Hong Kong Catering Management Limited

HONG KONG CATERING MANAGEMENT LIMITED

ANNUAL REPORT 2006/07

Stock Code: 668

Contents

Corporate Information

Board of Directors

Executive directors
Mr. Chan Wai Cheung, Glenn, *Chairman*
Mr. Chan Ka Lai, Joseph, *Managing Director*
Mrs. Chan King Catherine
Mr. Chiu Wai
Mr. Lopez Moulet, Carmelo
Ms. Wong Tsui Yue, Lucy

Independent non-executive directors
Mr. Gooljarry, Cassam Soliman
Mrs. Fung Yeh Yi Hao, Yvette
Mr. Chan Ip Sing, Evans
(Alternate to Mrs. Fung Yeh Yi Hao, Yvette)
Dr. Kwok Lok Wai, William

Audit Committee

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

Company Secretary

Ms. Wong Tsui Yue, Lucy

Authorized Representatives

Mr. Chan Wai Cheung, Glenn
Ms. Wong Tsui Yue, Lucy

Registered Office

27/F, World Trade Centre
280 Gloucester Road
Causeway Bay, Hong Kong
Tel: (852) 2527 6311
Fax: (852) 2520 2119
E-mail: hkcm@hkcatering.com

Share Registrar and 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

Solicitors

Iu, Lai & Li Solicitors & Notaries
Sidley Austin Brown & Wood

Auditors

PricewaterhouseCoopers

Stock Code

668

Website

http://www.hkcatering.com

Chairman's Statement

On behalf of the board of directors (the "Board"), I am pleased to present the annual report of Hong Kong Catering Management Limited (the "Company") and its subsidiaries (collectively called the "Group") for the year ended 31 March 2007.

Results

The Group disposed of the bakery business and its entire stake in Saint Honore Holdings Limited ("SHHL") during the year. Annual turnover of the continuing restaurant business increased by approximately 0.3% to HK$407 million (2006: HK$406 million). Profit attributable to shareholders for the year amounted to approximately HK$226.7 million, an increase of approximately 471% as compared to approximately HK$39.7 million for the last corresponding year. The increase included a one-off profit of approximately HK$211.2 million from the disposal of our entire interests in SHHL.

Dividends

On 24 January 2007, the Company paid out an interim dividend of HK1.5 cents (2006: HK1.0 cent plus a special dividend of HK2.0 cents) per ordinary share to shareholders. On 13 March 2007, the Board further declared a special cash dividend of HK72.0 cents per ordinary share and distributed to the shareholders on 12 April 2007, out of the proceeds from the disposal of SHHL. Subject to the shareholder's approval in the forthcoming Annual General Meeting on 6 September 2007, the Board recommend a final dividend of HK3.0 cents (2006: HK8.0 cents) per ordinary share for the year ended 31 March 2007 to be payable to shareholders whose names appear in the register of members of the Company on 6 September 2007. Such dividend will be payable on or about 20 September 2007.

Business Review and Prospects

The fiscal year 2007 had been an exciting year for the Group albeit major and difficult decisions made.

On 14 November 2006, Convenience Retail Asia Limited ("CRA") put forward to the board and shareholders of SHHL the proposal to privatize the company by way of a scheme of arrangement. Well-Positioned Corporation, a trust company established by myself and holding then a direct 17.4% interest in SHHL and 57.2% interest in the Company gave a concurrent irrevocable undertaking to accept the proposal at the ensuing court meeting and special general meeting of SHHL.

Over the years, we had successfully built and grown the bakery business to become our major profit contributor and a household brand in Hong Kong. The proposal if went ahead would mean the Group could realize its entire investment in SHHL at a price significantly above the then prevailing market price but we had to refocus our resource to revive the restaurant business. The independent minority shareholders subsequently endorsed the recommendation of the Board to accept the CRA's proposal at the extraordinary general meeting held on 18 January 2007. The disposal of our interest in SHHL was completed on 22 February 2007 and out of the net cash proceed of approximately HK$346.6 million received, the Company distributed 71.8% of it as a special cash dividend equivalent to HK72.0 cents per share to shareholders on 12 April 2007. The Group will retain the remaining cash to fund future expansions.

Following the disposal, a core group has been formed among the executive board members to formulate strategic directions and an action plan ahead. The Group will continue streamlining existing traditional Chinese restaurants, which leases will mostly be expiring within the next 12 months. The 5 shops at the Lok Fu Shopping Centre will be revamped once the landlord, The Link Management Limited, commences major reconstruction work to upgrade this shopping centre. Additional provisions in severance payments and accelerated depreciation associated with foreseeable shop closure had to be made in the 2007 accounts resulting in a 76.2% drop in the operating profit.

We have tested out a new dinning concept at the pilot shop opened in August 2006 at Gateway, Tsim Sha Tsui. It is targeting younger customers and serving a broader fusion menu at reasonable prices in a cozier environment. This new restaurant concept and other international conceptual restaurants will dominate our future shop expansions. As of the date of this report, we have secured 3 locations for shop expansion. We invited Mr. Lopez Moulet, Carmelo to join the board on 1 June 2007 to strengthen our operational support and expertise in this respect. He joined our Group in 1998 and was responsible for developing the Mediterranean restaurant concept. He will oversee the future expansion of the western restaurants.

Chairman's Statement

The Board has given utmost priority to the establishment of a central logistic centre which have to be in place ahead of any aggressive shop expansions. It will play a fundamental role in sustaining our long-term profitability and containing major costs within boundary. Suitable premises have been sought and the last of our acquisitions is to be completed by mid July 2007. At such time, we will put together close to 37,000 square feet of industrial premises at Kwai Chung for the setting up of a centralized workshop. Fitting out of the premises is scheduled to be accomplished by early December 2007. Estimated capital outlay will be approximately HK$30 million.

Acknowledgements

On behalf of the Board, I would like to express our gratitude to the management and employees for their commitment and contribution towards the execution of the Group's strategies and operations, and also to thank all customers, business partners and shareholders for their invaluable support.

Chan Wai Cheung, Glenn
Chairman

Hong Kong, 16 July 2007

A collection of
international cuisine
Chinese, Korean,
Spanish, Japanese, Western,
MEDITERRANEAN.

Management Discussion and Analysis of the Operations

The results of the Group, including the 11 months result from Saint Honore Holdings Limited ("SHHL") and its subsidiaries, are summarized as follows:

	2007 HK$'000	2006 HK$'000	Changes +/(-)
CONTINUING OPERATION			
Turnover	**407,025**	405,996	0.3%
Other income	**14,185**	11,194	26.7%
Costs of inventories consumed	**(116,140)**	(117,201)	(0.9%)
Staff costs	**(145,652)**	(141,561)	2.9%
Operating lease rentals	**(50,901)**	(50,418)	1.0%
Depreciation of property, plant and equipment	**(20,779)**	(14,630)	42.0%
Other operating expenses	**(86,279)**	(87,249)	(1.1%)
Operating profit from ordinary operating activities	**1,459**	6,131	(76.2%)
Gain on disposal of leasehold land and property	**–**	10,798	(100.0%)
Operating profit	**1,459**	16,929	(91.4%)
Share of profit of an associated company	**2,186**	1,398	56.4%
Profit before income tax	**3,645**	18,327	(80.1%)
DISCONTINUED OPERATION			
Profit for the period/year from discontinued operation	**22,476**	40,444	(44.4%)
Net gain on disposal of SHHL	**211,216**	–	n/a
Total profit from discontinued operation	**233,692**	40,444	477.8%
Shop area – sq. ft. at the end of the year	**127,800**	150,400	
No. of outlets at the end of the year	**17**	18	

For the year ended 31 March 2007, performance from continuing operation generally improved with increased in turnover offset to some extent by the close down of one of the Chinese restaurants in Lam Tin in May 2006 resulted in a mild growth of 0.3% to HK$407 million (2006: HK$406 million). The gross profit margin slightly increased from 71.1% to 71.5%.

Other income increased by 26.7% mainly due to the higher return generated from our investment portfolio in financial products. We will continue to invest our surplus cash prudently balancing yield enhancement within an endurance level of risk exposure.

In spite of the soar in property rental in the past year, we have contained the increase in rent to 1% as management stay the course in our negotiation with landlords on the optimum rent. In instances where the offer is forbidding, the shop will rather be closed down with alternative location sought to replace it. This has resulted in the acceleration of depreciation amounting to HK$5.7 million and additional provision on severance payments amounting to HK$1.1 million accrued for the foreseeable shop closure.

The group reported an exceptional profit of HK$211.2 million from the disposal of SHHL. Together with the share of the 11 months operating profits of HK$12.3 million contributed by this subsidiary group prior to its disposal, the aggregate profit generated from discontinued operation amounted to HK$223.5 million.

Liquidity and Capital Resources

At 31 March 2007, the Group had freely-held cash on hand which amounted to about HK$549.5 million (2006: HK$349.7 million) and zero gearing. Apart from the special cash dividend of HK$248.7 million paid out on 12 April 2007, there are approved capital commitments in the next financial year estimated to be about HK$55.8 million, which are mainly for the provision of a central logistic centre and renovations for new shops in pipeline. These projects will be financed internally and there is no immediate need for external fund raising.

Employees and Remuneration Policies

At 31 March 2007, the Group had a total of 1,029 (2006: 3,037) full time employees. The significant decrease in the number of employees was due to the disposal of SHHL. 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.

Pledge of Assets

No asset was pledged throughout the year.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group conducted most of the business transactions for the continuing operation in Hong Kong dollars and there was no financial instruments held for hedging purposes. The discontinued operation conducted business transactions mainly in Hong Kong dollars and Renminbi ("RMB"). It hedged its RMB exchange exposure by using foreign exchange forward contracts as well as holding surplus cash in RMB deposits.

Contingent Liabilities

The Group had no significant contingent liabilities at 31 March 2007.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Chan Wai Cheung, Glenn *Chairman Aged 73*

Mr. Chan worked for the Hong Kong Government for more than 10 years in the then Urban Services Department. He left the public sector in 1972 and joined a catering group in Hong Kong. Approximately 2 years later, he co-founded the Group. He is the spouse of Mrs. Chan King Catherine, the father of Mr. Chan Ka Lai, Joseph. Mr. Chan provides leadership to the Board and is responsible for overall strategic planning and corporate development.

Mr. Chan Ka Lai, Joseph *Managing Director Aged 41*

Mr. Chan graduated from the Mcgill University in Canada with a degree in chemical engineering. He joined the Group as deputy project manager in 1990 and was appointed a director in 1996. He was appointed the deputy managing director in January 2004 and was promoted to the managing director in June 2005. He is responsible for policy making and corporate management so as to implement the strategies approved by the Board. He also has a direct line of responsibility over project and purchasing department of the Group. Mr. Chan is a son of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine.

