareholders, provided that the Company is, after the payment of dividends out of the contributed surplus, able to pay its liabilities as they become due; or the realizable value of the Company's assets would thereby not be less than the aggregate of its liabilities, its issued share capital and its share premium.

23. PROVISION FOR LONG SERVICE PAYMENTS

The movements in provision for long service payments of the Group during the year are as follows:

	Group HK\$
At 1 April 2004	6,159,294
Provision for the year (Note 4)	492,788
Less: Amounts utilized	<u>(452,675)</u>
At 31 March 2005	<u>6,199,407</u>

The provision for long service payments relates to the Group's net obligation to the long service payments liable to employees in accordance with the statutory requirements. The provision is reduced by the amount of employees' entitlements under the Group's retirement schemes.



Notes to the Accounts (Continued)

24. DEFERRED TAXATION

Deferred taxation is calculated on temporary differences under the liability method using a principal taxation rate of 17.5% (2004:17.5%).

The movements in the net deferred tax (assets)/liabilities are as follows:

	Group	
	2005	2004
	HK\$	HK\$
At the beginning of the year	39,007	1,259,530
Credit to profit and loss account (note 6)	(440,727)	(1,220,523)
At the end of the year	(401,720)	39,007
It is analyzed as follows:		
Deferred tax assets	(2,392,640)	(999,639)
Deferred tax liabilities	1,990,920	1,038,646
Net deferred tax (assets)/liabilities	(401,720)	39,007

The deferred tax assets and liabilities represent the taxation effect of the accelerated depreciation allowances for taxation purposes.

25. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before taxation to net cash inflow generated from operating activities is as follows:

	2005 HK\$	2004 HK\$
Profit before taxation	71,497,672	52,930,257
Amortization of intangible assets	4,600,000	4,600,000
Gain on disposal of properties	(26,112,921)	(7,159,160)
(Gain)/loss on disposal of other fixed assets	(19,498)	346,705
Depreciation of fixed assets	28,923,228	29,823,206
Interest income	(631,080)	(592,037)
Operating profit before working capital changes	78,257,401	79,948,971
Cash inflow from sales of cake coupons	45,041,222	41,355,062
Cake coupons redeemed as sales	(47,809,688)	(49,461,352)
(Increase)/decrease in rental deposits paid	(1,133,609)	1,058,862
Increase in inventories	(2,059,940)	(347,420)
Increase in trade receivables, deposits, prepayments and other receivables	(8,132,681)	(987,545)
Increase in trade payables, other payables and accrued charges	8,158,960	1,869,630
Increase in amount due to intermediate holding company	1,470,008	3,443,000
Increase/(decrease) in provision for long service payments	40,113	(15,974)
(Decrease)/increase in rental deposits received	(330,000)	161,645
Net cash inflow generated from operations	73,501,786	77,024,879
Hong Kong profits tax paid	(5,663,018)	(11,271,659)
Overseas taxation paid	(2,669,807)	(1,019,557)
Net cash inflow generated from operating activities	65,168,961	64,733,663



26. COMMITMENTS

(a) Capital commitments for leasehold improvements, furniture, fixtures and equipment

	Group	
	2005	2004
	HK\$	HK\$
Contracted but not provided for	4,387,000	1,000,000
Approved but not contracted for	27,100,000	44,000,000
	31,487,000	45,000,000

(b) Commitments under operating leases

At 31 March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2005	2004
	HK\$	HK\$
Within one year	40,591,038	37,682,306
In the second to fifth year inclusive	33,692,744	28,882,265
After the fifth year	2,289,163	2,335,174
	76,572,945	68,899,745

The actual payments in respect of certain operating leases are calculated at the higher of the minimum commitments as noted above and the amounts determined based on a percentage of the sales of the related outlets.

(c) The Company did not have any capital or operating lease commitments at 31 March 2005 (2004: Nil).

27. FUTURE OPERATING LEASE ARRANGEMENTS

At 31 March 2005, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2005 HK\$	2004 HK\$
Within one year	1,034,561	1,701,333
In the second to fifth year inclusive	791,773	16,500
	<u>1,826,334</u>	<u>1,717,833</u>

28. RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant related party transactions with HKCM and its subsidiaries other than the Group (the "HKCM Group").