Mrs. Chan King Catherine *Aged 73*

Mrs. Chan is the co-founder of the Group and assists in the overall management and control of the Group. She is the spouse of Mr. Chan Wai Cheung, Glenn and the mother of Mr. Chan Ka Lai, Joseph.

Mr. Chiu Wai *Aged 54*

A native Shanghainese with extensive experience in Shanghainese/Peking cuisine, Mr. Chiu joined the Group in 1990 as the executive chef in charge of its Shanghainese restaurants. He was appointed directors of Shanghai Lu Yang Chun Restaurant (Hong Kong) Limited and Imperial Kitchen Company Limited respectively in 1996 and 1997. He was appointed a director of the Company in 1999 and is now responsible for product development and quality control of the Group's restaurant operation.

Mr. Lopez Moulet, Carmelo *Aged 57*

Mr. Lopez Moulet, joined Elegant Grand Limited, a wholly-owned subsidiary of the Company in 1998, and was responsible for developing the Mediterranean restaurant concept for the Group. Mr. Lopez Moulet worked as a marketing executive for a US company promoting a household brand in soft drinks worldwide up to early 1990s. He moved permanently to Hong Kong in 1991 and has since developed a few new restaurant concepts. Mr. Lopez Moulet joined the board of directors on 1 June 2007.

Ms. Wong Tsui Yue, Lucy *Aged 46*

Ms. Wong graduated from the Victoria University of Wellington in New Zealand with a Bachelor degree in Commerce and 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. Ms. Wong joined the Company as the financial controller in 1991. Before that, she had over 6 years of experience with an international accounting firm. She was appointed a director in 1997. She has a direct line of responsibility over the finance, marketing, administration, human resources and IT functions of the Group.

Independent Non-executive Directors

Mr. Gooljarry, Cassam Soliman *Aged 65*

Mr. Gooljarry was appointed a director in 1992. With 46 years of experience in the wine business, he was awarded by the French Government 3 of the highest awards: "Commandeur of the Order of Agricole Merite", "Officier Knight of the Knight of the Order of the Legion of Honour" and the first "Officier of the Order of Merite" national in the Far East. He was awarded with the "Five Stars Diamond Award" by the American Academy of Hospitality Science as gastronomy ambassador for Asia Pacific. He is the Honorary Consul for Gabon and was presented by the Gabonaise Government the "Order of the Gabonaise Merite".

Mrs. Fung Yeh Yi Hao, Yvette *Aged 45*

Mrs. Fung was appointed a director in 1999. She is an executive director of Hsin Chong Holdings (HK) Limited and deputy chairman and executive director of Synergis Holdings Limited, a subsidiary of Hsin Chong Group listed on The Stock Exchange of Hong Kong Limited. Prior to joining Hsin Chong Group, Mrs. Fung practiced law for over 10 years in both international law firms and corporations. She holds a Bachelor of Arts in Psychology from Stanford University, a Master degree in Business Administration from the University of California, Los Angeles and a J.D. from Stanford Law School. Mrs. Fung is a member of the Court of the Hong Kong University of Science and Technology and the Board of Managers of Hong Kong International School. She is also a non-executive director of Fountain Set (Holdings) Limited and an independent non-executive director of Tai Ping Carpets International Limited.

Mr. Chan Ip Sing, Evans *Aged 53*

Mr. Chan was appointed an alternate director to Mrs. Fung Yeh Yi Hao, Yvette in 2001. Mr. Chan is the general manager of the Synergis Group. Synergis Holdings Limited is a company listed on The Stock Exchange of Hong Kong Limited. Mr. Chan is currently in charge of the group's Beijing operations. He has over 33 years of auditing and accounting experience and is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and a member of Hong Kong Securities Institute.

Dr. Kwok Lok Wai, William *Aged 78*

Dr. Kwok is a general practitioner with over 40 years of experience in his relevant field and he has been a director of the Company since 1992.

Biographical Details of Directors and Senior Management

Senior Management

Mr. Ng Wai Lun, Hans *Aged 44*

Mr. Ng joined the Group in 1995 as a restaurant manager. He possesses more than 24 years experience in managing Cantonese restaurants and worked in another reputable catering group for 10 years before joining the Group. He was promoted in 2005 as the senior manager and is in charge of the Group's Cantonese and Chiu Chow restaurants.

Mr. Tsui Shiu Hung *Aged 52*

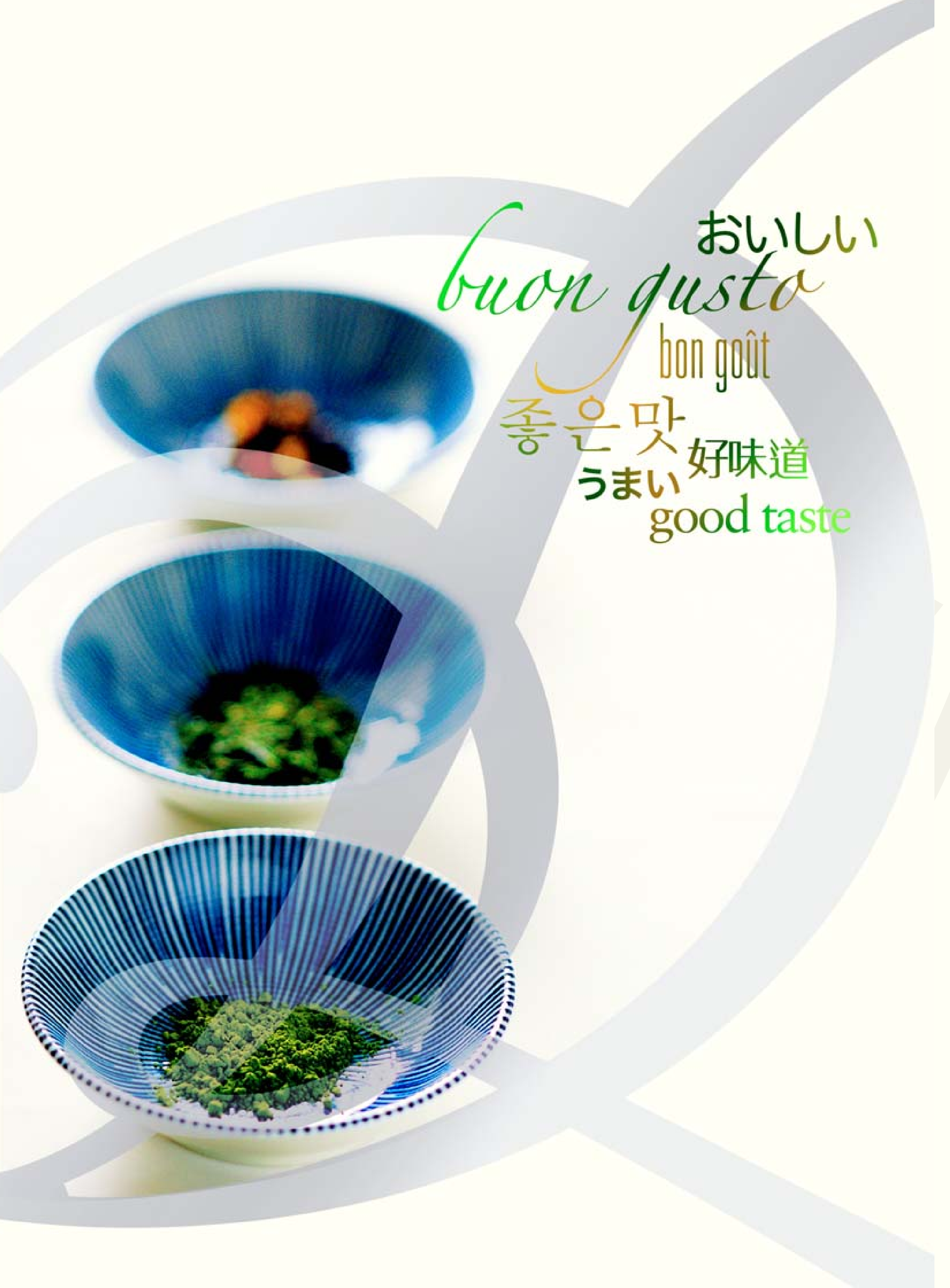
A native Shanghainese with extensive experience in Shanghainese/Peking cuisine, Mr. Tsui joined the Group in 1988 as a restaurant manager and was promoted in 1997 as the senior manager to be in charge of the Group's Shanghainese restaurants.

Ms. Wah On Ping, Joanne *Aged 35*

Ms. Wah holds a Bachelor degree in Commerce from the University of Toronto, a Graduate Diploma in Marketing from the Chinese University of Hong Kong and a Certificate in Corporate Communications from the University of Hong Kong. She has more than 10 years of experience in marketing and brand management. She joined the Group in 2005 and was promoted as the marketing manager in 2007.

Ms. Wong Sze Wing, Serena *Aged 36*

Ms. Wong joined the Group in 2006 as a financial controller and she is responsible for overseeing the accounting and financial management of the Group. Prior to joining the Group, she has more than 13 years of experience in auditing, accounting and finance in an international accounting firm and a listed company. She holds a Master degree in Business Administration from Sydney University and a Bachelor degree in Economics from La Trobe University, Australia. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia.


おいしい
buon gusto
bon goût
좋은맛
好味道
うまい
good taste

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 March 2007.

Principal Activities

The Company is engaged in investment holding as well as the operation and management of restaurants.

The Group's principal activities during the year included the operation of restaurants and bakeries. After the disposal of Saint Honore Holdings Limited ("SHHL") in February 2007, the Group will focus on the restaurant operation.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 24.

The directors recommend a final dividend of HK3.0 cents (2006: HK8.0 cents) per ordinary share, which together with interim dividend of HK1.5 cents (2006: HK1.0 cent) plus a special dividend of HK72.0 cents (2006: HK2.0 cents) per ordinary share paid respectively on 24 January 2007 and 12 April 2007 make a total dividend of HK76.5 cents (2006: HK11.0 cents) per ordinary share for the financial year ended 31 March 2007. Subject to approval by the shareholders at the Annual General Meeting on 6 September 2007, the final dividend will be payable on or about 20 September 2007 to shareholders whose names appear in the register of members on 6 September 2007.

Reserves

Movements in the reserves of the Company and of the Group during the year are set out in note 28 to the financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 March 2007, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK$144,897,325 (2006: HK$191,173,563).

Donations

Donations made for charitable purposes by the Group during the year amounted to HK$269,800 (2006: HK$258,000).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Company and of the Group are set out in note 14 to the financial statements.

Subsidiaries

Details of the Company's principal subsidiaries as at 31 March 2007 are set out in note 36 to the financial statements.

Share Capital

Details of the share capital of the Company are set out in note 25 to the financial statements.

Share Options

The requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on share option scheme invalidated share option scheme of the Company on 1 September 2001 and no further share option has since been granted. Further details of 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.

During the year, the details of movements of share options previously granted are summarized below:

Participants	Grant date	Exercise period From	Exercise period To	Exercise price HK$	Number of share options: At 1 April 2006	Number of share options: Exercised during the year (Note)	Number of share options: At 31 March 2007
A director of the Company							
Chan Ka Lai, Joseph	30 August 2001	1 October 2001	30 September 2011	0.48	1,000,000	(1,000,000)	–
	30 August 2001	1 March 2002	30 September 2011	0.48	1,000,000	(1,000,000)	–
	30 August 2001	1 September 2002	30 September 2011	0.48	1,000,000	(1,000,000)	–
				Total	3,000,000	(3,000,000)	–
Continuous contract employees	30 August 2001	1 March 2002	30 September 2011	0.48	175,000	(175,000)	–
	30 August 2001	1 September 2002	30 September 2011	0.48	175,000	(175,000)	–
				Total	350,000	(350,000)	–
				Grand total	3,350,000	(3,350,000)	–

Note:
There were 3,350,000 share options exercised during the year and the details are summarized below:

Month	Exercise price HK$	Number of share options exercised	Proceeds from exercise of share options HK$
November 2006	0.48	3,000,000	1,440,000
December 2006	0.48	200,000	96,000
March 2007	0.48	150,000	72,000
		3,350,000	1,608,000

The closing price and weighted average closing price of the shares of the Company on the dates of exercise by Mr. Chan Ka Lai, Joseph and the continuous contract employees were HK$1.38 and HK$1.70 per share respectively.

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 2007 and 31 March 2006.

Report of the Directors

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 page 68.

Purchase, Sale or Redemption of Shares

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

Directors

The directors of the Company as at the date of this report and those who were in office during the year are:

Executive directors
Mr. Chan Wai Cheung, Glenn, *Chairman*
Mr. Chan Ka Lai, Joseph, *Managing Director*
Mrs. Chan King Catherine
Mr. Chiu Wai
Mr. Lopez Moulet, Carmelo
(Appointed on 1 June 2007)
Mr. Shum Wing Hon
(Re-designated to Non-executive director on 1 November 2006 and resigned on 5 March 2007)
Ms. Wong Tsui Yue, Lucy

Independent non-executive directors
Mr. Gooljarry, Cassam Soliman
Mrs. Fung Yeh Yi Hao, Yvette
Mr. Chan Ip Sing, Evans (Alternate to Mrs. Fung Yeh Yi Hao, Yvette)
Dr. Kwok Lok Wai, William

In accordance with Articles 77 to 79 of the Company's Articles of Association ("Articles of Association"), Ms. Wong Tsui Yue, Lucy, Mr. Gooljarry, Cassam Soliman and Dr. Kwok Lok Wai, William will retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

Pursuant to Article 73 of the Articles of Association, any director appointed by the Board to fill a causal vacancy or as an additional director shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting. By virtue of Article 73 of the Articles of Association, Mr. Lopez Moulet, Carmelo, will retire from office and, being eligible, offer himself for re-election.

Directors' Service Contracts

The service contracts entered into between the Company and the independent non-executive directors ("INEDs") continue annually unless they are terminated by either party with at least one 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 one 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 INEDs.

Directors' Interests in Contracts

Save as disclosed in section headed "Connected Transactions" below, no contract of significance in relation to the Group's business to which the Company, its subsidiaries or its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

At 31 March 2007, 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 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 (the "Model Code") to be notified to the Company and the Stock Exchange:

Name of director	Number of ordinary shares held			Total number of shares interested or deemed to be interested (long position)	Percentage of shareholding in the Company
	Personal interest (Note a)	Family interest	Trust interest		%
Chan Wai Cheung, Glenn	–	–	197,426,089 (Note b)	197,426,089	57.15
Chan King Catherine	–	197,426,089 (Note b)	–	197,426,089	57.15
Chan Ka Lai, Joseph	4,271,097	–	197,426,089 (Note c)	201,697,186	58.39
Chiu Wai	112,000	–	–	112,000	0.03
Wong Tsui Yue, Lucy	100,000	–	–	100,000	0.03

Notes:

a. These shares are held by the directors as beneficial owners.

b. These shares are directly held by Well-Positioned Corporation ("Well-Positioned"), a company beneficially owned by a trust established for the benefit of the family members of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine. Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine are interested in these shares in the capacity of the founder of the trust and the spouse of founder respectively.

c. Mr. Chan Ka Lai, Joseph, being the eligible beneficiary of the family trust established by Mr. Chan Wai Cheung, Glenn, is also deemed to be interested in these shares held by Well-Positioned.

Save as disclosed above, at 31 March 2007, 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 to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

At 31 March 2007, 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 shareholder	Capacity	Number of ordinary shares held	Percentage of shareholding in the Company %
Well-Positioned (Note a)	Beneficial owner	197,426,089	57.15
Veer Palthe Voute NV (Note b)	Beneficial owner	20,814,766	6.03
DJE Investment S.A. (Note c)	Beneficial owner	19,984,000	5.79

Notes:

a. Well-Positioned is a wholly owned subsidiary held by a trust established by Mr. Chan Wai Cheung, Glenn for the benefit of the family members of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine.

b. Veer Palthe Voute NV is 100% controlled by Dresdner Bank Luxembourg S.A. which is 100% owned by Dresdner Bank Aktiengesellschaft which in turn is 81.1% owned by Allianz Finanzbateiligungs GmbH which is 100% controlled by Allianz SE.

c. DJE Investment S.A. is 81% controlled by Dr. Jens Ehrhardt Kapital AG which in turn is 68.5% controlled by Dr. Jens Alfred Karl Ehrhardt.

Save as disclosed above, at 31 March 2007, 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

Based on the information that is publicly available to the Company and within the best knowledge of the Board, there was 25% or more of the listed issued share capital of the Company being held in public hands at 18 July 2007, being the latest practicable date prior to printing of this report.

Connected Transactions

(1) The Company's supply agreement and sub-leasing agreement with SHHL and its subsidiaries (the "SHHL Group") constituted continuing connected transactions under Chapter 14A of the Listing Rules to the extent that SHHL was a non-wholly owned subsidiary within the Group.

(2) Details of the connected transactions conducted during the 11 months period prior to the disposal of SHHL Group on 22 February 2007 under the supply agreement and sub-leasing agreement (the "Transactions") are as follows:

	For the period ended 22 February 2007 HK$	2006 HK$
Purchase of bakery and related products (Note a)	**8,494,448**	8,269,762
Rental income in respect of land and buildings (Note b)	**1,384,853**	1,504,419

Notes:

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

b. Rental income was reimbursed at costs in respect of certain leased premises on the basis of area occupied and the relevant rent.

(3) The INEDs 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.

(4) 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 per each type of Transactions as disclosed in the announcement previously made on 16 June 2004.

Report of the Directors

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Customers and Suppliers

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

Auditors

The financial statements 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, 16 July 2007

Corporate Governance Report

Corporate Governance Practice

The Company acknowledges the importance of good corporate governance practices and believes that they are essential to the development of the Group and safeguard the interests of shareholders.

The Company throughout the year ended 31 March 2007 has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") except for code provision A.4.1 and B.1.1.

(1) The INEDs are not appointed with specific term as required by code provision A.4.1, but their appointments are determinable by either party with at least one month written notice in advance. The Board considers the one-month notice period for termination of INEDs' contracts provided adequate protection to either party and would not impose undue pressure of possible compensation liable by the Group for the termination. Besides, INEDs are also subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company ("Articles of Association").

(2) The Board is in the opinion that the establishment of a remuneration committee as required by code provision B.1.1 is not justified after consideration of the size of the Group and the associated costs involved.

Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the directors. Having made specific enquiry of the Directors, the Company confirmed that they all have complied with the required standard as set out in the Model Code during the year ended 31 March 2007.

The Board

The Board comprises the Chairman, the Managing Director, 4 Executive Directors and 3 INEDs. The Managing Director of the Company serves the same capacity as the chief executive officer.

The Board is collectively accountable to the shareholders and is responsible for the leadership and control of the Group including overseeing the Group's businesses, formulating strategic directions, setting objectives and business development plans, and monitoring the performance of both the financial results and the senior management.

The INEDs serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Each of the INED has confirmed in his annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and on this basis, the Company considers such directors to be independent. The INEDs are explicitly identified in all corporate communications.

All Directors have distinguished themselves in their field of expertise so as to give a balance of skills, knowledge and experience required for the running of an effective board. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operation of its businesses to its executive directors and senior management. Biographical details and responsibilities of each board member and senior management are set out in pages 8 to 10 of this report. Except for the family relationship of Mr. Chan Wai Cheung, Glenn, Mr. Chan Ka Lai, Joseph and Mrs. Chan King Catherine, there is no other relationship (including financial, business, family or other material relationship) among members of the Board.

The Board *(continued)*

Regular board meetings are held at approximately quarterly intervals and involve the active participation of Directors, either in person or through other electronic means of communications. The individual attendance of each director during the year is set out below:

	Number of meetings attended
Executive directors	
Mr. Chan Wai Cheung, Glenn, *Chairman*	5/7
Mr. Chan Ka Lai, Joseph, *Managing Director*	7/7
Mrs. Chan King Catherine	3/7
Mr. Chiu Wai	4/7
Mr. Shum Wing Hon (Re-designated to Non-executive director on 1 November 2006 and resigned on 5 March 2007)	3/5
Ms. Wong Tsui Yue, Lucy	7/7
Independent non-executive directors	
Mr. Gooljarry, Cassam Soliman	4/7
Mrs. Fung Yeh Yi Hao, Yvette	5/7
Mr. Chan Ip Sing, Evans (Alternate to Mrs. Fung Yeh Yi Hao, Yvette)	6/7
Dr. Kwok Lok Wai, William	3/7

Nomination of Directors

According to the Articles of Association, the Board has the power to appoint any person as a director either to fill a causal vacancy or as an addition to the Board. The nomination should be taken into consideration of the nominee's qualification, ability and potential contributions to the Company. Since the full Board is involved in the appointment of new directors, the Company has not established a Nomination Committee.

Terms of Appointments and Re-election of Directors

According to the Articles of Association, one-third of the directors for the time being (or, if their number is not a multiple of 3, the number nearest to but not greater than one-third) should retire from office by rotation at each annual general meeting of the Company. Further, any director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following annual general meeting and would then be eligible for re-election at that meeting. The INEDs of the Company had no fixed term of office but their appointment are determinable by either party with at least one month written notice in advance, as well as subject to the aforesaid retirement from office on a rotational basis.