	Group	
	2005 HK\$	2004 HK\$
Sales of bakery and related products (note (a))	5,920,984	5,716,289
Rental expenses in respect of land and buildings (note (b))	1,597,979	1,723,735
Management fees paid (note (c))	4,387,113	4,164,493
Commission expenses for distribution of festive products coupons (note (d))	206,146	128,516

- (a) Sales of bakery and related products were charged at prices and terms determined by reference to those charged to independent customers of the Group.
- (b) Rental expenses were reimbursed at costs in respect of certain leased premises on the basis on area occupied and relevant rent as percentage of the monthly gross turnover, whichever is higher.
- (c) Pursuant to the administration agreement entered into between Bread Boutique Limited ("BBL"), a wholly-owned subsidiary of the Company, and HKCM, HKCM was engaged to provide management and administration services to BBL on a cost sharing basis.
- (d) The Group has enlisted the HKCM Group to distribute its festive products coupons at the latter's outlets for a commission.



29. BANKING FACILITIES

At 31 March 2005, the Group had aggregate banking facilities of HK\$5,000,000 (2004: HK\$5,000,000) for overdrafts and bank guarantees.

At 31 March 2005, the facilities were utilized by the Group to the extent of HK\$3,377,714 (2004: HK\$3,218,574) primarily for bank guarantees granted to third parties in lieu of rental and utility deposits.

30. SUBSIDIARIES

The following is the particulars of the principal subsidiaries at 31 March 2005:

Name of subsidiaries	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective percentage of holding attributable to the Group %	Principal activities
Interests held directly:				
Bodega Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Investment holding
Eltham Agents Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100	Investment holding
Interests held indirectly:				
Bliset Investment Limited	Hong Kong	100 ordinary shares of HK\$1 each 102 non-voting deferred shares of HK\$1 each	100	Property holding
Bread Boutique Limited	Hong Kong	3,000,000 ordinary shares of HK\$1 each	100	Bakery operator
Easywin Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Holding of trademarks

30. SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective percentage of holding attributable to the Group %	Principal activities
Interests held indirectly: (cont'd)				
Evergain Consultants Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Investment holding
Great Moment Investment Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property holding
Kingdom Wise Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property holding
[®] Saint Anna Cake Shop (Macau) Limited	Macau	MOP100,000	100	Bakery operator
Saint Honore Cake Shop Limited	Hong Kong	5 ordinary shares of HK\$10 each 345,005 non-voting deferred shares of HK\$10 each	100	Bakery operator
^{®#} Saint Honore Cake Shop (Shenzhen) Limited	People's Republic of China	HK\$17,200,000	100	Manufacturing of bakery products
Strong Glory Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Investment holding
Uni-Leptics Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property holding
Zillion Will Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Eatery operator
^{®#} 夢工場美食(廣州)有限公司	People's Republic of China	US\$400,000	100	Manufacturing of bakery products



30. SUBSIDIARIES *(Continued)*

The above list includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

These subsidiaries were established as wholly foreign-owned enterprises in the People's Republic of China.

@ These subsidiaries have a financial year-end date of 31 December, which is in compliance with the respective local regulations.

31. ULTIMATE HOLDING COMPANY

The directors regard Well-Positioned Corporation, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

32. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 13 July 2005.

Five-Year Financial Information

A CONSOLIDATED PROFIT AND LOSS ACCOUNT – FOR THE YEAR ENDED 31 MARCH

	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	568,901	537,516	494,492	476,189	448,547
Profit before taxation	71,497	52,930	25,426	24,479	23,409
Taxation	(12,458)	(7,571)	(6,897)	(4,279)	(3,949)
Profit attributable to shareholders	59,039	45,359	18,529	20,200	19,460
Basic earnings per share – HK cents	27.9	22.6	9.4	10.3	9.9
Dividend per share – HK cents	14.0	13.0	5.5	6.0	6.0



Five-Year Financial Information (Continued)

B CONSOLIDATED BALANCE SHEET – AT 31 MARCH

	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Assets					
Intangible assets	27,600	32,200	36,800	41,400	46,000
Fixed assets	208,889	177,543	181,235	186,101	185,567
Other current and non-current assets	47,070	30,120	28,501	29,481	27,879
Cash and cash equivalents	129,558	130,958	92,169	80,918	65,330
Total assets	413,117	370,821	338,705	337,900	324,776
Liabilities					
Cake coupon liabilities					
Current	41,380	43,097	39,847	45,010	49,553
Non-current	75,110	76,162	87,518	90,159	93,006
Other current and non-current liabilities	80,425	64,912	62,831	61,958	44,964
Total liabilities	196,915	184,171	190,196	197,127	187,523
Shareholders' funds	216,202	186,650	148,509	140,773	137,253

Notes:

The results, assets and liabilities of the Group for the year ended 31 March 2001 have been prepared by regarding the Company as having been the holding company of the Group from the earliest period presented.