Audit Committee

The Audit Committee has been established since 1999 with written terms of reference pursuant to all the duties set out in code provision C.3.3. of the CG Code. Currently, there are 3 INEDs, namely Mr. Gooljarry, Cassam Soliman (Committee Chairman), Mrs. Fung Yeh Yi Hao, Yvette, Mr. Chan Ip Sing, Evans (alternate to Mrs. Fung Yeh Yi Hao, Yvette) and Dr. Kwok Lok Wai, William. Committee members Mrs. Fung Yeh Yi Hao, Yvette and Mr. Chan Ip Sing, Evans possesses extensive experience in accounting and financial matters.

The Audit Committee is accountable to the Board and its principal duties include the review and supervision of the financial reporting process and internal controls system of the Group.

During the year ended 31 March 2007, the Audit Committee held 2 meetings. The Audit Committee reviewed the accounting policies and practices adopted by the Group and discussed auditing, the internal controls system and financial reporting matters. It also reviewed the financial statements of the Company, the Company's annual and interim reports, the management letter from the auditors of the Company and the connected transactions entered into by the Group.

The individual attendance of each committee member is set out below:

	Number of meetings attended
Independent non-executive directors	
Mr. Gooljarry, Cassam Soliman, *Committee Chairman*	1/2
Mrs. Fung Yeh Yi Hao, Yvette	1/2
Mr. Chan Ip Sing, Evans (Alternate to Mrs. Fung Yeh Yi Hao, Yvette)	2/2
Dr. Kwok Lok Wai, William	2/2

Director's Responsibility for the Financial Statements

The directors acknowledge their responsibility to prepare financial statements that give a true and fair view of the state of affairs of the Group and of the results and cash flows for each financial period. The statement of the Company's auditors about their reporting responsibilities on financial statements is set out in the Independent Auditor's Report on page 23.

Auditors' Remuneration

The remuneration for the Group's principal auditor, PricewaterhouseCoopers, and its affiliated firms, for services rendered is as follows:

	2007 HK$	2006 HK$
Continuing operation		
Audit fees	**719,540**	745,060
Non-audit service fees	**324,225**	72,755
	1,043,765	817,815

	For the period ended 22 February 2007 HK$	2006 HK$
Discontinued operation		
Audit fees	**964,621**	856,971
Non-audit service fees	**502,690**	215,930
	1,467,311	1,072,901
	2,511,076	1,890,716

Internal Control

The Board is responsible for maintaining a sound and effective system of internal controls and for reviewing its effectiveness through the Audit Committee. The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group to achieve its business objectives, safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

During the year, the Board has reviewed the effectiveness of the system of internal control of the Group through the Audit Committee and the internal audit team of the Company.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

Independent Auditor's Report to the Shareholders of
HONG KONG CATERING MANAGEMENT LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Hong Kong Catering Management Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 24 to 67, which comprise the consolidated and Company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 July 2007

Consolidated Income Statement

For the year ended 31 March 2007

	Note	**2007 HK$**	2006 HK$
CONTINUING OPERATION			
Turnover	5	**407,024,673**	405,996,255
Other income	6	**14,185,033**	11,194,583
Cost of inventories consumed		**(116,140,159)**	(117,201,352)
Staff costs	7	**(145,652,136)**	(141,560,855)
Operating lease rentals		**(50,900,803)**	(50,418,316)
Depreciation of property, plant and equipment	8	**(20,779,016)**	(14,630,516)
Other operating expenses		**(86,278,640)**	(87,248,514)
Gain on disposal of leasehold land and property	8	**–**	10,797,942
Operating profit	8	**1,458,952**	16,929,227
Share of profit of an associated company		**2,186,256**	1,397,622
Profit before income tax		**3,645,208**	18,326,849
Income tax expense	9	**(546,221)**	(695,866)
Profit for the year from continuing operation		**3,098,987**	17,630,983
DISCONTINUED OPERATION	10		
Profit for the period/year from discontinued operation		**22,476,393**	40,444,170
Net gain on disposal of Saint Honore Holdings Limited ("SHHL")		**211,215,542**	–
Total profit from discontinued operation		**233,691,935**	40,444,170
Profit for the year		**236,790,922**	58,075,153
Attributable to:			
Shareholders of the Company	11	**226,683,219**	39,666,254
Minority interests		**10,107,703**	18,408,899
		236,790,922	58,075,153
Dividends	12	**264,173,281**	36,185,447
EARNINGS PER SHARE FOR PROFIT FROM CONTINUING OPERATION ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	13		
– Basic		**0.9 cent**	5.3 cents
– Diluted		**–**	5.3 cents
EARNINGS PER SHARE FOR PROFIT FROM DISCONTINUED OPERATION ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	13		
– Basic		**66.6 cents**	6.7 cents
– Diluted		**–**	6.7 cents

The notes on pages 29 to 67 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

At 31 March 2007

	Note	2007 HK$	2006 HK$
ASSETS			
Non-current assets			
Trademarks		**–**	27,600,000
Property, plant and equipment	14	**29,182,486**	185,247,025
Leasehold land and land use rights	15	**12,695,245**	87,166,415
Interest in an associated company	17	**3,351,766**	4,055,783
Held-to-maturity financial assets – non-current portion	18	**27,300,000**	12,675,000
Available-for-sale financial assets	19	**6,900,000**	6,900,000
Rental deposits paid		**9,861,879**	23,280,968
Deferred income tax assets	30	**1,000,000**	1,833,139
		90,291,376	348,758,330
Current assets			
Inventories	20	**13,542,626**	25,578,315
Trade receivables	22	**1,590,191**	7,473,562
Deposits, prepayments and other receivables		**13,423,229**	19,158,256
Held-to-maturity financial assets – current portion	18	**1,000,000**	–
Other financial assets at fair value through profit or loss		**1,806,998**	224,400
Tax recoverable		**347,790**	946
Cash and cash equivalents	23	**549,495,834**	349,704,578
		581,206,668	402,140,057
Total assets		**671,498,044**	750,898,387
LIABILITIES			
Current liabilities			
Trade payables	24	**14,795,284**	30,332,018
Other payables and accrued charges		**44,652,038**	77,250,430
Tax payable		**2,987**	2,851,106
Cake coupon liabilities		**–**	132,010,305
Dividend payable		**248,715,756**	–
		308,166,065	242,443,859
Non-current liabilities			
Rental deposits received		**5,000**	160,738
Provision for long service payments	29	**4,117,152**	9,216,973
Deferred income tax liabilities	30	**362,000**	1,836,000
		4,484,152	11,213,711
Total liabilities		**312,650,217**	253,657,570
Total assets less current liabilities		**363,331,979**	508,454,528
Net current assets		**273,040,603**	159,696,198
Net assets		**358,847,827**	497,240,817
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	25	**34,543,855**	32,895,861
Reserves	28	**308,790,282**	329,086,913
Dividend reserve	28	**10,363,157**	26,316,689
		353,697,294	388,299,463
Minority interests		**5,150,533**	108,941,354
Total equity		**358,847,827**	497,240,817

On behalf of the Board

Chan Wai Cheung, Glenn
Chairman

Chan Ka Lai, Joseph
Managing Director

The notes on pages 29 to 67 are an integral part of these consolidated financial statements.

Balance Sheet

At 31 March 2007

	Note	2007 HK$	2006 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	14	**11,422,388**	13,463,744
Leasehold land	15	**945,004**	968,632
Interests in subsidiaries	16	**162,201,082**	161,901,084
Held-to-maturity financial assets – non-current portion	18	**27,300,000**	8,800,000
Available-for-sale financial assets	19	**6,900,000**	6,900,000
Rental deposits paid		**3,735,899**	3,832,803
		212,504,373	195,866,263
Current assets			
Inventories	20	**2,041,734**	1,536,221
Amounts due from subsidiaries	21	**23,794,254**	31,258,108
Trade receivables	22	**330,287**	265,960
Deposits, prepayments and other receivables		**8,481,251**	1,733,941
Held-to-maturity financial assets – current portion	18	**1,000,000**	–
Other financial assets at fair value through profit or loss		**1,377,578**	74,800
Cash and cash equivalents	23	**528,307,553**	182,782,879
		565,332,657	217,651,909
Total assets		**777,837,030**	413,518,172
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	21	**174,087,218**	36,828,198
Trade payables	24	**14,795,284**	14,848,158
Other payables and accrued charges		**15,179,201**	9,225,650
Dividend payable		**248,715,756**	–
		452,777,459	60,902,006
Non-current liabilities			
Rental deposits received		**3,000**	40,213
Provision for long service payments	29	**1,011,849**	1,325,815
		1,014,849	1,366,028
Total liabilities		**453,792,308**	62,268,034
Total assets less current liabilities		**325,059,571**	352,616,166
Net current assets		**112,555,198**	156,749,903
Net assets		**324,044,722**	351,250,138
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	25	**34,543,855**	32,895,861
Reserves	28	**279,137,710**	292,037,588
Dividend reserve	28	**10,363,157**	26,316,689
Total equity		**324,044,722**	351,250,138

On behalf of the Board

Chan Wai Cheung, Glenn
Chairman

Chan Ka Lai, Joseph
Managing Director

The notes on pages 29 to 67 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Note	2007 HK$	2006 HK$
Cash flows from operating activities			
Cash (used in)/generated from operations	31	**(9,956,131)**	100,814,588
Hong Kong profits tax paid		**(8,203,039)**	(6,929,949)
Income tax paid to other jurisdictions		**(1,763,702)**	(5,528,630)
Net cash (used in)/generated from operating activities		**(19,922,872)**	88,356,009
Cash flows from investing activities			
Purchase of property, plant and equipment		**(26,262,922)**	(39,654,969)
Purchase of leasehold land and land use rights		**–**	(2,246,886)
Proceeds from disposal of leasehold land and property, plant and equipment		**521,542**	39,840,610
Net proceeds from disposal of SHHL	32	**269,463,607**	–
Purchase of held-to-maturity financial assets		**(27,300,000)**	(3,875,000)
Proceeds from redemption of held-to-maturity financial assets		**7,800,000**	–
Interest received		**14,229,015**	9,490,118
Net cash generated from investing activities		**238,451,242**	3,553,873
Cash flows from financing activities			
Contribution from minority shareholders		**430,000**	900,000
Issue of shares upon exercise of share options		**1,608,000**	–
Dividends paid to minority shareholders		**(9,556,890)**	(12,392,757)
Unclaimed dividend written-back		**84,960**	–
Dividends received from an associated company		**2,730,000**	–
Dividends paid		**(14,033,184)**	(26,316,688)
Net cash used in financing activities		**(18,737,114)**	(37,809,445)
Net increase in cash and cash equivalents		**199,791,256**	54,100,437
Cash and cash equivalents at the beginning of the year		**349,704,578**	295,604,141
Cash and cash equivalents at the end of the year		**549,495,834**	349,704,578

The notes on pages 29 to 67 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Attributable to shareholders of the Company								
	Share capital HK$	Share premium HK$	Exchange fluctuation reserve HK$	Investment revaluation reserve HK$	Retained earnings HK$	Dividend reserve HK$	Total HK$	Minority interests HK$	Total equity HK$
At 1 April 2005	32,895,861	125,277,594	69,124	–	198,083,518	16,447,930	372,774,027	101,503,183	474,277,210
Share of reserves of an associated company	–	–	–	272,750	–	–	272,750	–	272,750
Revaluation surplus of available-for-sale financial assets	–	–	–	1,903,120	–	–	1,903,120	–	1,903,120
Contributions from minority shareholders upon exercise of a subsidiary's share options	–	–	–	–	–	–	–	900,000	900,000
Loss on deemed disposal of a subsidiary	–	–	–	–	–	–	–	522,029	522,029
Profit for the year	–	–	–	–	39,666,254	–	39,666,254	18,408,899	58,075,153
2004/05 final dividend paid	–	–	–	–	–	(16,447,930)	(16,447,930)	(8,579,601)	(25,027,531)
2005/06 interim dividend proposed	–	–	–	–	(3,289,586)	3,289,586	–	–	–
2005/06 special dividend proposed	–	–	–	–	(6,579,172)	6,579,172	–	–	–
2005/06 interim dividend paid	–	–	–	–	–	(3,289,586)	(3,289,586)	(3,813,156)	(7,102,742)
2005/06 special dividend paid	–	–	–	–	–	(6,579,172)	(6,579,172)	–	(6,579,172)
2005/06 final dividend proposed	–	–	–	–	(26,316,689)	26,316,689	–	–	–
At 31 March 2006	32,895,861	125,277,594	69,124	2,175,870	201,564,325	26,316,689	388,299,463	108,941,354	497,240,817
At 1 April 2006 as per above	**32,895,861**	**125,277,594**	**69,124**	**2,175,870**	**201,564,325**	**26,316,689**	**388,299,463**	**108,941,354**	**497,240,817**
Share of reserves of an associated company	–	–	–	**(160,273)**	–	–	**(160,273)**	–	**(160,273)**
Contributions from minority shareholders upon exercise of a subsidiary's share options	–	–	–	–	–	–	–	**430,000**	**430,000**
Loss on deemed disposal of a subsidiary	–	–	–	–	–	–	–	**223,694**	**223,694**
Profit for the year	–	–	–	–	**226,683,219**	–	**226,683,219**	**10,107,703**	**236,790,922**
Disposal of SHHL	–	–	**(69,124)**	–	–	–	**(69,124)**	**(104,995,328)**	**(105,064,452)**
Write-back of unclaimed dividend	–	–	–	–	**84,960**	–	**84,960**	–	**84,960**
Issue of shares upon exercise of share options	**335,000**	**1,273,000**	–	–	–	–	**1,608,000**	–	**1,608,000**
Issue of shares upon election for scrip in lieu of cash for 2005/06 final dividend	**1,312,994**	**16,149,828**	–	–	–	–	**17,462,822**	–	**17,462,822**
2005/06 final dividend paid	–	–	–	–	–	**(26,316,689)**	**(26,316,689)**	**(6,673,023)**	**(32,989,712)**
2006/07 interim dividend proposed	–	–	–	–	**(5,179,328)**	**5,179,328**	–	–	–
2006/07 interim dividend paid	–	–	–	–	–	**(5,179,328)**	**(5,179,328)**	**(2,883,867)**	**(8,063,195)**
2006/07 special dividend declared	–	–	–	–	**(248,715,756)**	–	**(248,715,756)**	–	**(248,715,756)**
2006/07 final dividend proposed	–	–	–	–	**(10,363,157)**	**10,363,157**	–	–	–
At 31 March 2007	**34,543,855**	**142,700,422**	–	**2,015,597**	**164,074,263**	**10,363,157**	**353,697,294**	**5,150,533**	**358,847,827**

The notes on pages 29 to 67 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1. GENERAL INFORMATION

Hong Kong Catering Management Limited (the "Company") is a limited liability company incorporated in Hong Kong. The address of its registered office is 27/F, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company remains an investment company during the year which together with its subsidiaries (collectively referred to as the "Group") are principally engaged in the operation of restaurants and bakeries. On 22 February 2007, the Group disposed of a non-wholly owned subsidiary, Saint Honore Holdings Limited ("SHHL") and discontinued the bakery operation. Details of this disposal are set out in note 32 to the financial statements. There were no other changes in the nature of the Group's principal activities during the year.

These consolidated financial statements are presented in Hong Kong dollars (HK$), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors (the "Board") on 16 July 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention except that financial assets and financial liabilities at fair value through profit or loss and available-for-sale financial assets are stated at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) *New standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following new standards and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods that the Group has not early adopted:

- HKFRS 7, Financial instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements - Capital Disclosures requires new disclosures relating to financial instruments. The Group will apply HKFRS 7 from 1 April 2007, but it is not expected to have any impact on the classification and valuation of the Group's financial instruments;

- HKFRS 8, Operating Segments (effective for accounting periods commencing on or after 1 January 2009). The Group will apply HKFRS 8 from annual period beginning 1 April 2009, but it is not expected to have any significant impact on the Group's consolidated financial statements other than presentation changes and additional disclosures in respect of segment information;

- HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments - where the identifiable consideration received is less than the fair value of the equity instruments issued - to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1 April 2007, but it is not expected to have any impact on the Group's consolidated financial statements;

- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1 April 2007, but it is not expected to have any impact on the Group's financial statements; and

- HK(IFRIC)-Int 11, HKFRS 2, Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The Group will apply this interpretation from annual period beginning 1 April 2007, but it is not expected to have any significant impact on the Group's consolidated financial statements.

(b) *Interpretations to existing standards that are not yet effective and not relevant for the Group's operations*

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but are not relevant for the Group's operations:

- HK(IFRIC)-Int 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment if required. As none of the Group entities have changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group's operations; and

- HK(IFRIC)-Int 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(c) *Standards, amendments and interpretations effective in 2006 but not relevant for the Group's operations*

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- HKAS 19 Amendment – Employee Benefits;
- HKAS 21 Amendment – Net Investment in a Foreign Operation;
- HKAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 Amendment – The Fair Value Option;
- HKAS 39 and HKFRS 4 Amendment – Financial Guarantee Contracts;
- HKFRS 6 Exploration for and Evaluation of Mineral Resources;
- HKFRS 1 Amendment – First-time Adoption of Hong Kong Financial Reporting Standards and HKFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- HK(IFRIC)-Int 4, Determining whether an Arrangement contains a Lease;
- HK(IFRIC)-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;
- HK(IFRIC)-Int 6, Liabilities arising from Participating in Special Market - Waste Electrical and Electronic Equipment; and
- HK(IFRIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March 2007.

(a) *Subsidiaries*

Subsidiaries are all entities (including special purposes entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation *(continued)*

(a) *Subsidiaries (continued)*

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transactions provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(b) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

In the Company's balance sheet the interest in an associated company is stated at cost less provision for impairment losses. The results of associated company are accounted for by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in the profit or loss, and other changes in the carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in the profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Property, plant and equipment

Freehold land is stated at cost and is not amortized.

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives as follows:

• Buildings:	over the unexpired periods of the leases or their estimated useful lives, whichever is shorter.
• Leasehold improvements:	over the unexpired periods of the leases or their expected useful lives.
• Air-conditioning plant:	15%
• Furniture, fixtures and equipment:	10 – 25%
• Motor vehicles:	15%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.5 Impairment of investments in subsidiaries, an associate and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Financial assets

The Group classifies its financial assets in the following categories: other financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Other financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

(c) *Held-to-maturity financial assets*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturity less than 12 months from the balance sheet date, those are classified as current assets.

(d) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognized on trade-date, being the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Other financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortized cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Financial assets *(continued)*

Gains and losses arising from changes in the fair value of the "other financial assets at fair value through profit or loss category" are presented in the income statement, within other (losses)/gains-net, in the period in which they arise. Dividend income from other financial assets of fair value through profit or loss is recognized in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as gains or losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

2.7 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within other operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the income statement.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less.

2.10 Deferred income tax

Deferred income tax 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 consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Employee benefits

(a) Pension obligations

The Group participates in a number of defined contribution plans in Hong Kong, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and the relevant group companies. The Group pays contributions to the pension plans on a mandatory, contractual or voluntary basis which are calculated as a percentage of the employees' salaries.

The Group has no legal or constructive obligations to make further payments once the required contributions have been paid, even if the plans do not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior years.

The contributions are recognized as employee benefit expenses when they are due and prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leave entitlements

Employee entitlement to annual leave or other statutory leave is recognized when they are accrued to employees. A provision is made for the estimated liability for paid 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.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(d) Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that may create a constructive obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Employee benefits *(continued)*

(e) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.14 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 the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of rebates, credit card fees and discounts and after eliminating sales within the Group. Revenue is recognized as follows:

Sales of services

Sales of services from restaurant and fast food operations are recognized when services are rendered to customers.

Sales of goods – bakery wholesale

Sales of goods are recognized when the Group has delivered products to the customer, the customer has accepted the products and the collectability of the related receivables is reasonably assured.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Revenue recognition *(continued)*

Sales of goods – retail

Sales of goods are recognized when the Group sells a product to the customer. Retail sales are usually in cash or by credit card.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Rental income

Rental income is recognized on straight-line basis over the lease periods.

Management fee income

Management fee income is recognized when services are rendered.

2.16 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the income statement on a straight-line basis over the period of the lease.

2.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.18 Discontinued operation

A discontinued operation is a component of the Group's business that has been disposed of and represents a separate major line of business which operations and cash flow can be clearly distinguished.

Classification as a discontinued operation occurs upon disposal.

2.19 Comparatives

As a result of the disposal of SHHL, which was reported as a discontinued operation in the financial statements in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations", certain comparative figures have been adjusted or reclassified to conform with current year's presentation.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: credit risk and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) *Credit risk*

The carrying amounts of cash and cash equivalents, trade receivables and other current assets except for prepayments, represent the Group's maximum exposure to credit risk in relation to financial assets.

The majority of the Group's turnover is on cash basis therefore there is no significant concentration of credit risk.

The credit risk for bank deposits and bank balances exposed is considered minimal as such amounts are placed with banks with good credit ratings.

(b) *Cash flow and fair value interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates, as the Group has no significant interest-bearing assets and liabilities except for the Group's bank deposits.

3.2 Fair value estimation

The fair value of financial instruments traded in the active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying amounts of the Group's financial assets including cash and cash equivalents, trade and other receivables, and financial liabilities including trade and other payables are assumed to approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of financial assets and financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Impairment of assets

The Group conducts impairment reviews of assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable or tests for impairment annually in accordance with the relevant accounting standards. Determining whether an asset is impaired requires an estimation of the value in use, which requires the Group to estimate the future cash flow and suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

4.2 Income taxes

The Group is subject to income taxes in certain jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense and deferred income tax provisions in the year in which such determination is made.

4.3 Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of renovation and relocation. Management will increase the depreciation where useful lives are less than previously estimated lives.

4.4 Provision for long service payments

This applies where the Group's accounting policy is to recognize any actuarial gains or losses immediately through the income statement.

The present value of the provision for long service payments depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for the provision for long service payments include the discount rate. Any changes in these assumptions will impact the carrying amount of provision for long service payments.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the provision for long service payments. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability.

5. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the operation of restaurants and bakeries. Since the disposal of SHHL, the Group discontinued the bakery operation. Turnover comprises takings and service charges less discounts and credit card commission from restaurant and bakery operations.

	2007 HK$	2006 HK$
Continuing operation	**407,024,673**	405,996,255

	For the period ended 22 February 2007 HK$	2006 HK$
Discontinued operation	**547,799,104**	581,524,199
	954,823,777	987,520,454

Subsequent to the disposal of SHHL, the Group's principal activity is the operation of restaurants and has only one major business segment. All of the Group's assets, liabilities and capital expenditure are located and utilized in Hong Kong. Accordingly, no segment information is provided.

6. OTHER INCOME

	2007 HK$	2006 HK$
Continuing operation		
Management fee income	**4,663,644**	4,366,136
Interest income	**9,297,240**	6,527,222
Rental income from other properties	**214,689**	301,225
Dividend income	**9,460**	–
	14,185,033	11,194,583

	For the period ended 22 February 2007 HK$	2006 HK$
Discontinued operation		
Interest income	**4,931,775**	2,962,896
Rental income from other properties	**437,851**	864,851
	5,369,626	3,827,747
	19,554,659	15,022,330

7. STAFF COSTS

	2007 HK$	2006 HK$
Continuing operation		
Wages and salaries, including directors' fees	**131,208,357**	129,749,625
Provision for termination benefits	**1,350,100**	308,545
Provision for leave balance	**1,146,749**	1,172,843
Retirement benefit costs – defined contribution schemes	**6,245,371**	6,457,475
Provision for/(reversal of) long service payments (Note 29)	**1,484,467**	(1,404,727)
Other staff costs	**4,217,092**	5,277,094
	145,652,136	141,560,855

	For the period ended 22 February 2007 HK$	2006 HK$
Discontinued operation		
Wages and salaries, including directors' fees	**158,405,731**	157,649,342
Provision for/(reversal of) termination benefits	**209,499**	(59,708)
Provision for leave balance	**449,421**	924,100
Retirement benefit costs-defined contribution schemes	**6,870,801**	7,390,415
Provision for long service payments (Note 29)	**341,119**	143,124
Other staff costs	**6,332,368**	6,653,196
	172,608,939	172,700,469
	318,261,075	314,261,324

7. STAFF COSTS *(continued)*

(a) Directors' and senior management's emoluments

	2007 **HK$**	2006 HK$
Continuing operation		
Fees	**150,000**	150,000
Other emoluments:		
Salary, housing, other allowances and benefits in kind	**4,411,283**	4,247,976
Employer's contribution to pension scheme	**129,293**	123,899
Discretionary bonus and profit sharing	**286,271**	699,600
	4,976,847	5,221,475

	For the period ended 22 February 2007 **HK$**	2006 HK$
Discontinued operation		
Fees	**100,000**	100,000
Other emoluments:		
Salary, housing, other allowances and benefits in kind	**2,591,212**	2,850,830
Employer's contribution to pension scheme	**63,380**	69,142
Discretionary bonus and profit sharing	**7,225,200**	1,253,090
	9,979,792	4,273,062
	14,956,639	9,494,537

7. STAFF COSTS *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

The remuneration of every director for continuing operation for the year ended 31 March 2007 and for discontinued operation for the period from 1 April 2006 to 22 February 2007 is set out below:

Name of director	Fees	Salary, housing and other allowances, and benefits in kind	Employer's contribution to pension scheme	Discretionary bonus and profit sharing	Total
	HK$	HK$	HK$	HK$	HK$
Continuing operation					
Executive directors					
Mr. Chan Wai Cheung, Glenn	–	1,685,000	–	100,000	1,785,000
Mr. Chan Ka Lai, Joseph	–	1,123,200	56,160	50,209	1,229,569
Mrs. Chan King Catherine	–	30,000	–	–	30,000
Mr. Chiu Wai	–	804,267	36,192	102,693	943,152
Mr. Shum Wing Hon	–	30,000	–	–	30,000
Ms. Wong Tsui Yue, Lucy	–	738,816	36,941	33,369	809,126
Independent non-executive directors					
Mr. Gooljarry, Cassam Soliman	50,000	–	–	–	50,000
Mrs. Fung Yeh Yi Hao, Yvette	50,000	–	–	–	50,000
Dr. Kwok Lok Wai, William	50,000	–	–	–	50,000
	150,000	4,411,283	129,293	286,271	4,976,847
Discontinued operation					
Executive directors					
Mr. Chan Wai Cheung, Glenn	–	1,114,520	–	7,225,200	8,339,720
Mr. Shum Wing Hon	–	1,476,692	63,380	–	1,540,072
Independent non-executive directors					
Mrs. Chan King Catherine	50,000	–	–	–	50,000
Mr. Chan Ka Lai, Joseph	50,000	–	–	–	50,000
	100,000	2,591,212	63,380	7,225,200	9,979,792
	250,000	7,002,495	192,673	7,511,471	14,956,639

7. STAFF COSTS *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

The remuneration of every director for the year ended 31 March 2006 is set out below:

Name of director	Fees HK$	Salary, housing and other allowances, and benefits in kind HK$	Employer's contribution to pension scheme HK$	Discretionary bonus and profit sharing HK$	Total HK$
Continuing operation					
Executive directors					
Mr. Chan Wai Cheung, Glenn	–	1,710,000	–	530,000	2,240,000
Mr. Chan Ka Lai, Joseph	–	1,062,200	53,110	42,500	1,157,810
Mrs. Chan King Catherine	–	30,000	–	–	30,000
Mr. Chiu Wai	–	700,640	35,032	97,500	833,172
Mr. Shum Wing Hon	–	30,000	–	–	30,000
Ms. Wong Tsui Yue, Lucy	–	715,136	35,757	29,600	780,493
Independent non-executive directors					
Mr. Gooljarry, Cassam Soliman	50,000	–	–	–	50,000
Mrs. Fung Yeh Yi Hao, Yvette	50,000	–	–	–	50,000
Dr. Kwok Lok Wai, William	50,000	–	–	–	50,000
	150,000	4,247,976	123,899	699,600	5,221,475
Discontinued operation					
Executive directors					
Mr. Chan Wai Cheung, Glenn	–	1,240,000	–	1,253,090	2,493,090
Mr. Shum Wing Hon	–	1,610,830	69,142	–	1,679,972
Independent non-executive directors					
Mrs. Chan King Catherine	50,000	–	–	–	50,000
Mr. Chan Ka Lai, Joseph	50,000	–	–	–	50,000
	100,000	2,850,830	69,142	1,253,090	4,273,062
	250,000	7,098,806	193,041	1,952,690	9,494,537

No director of the Company waived any emoluments and no emolument was paid by the Group to any director of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

7. STAFF COSTS *(continued)*

(b) Five highest paid individuals

The 5 individuals whose emoluments were the highest in the Group for the year include 4 (2006: 3) directors of the Company whose emoluments are reflected in the analysis presented in note (a) above. The emoluments payable to the remaining 1 (2006: 2) individual during the year are as follows:

	For the period ended 22 February 2007 HK$	2006 HK$
Discontinued operation		
Basic salaries and benefits in kind	**1,328,522**	2,395,100
Employer's contribution to pension scheme	**63,102**	113,694
	1,391,624	2,508,794

The emoluments of the individual (2006: 2) fell within the band of HK$1,000,001 – HK$1,500,000.

None of the highest paid individuals of the Group waived any emoluments and no emolument was paid by the Group to any of such individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	2007 HK$	2006 HK$
Continuing operation		
Auditors' remuneration	**1,043,765**	817,815
Amortization of prepaid operating lease payments	**317,376**	396,952
Depreciation of property, plant and equipment	**20,779,016**	14,630,516
Realized gains on other financial assets at fair value through profit or loss	**(330,695)**	(513,902)
Unrealized gains on other financial assets at fair value through profit or loss	**(373,511)**	(19,400)
Gain on disposal of leasehold land and other property	**–**	(10,797,942)
(Gain)/loss on disposal of other plant and equipment	**(194,714)**	19,643
Net exchange loss	**8,421**	445

	For the period ended 22 February 2007 HK$	2006 HK$
Discontinued operation		
Auditors' remuneration	**1,467,311**	1,072,901
Amortization of prepaid operating lease payments	**1,570,331**	1,707,427
Depreciation of property, plant and equipment	**24,234,346**	27,484,221
Realized gains on other financial assets at fair value through profit or loss	**(114,915)**	(27,958)
Unrealized gains on other financial assets at fair value through profit or loss	**(228,000)**	–
Loss on disposal of leasehold land and other property	**–**	306,890
Loss on disposal of other plant and equipment	**1,001,713**	346,283
Net exchange gain	**(928,020)**	(735,089)

9. INCOME TAX EXPENSE

The amount of income tax charged to the consolidated income statement represents:

	2007 HK$	2006 HK$
Continuing operation		
Current income tax		
Hong Kong profits tax	**650,223**	988,845
(Over)/under provision in prior years	**(2)**	21
Deferred income tax credit (Note 30)	**(104,000)**	(293,000)
	546,221	695,866

	For the period ended 22 February 2007 HK$	2006 HK$
Discontinued operation		
Current income tax		
Hong Kong profits tax	**4,011,473**	6,812,651
Income tax arising from other jurisdictions	**2,449,269**	2,233,803
Under/(over) provision in prior years	**2,747**	(1,305,574)
Deferred income tax charge (Note 30)	**294,432**	938,581
	6,757,921	8,679,461
	7,304,142	9,375,327

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year. Taxation on profits arising from other jurisdictions has been calculated on the estimated assessable profits for the year at the rates prevailing in the relevant jurisdictions.

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

	2007 HK$	2006 HK$
Profit before income tax		
Continuing operation	**3,645,208**	18,326,849
Discontinued operation	**240,449,856**	49,123,631
	244,095,064	67,450,480
Calculated at a taxation rate of 17.5% (2006: 17.5%)	**42,716,636**	11,803,834
Effect of different taxation rates in other jurisdictions	**14,476**	76,648
Income not subject to taxation	**(40,970,775)**	(3,637,918)
Expenses not deductible for taxation purposes	**1,659,388**	1,098,286
Under/(over) provision in prior years	**2,745**	(1,305,553)
Utilization of previously unrecognized tax losses	**(300,300)**	(326,147)
Tax losses not recognized	**3,594,524**	1,635,011
Others	**587,448**	31,166
Income tax expense	**7,304,142**	9,375,327

10. DISCONTINUED OPERATION

On February 2007, the Group disposed of SHHL to Convenience Retail Asia Limited, a company listed on The Growth Enterprise Market Board of the Stock Exchange. Upon disposal of the SHHL shares held, the Group ceased the business of bakery operation and the Group is set to focus on its development in the restaurant operation.

The consolidated operating results associated with the bakery operation for the period from 1 April 2006 to 22 February 2007 and the net gain on disposal of SHHL are presented below:

	Note	**For the period ended 22 February 2007 HK$**	2006 HK$
Turnover	5	**547,799,104**	581,524,199
Other income	6	**5,369,626**	3,827,747
Cost of inventories consumed		**(175,670,830)**	(184,434,536)
Staff costs	7	**(172,608,939)**	(172,700,469)
Operating lease rentals		**(50,557,721)**	(54,424,071)
Depreciation of property, plant and equipment		**(24,234,346)**	(27,484,221)
Other operating expenses		**(100,862,580)**	(96,356,099)
Loss on disposal of a property		**–**	(306,890)
Loss on deemed disposal of SHHL		**–**	(522,029)
Operating profit	8	**29,234,314**	49,123,631
Income tax expense	9	**(6,757,921)**	(8,679,461)
Profit for the period/year		**22,476,393**	40,444,170
Net gain on disposal of SHHL	32	**211,215,542**	–
Total profit from discontinued operation		**233,691,935**	40,444,170
Attributable to:			
Shareholders of the Company		**223,532,954**	22,139,443
Minority interests		**10,158,981**	18,304,727
		233,691,935	40,444,170

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$233,850,575 (2006: HK$16,209,188) (Note 28(b)).

12. DIVIDENDS

	2007 HK$	2006 HK$
Write-back of unclaimed dividend	**(84,960)**	–
Interim, paid, of HK1.5 cents (2006: HK1.0 cent) per ordinary share	**5,179,328**	3,289,586
Special, declared, of HK72.0 cents (2006: HK2.0 cents) per ordinary share	**248,715,756**	6,579,172
Final, proposed, of HK3.0 cents (2006: HK8.0 cents) per ordinary share	**10,363,157**	26,316,689
	264,173,281	36,185,447

The proposed final dividend for the year ended 31 March 2007 was declared at the meeting of the Board held on 16 July 2007. This proposed final dividend is not reflected as a dividend payable in these financial statements. It is reflected as an appropriation of retained earnings and is presented as a dividend reserve in the balance sheet.

13. EARNINGS PER SHARE

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

	2007 HK$	2006 HK$
Earnings		
Continuing operation		
Profit from continuing operation for the year attributable to shareholders of the Company as used in the calculation of basic earnings per share	**3,150,265**	17,526,811
Discontinued operation		
Profit from discontinued operation for the year attributable to shareholders of the Company	**223,532,954**	22,139,443
Adjustment to share of results of a subsidiary based on the dilution of the subsidiary's earnings per share	**–**	(117,666)
	223,532,954	22,021,777

	2007	2006
Number of shares		
Weighted average number of ordinary shares in issue for earnings per share	**335,866,885**	328,958,609
Effect of potential dilutive ordinary share (Note)	**–**	2,209,575
Weighted average number of ordinary shares in issue for diluted earnings per share	**335,866,885**	331,168,184

Note:
The amount represented the weighted average number of shares deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

14. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Freehold land HK$	Buildings HK$	Leasehold improvements HK$	Air-conditioning plant HK$	Furniture, fixtures, and equipment HK$	Motor vehicles HK$	Total HK$
Year ended 31 March 2006							
Opening net book value	8,752,467	73,841,216	40,624,510	9,252,422	52,253,084	8,592,050	193,315,749
Additions	–	4,277,809	17,055,577	1,203,054	14,970,308	2,148,221	39,654,969
Disposals	–	(5,226,006)	(10,508)	–	(372,442)	–	(5,608,956)
Depreciation	–	(1,881,883)	(20,117,853)	(2,161,995)	(15,404,308)	(2,548,698)	(42,114,737)
Closing net book value	8,752,467	71,011,136	37,551,726	8,293,481	51,446,642	8,191,573	185,247,025
At 31 March 2006							
Cost	8,752,467	94,329,618	164,711,800	27,643,231	202,819,255	21,167,659	519,424,030
Accumulated depreciation and impairment losses	–	(23,318,482)	(127,160,074)	(19,349,750)	(151,372,613)	(12,976,086)	(334,177,005)
Net book value	8,752,467	71,011,136	37,551,726	8,293,481	51,446,642	8,191,573	185,247,025
Year ended 31 March 2007							
Opening net book value	**8,752,467**	**71,011,136**	**37,551,726**	**8,293,481**	**51,446,642**	**8,191,573**	**185,247,025**
Additions	**–**	**–**	**11,485,889**	**1,527,095**	**10,639,199**	**2,610,739**	**26,262,922**
Disposals	**–**	**–**	**(258,676)**	**(78,536)**	**(725,918)**	**(265,410)**	**(1,328,540)**
Disposal of SHHL	**(8,752,467)**	**(61,070,546)**	**(24,295,214)**	**(1,746,236)**	**(34,387,895)**	**(5,733,201)**	**(135,985,559)**
Depreciation	**–**	**(1,747,410)**	**(18,576,948)**	**(4,230,369)**	**(18,042,418)**	**(2,416,217)**	**(45,013,362)**
Closing net book value	**–**	**8,193,180**	**5,906,777**	**3,765,435**	**8,929,610**	**2,387,484**	**29,182,486**
At 31 March 2007							
Cost	**–**	**20,254,431**	**48,485,846**	**22,068,082**	**60,133,784**	**4,840,685**	**155,782,828**
Accumulated depreciation and impairment losses	**–**	**(12,061,251)**	**(42,579,069)**	**(18,302,647)**	**(51,204,174)**	**(2,453,201)**	**(126,600,342)**
Net book value	**–**	**8,193,180**	**5,906,777**	**3,765,435**	**8,929,610**	**2,387,484**	**29,182,486**

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Company

	Buildings HK$	Leasehold improvements HK$	Air-conditioning plant HK$	Furniture, fixtures, and equipment HK$	Motor vehicles HK$	Total HK$
Year ended 31 March 2006						
Opening net book value	299,706	4,369,145	2,119,476	5,531,883	1,578,674	13,898,884
Additions	–	2,039,768	507,600	1,936,455	–	4,483,823
Disposals	–	–	–	(19,642)	–	(19,642)
Depreciation	(8,100)	(1,581,456)	(529,054)	(2,156,299)	(624,412)	(4,899,321)
Closing net book value	291,606	4,827,457	2,098,022	5,292,397	954,262	13,463,744
At 31 March 2006						
Cost	386,400	18,190,653	6,961,287	24,177,026	4,498,442	54,213,808
Accumulated depreciation	(94,794)	(13,363,196)	(4,863,265)	(18,884,629)	(3,544,180)	(40,750,064)
Net book value	291,606	4,827,457	2,098,022	5,292,397	954,262	13,463,744
Year ended 31 March 2007						
Opening net book value	**291,606**	**4,827,457**	**2,098,022**	**5,292,397**	**954,262**	**13,463,744**
Additions	**–**	**101,220**	**88,500**	**491,529**	**1,997,526**	**2,678,775**
Disposals	**–**	**–**	**–**	**(34,677)**	**(14,286)**	**(48,963)**
Depreciation	**(8,100)**	**(1,895,431)**	**(556,669)**	**(1,660,950)**	**(550,018)**	**(4,671,168)**
Closing net book value	**283,506**	**3,033,246**	**1,629,853**	**4,088,299**	**2,387,484**	**11,422,388**
At 31 March 2007						
Cost	**386,400**	**18,291,873**	**7,049,787**	**24,630,725**	**4,840,685**	**55,199,470**
Accumulated depreciation	**(102,894)**	**(15,258,627)**	**(5,419,934)**	**(20,542,426)**	**(2,453,201)**	**(43,777,082)**
Net book value	**283,506**	**3,033,246**	**1,629,853**	**4,088,299**	**2,387,484**	**11,422,388**

15. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interest in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analyzed as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
In Hong Kong, held on:				
Leases of over 50 years	**–**	6,496,614	**–**	–
Leases of between 10 to 50 years	**12,695,245**	70,067,589	**945,004**	968,632
Outside Hong Kong, held on:				
Leases of between 10 to 50 years	**–**	10,602,212	**–**	–
	12,695,245	87,166,415	**945,004**	968,632

The movements of net book value of leasehold land and land use rights are analyzed as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
Opening net book value	**87,166,415**	111,130,436	**968,632**	992,259
Additions	**–**	2,246,886	**–**	–
Disposals	**–**	(24,106,528)	**–**	–
Disposal of SHHL	**(72,583,463)**	–	**–**	–
Amortization of prepaid operating lease payments	**(1,887,707)**	(2,104,379)	**(23,628)**	(23,627)
Closing net book value	**12,695,245**	87,166,415	**945,004**	968,632

16. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$	HK$
Unlisted shares, at cost	**177,526,623**	177,226,625
Loans to subsidiaries (Note)	**2,049,605**	2,049,605
	179,576,228	179,276,230
Provision for impairment losses	**(17,375,146)**	(17,375,146)
	162,201,082	161,901,084

Note:
The loans to subsidiaries are unsecured, interest free and not expected to be repaid within the next 12 months except for an amount of HK$2,045,705 (2006: HK$2,045,705) which bears interest at agreed interest rates.

Details of the principal subsidiaries as at 31 March 2007 are set out in note 36.

17. INTEREST IN AN ASSOCIATED COMPANY

	Group	
	2007	2006
	HK$	HK$
At the beginning of the year	**4,055,783**	2,385,411
Share of an associate's result	**2,186,256**	1,397,622
Dividends received from an associated company	**(2,730,000)**	–
Other equity movements	**(160,273)**	272,750
At the end of the year	**3,351,766**	4,055,783

The Group's interest in its unlisted associated company is as follows:

Name	Place of incorporation and operation	Particulars of issued share capital	Assets	Liabilities	Revenues	Profit/ (loss)	Effective interest held by the Group	Principal activity
			HK$	HK$	HK$	HK$		
2006								
Wellcon Limited	Hong Kong	10,000 ordinary shares of HK$1 each	4,965,545	909,762	6,311,825	1,397,622	21%	Restaurant operator
2007								
Wellcon Limited	**Hong Kong**	**10,000 ordinary shares of HK$1 each**	**4,458,849**	**1,107,083**	**7,239,003**	**(543,744)**	**21%**	**Restaurant operator**

18. HELD-TO-MATURITY FINANCIAL ASSETS

	Group		Company	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
Held-to-maturity financial assets – non-current portion				
At the beginning of the year	**12,675,000**	–	**8,800,000**	–
Unlisted debt securities transferred from investments in securities at 1 April 2005	**–**	8,800,000	**–**	8,800,000
Additions	**27,300,000**	3,875,000	**27,300,000**	–
Redemption	**(7,800,000)**	–	**(7,800,000)**	–
Disposal of SHHL	**(3,875,000)**	–	**–**	–
Transfer to current portion	**(1,000,000)**	–	**(1,000,000)**	–
At the end of the year	**27,300,000**	12,675,000	**27,300,000**	8,800,000
Held-to-maturity financial assets – current portion				
At the beginning of the year	**–**	–	**–**	–
Transfer from non-current portion	**1,000,000**	–	**1,000,000**	–
At the end of the year	**1,000,000**	–	**1,000,000**	–

The held-to-maturity financial assets have contractual maturity dates ranging from 5 months to 8 years.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	Company
	2007	**2007**
	HK$	**HK$**
At the beginning and end of the year	**6,900,000**	**6,900,000**

There were no disposal of or impairment provisions for available-for-sale financial assets during the year.

20. INVENTORIES

	Group		Company	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
Raw materials	**13,542,626**	19,421,343	**2,041,734**	1,536,221
Packing materials	**–**	4,744,402	**–**	–
Work in progress	**–**	793,576	**–**	–
Finished goods	**–**	618,994	**–**	–
	13,542,626	25,578,315	**2,041,734**	1,536,221

21. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts are unsecured, interest free and have no fixed terms of repayment except for an amount due from a subsidiary of HK$9,340,495 (2006: HK$9,340,495) which bears interest at 6% per annum.

22. TRADE RECEIVABLES

At 31 March 2007, the ageing analysis of the trade receivables was as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
Current to 30 days	**1,544,895**	6,342,559	**310,296**	258,934
31 to 60 days	**–**	458,520	**–**	7,026
Over 60 days	**45,296**	672,483	**19,991**	–
	1,590,191	7,473,562	**330,287**	265,960

The majority of the Group's sales are conducted in cash or by credit cards. The Group's trade receivables are denominated in HK$.

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
Cash at bank and in hand	**48,331,670**	75,323,330	**35,872,100**	14,645,741
Short-term bank deposits	**499,286,170**	244,636,181	**490,557,459**	154,605,233
Other short-term highly liquid investments	**1,877,994**	29,745,067	**1,877,994**	13,531,905
	549,495,834	349,704,578	**528,307,553**	182,782,879

The effective interest rate on the Group's short-term bank deposits was 4.27% (2006: 2.63%); these deposits have an average maturity of less than 90 days.

At 31 March 2007, the carrying amounts of the cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
HK$	**521,603,501**	249,047,740	**500,415,220**	136,613,634
US$	**27,891,026**	63,350,811	**27,891,026**	45,394,735
MOP	**–**	5,974,196	**–**	–
RMB	**–**	30,536,524	**–**	–
Others	**1,307**	795,307	**1,307**	774,510
	549,495,834	349,704,578	**528,307,553**	182,782,879

24. TRADE PAYABLES

At 31 March 2007, the ageing analysis of the trade payables was as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
Current to 30 days	**12,807,021**	25,576,998	**12,807,021**	14,312,450
31 to 60 days	**1,610,749**	2,389,076	**1,610,749**	94,937
Over 60 days	**377,514**	2,365,944	**377,514**	440,771
	14,795,284	30,332,018	**14,795,284**	14,848,158

The Group's trade payables are denominated in HK$.

25. SHARE CAPITAL

	2007	2006
	HK$	HK$
Authorized		
400,000,000 ordinary shares of HK$0.10 each	**40,000,000**	40,000,000
Issued and fully paid		
345,438,550 (2006: 328,958,609) ordinary shares of HK$0.10 each	**34,543,855**	32,895,861

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

	Number of shares	
	2007	2006
Ordinary shares of HK$0.10 each		
At the beginning of the year	**328,958,609**	328,958,609
Issue of shares upon election for scrip in lieu of cash for 2005/06 final dividend	**13,129,941**	–
Issue of shares upon exercise of share options	**3,350,000**	–
At the end of the year	**345,438,550**	328,958,609

26. SHARE OPTIONS

The share option scheme adopted by the Company did not fulfil certain requirements of the Rules Governing the Listing of Securities on the Stock Exchange, which had become effective since 1 September 2001, the scheme was invalid and no further share option could be granted under the scheme.

During the year, movements of the share options previously granted are as follows:

	Number of share options	
	2007	2006
At the beginning of the year	**3,350,000**	3,350,000
Exercised (Note)	**(3,350,000)**	–
At the end of the year	**–**	3,350,000

Note:
The details of share options exercised during the year are as follows:

Month	**Exercise Price** HK$	**Number of share options exercised**	**Proceeds from exercise of share options** HK$
November 2006	0.48	3,000,000	1,440,000
December 2006	0.48	200,000	96,000
March 2007	0.48	150,000	72,000
		3,350,000	1,608,000

The closing price and weighted average closing price of the shares of the Company on the dates of exercise by Mr. Chan Ka Lai, Joseph and the continuous contract employees were HK$1.38 and HK$1.70 per share respectively.

27. RELATED-PARTY TRANSACTIONS

The Group is controlled by Well-Positioned Corporation, a company incorporated in British Virgin Islands, which owns 57.15% of the Company's shares. The remaining 42.85% of the shares are widely held.

The directors are in the opinion that the Company's key management are the executive directors and their remuneration is disclosed in note 7 to the financial statements.

28. RESERVES

The movements of the reserves of the Group and of the Company during the year are analyzed as follows:

(a) Group

	Share premium HK$	Exchange fluctuation reserve HK$	Investment revaluation reserve HK$	Retained earnings HK$	Dividend reserve HK$	Total HK$
At 1 April 2005	125,277,594	69,124	–	198,083,518	16,447,930	339,878,166
Share of reserves of an associated company	–	–	272,750	–	–	272,750
Revaluation surplus of available-for-sales financial assets	–	–	1,903,120	–	–	1,903,120
Profit for the year	–	–	–	39,666,254	–	39,666,254
2004/05 final dividend paid	–	–	–	–	(16,447,930)	(16,447,930)
2005/06 interim dividend proposed	–	–	–	(3,289,586)	3,289,586	–
2005/06 special dividend proposed	–	–	–	(6,579,172)	6,579,172	–
2005/06 interim dividend paid	–	–	–	–	(3,289,586)	(3,289,586)
2005/06 special dividend paid	–	–	–	–	(6,579,172)	(6,579,172)
2005/06 final dividend proposed	–	–	–	(26,316,689)	26,316,689	–
At 31 March 2006	125,277,594	69,124	2,175,870	201,564,325	26,316,689	355,403,602
At 1 April 2006 as per above	**125,277,594**	**69,124**	**2,175,870**	**201,564,325**	**26,316,689**	**355,403,602**
Share of reserves of an associated company	**–**	**–**	**(160,273)**	**–**	**–**	**(160,273)**
Profit for the year	**–**	**–**	**–**	**226,683,219**	**–**	**226,683,219**
Disposal of SHHL	**–**	**(69,124)**	**–**	**–**	**–**	**(69,124)**
Write-back of unclaimed dividend	**–**	**–**	**–**	**84,960**	**–**	**84,960**
Issue of shares upon exercise of share options	**1,273,000**	**–**	**–**	**–**	**–**	**1,273,000**
Issue of shares upon election for scrip in lieu of cash for 2005/06 final dividend	**16,149,828**	**–**	**–**	**–**	**–**	**16,149,828**
2005/06 final dividend paid	**–**	**–**	**–**	**–**	**(26,316,689)**	**(26,316,689)**
2006/07 interim dividend proposed	**–**	**–**	**–**	**(5,179,328)**	**5,179,328**	**–**
2006/07 interim dividend paid	**–**	**–**	**–**	**–**	**(5,179,328)**	**(5,179,328)**
2006/07 special dividend declared	**–**	**–**	**–**	**(248,715,756)**	**–**	**(248,715,756)**
2006/07 final dividend proposed	**–**	**–**	**–**	**(10,363,157)**	**10,363,157**	**–**
At 31 March 2007	**142,700,422**	**–**	**2,015,597**	**164,074,263**	**10,363,157**	**319,153,439**

28. RESERVES *(continued)*

(b) Company

	Share premium HK$	Investment revaluation reserve HK$	Retained earnings HK$	Dividend reserve HK$	Total HK$
At 1 April 2005	125,277,594	–	184,833,133	16,447,930	326,558,657
Revaluation surplus of available-for-sale financial assets	–	1,903,120	–	–	1,903,120
Profit for the year	–	–	16,209,188	–	16,209,188
2004/05 final dividend paid	–	–	–	(16,447,930)	(16,447,930)
2005/06 interim dividend proposed	–	–	(3,289,586)	3,289,586	–
2005/06 special dividend proposed	–	–	(6,579,172)	6,579,172	–
2005/06 interim dividend paid	–	–	–	(3,289,586)	(3,289,586)
2005/06 special dividend paid	–	–	–	(6,579,172)	(6,579,172)
2005/06 final dividend proposed	–	–	(26,316,689)	26,316,689	–
At 31 March 2006	125,277,594	1,903,120	164,856,874	26,316,689	318,354,277
At 1 April 2006 as per above	**125,277,594**	**1,903,120**	**164,856,874**	**26,316,689**	**318,354,277**
Profit for the year	**–**	**–**	**233,850,575**	**–**	**233,850,575**
Write-back of unclaimed dividend	**–**	**–**	**84,960**	**–**	**84,960**
Issue of shares upon exercise of share options	**1,273,000**	**–**	**–**	**–**	**1,273,000**
Issue of shares upon election for scrip in lieu of cash for 2005/06 final dividend	**16,149,828**	**–**	**–**	**–**	**16,149,828**
2005/06 final dividend paid	**–**	**–**	**–**	**(26,316,689)**	**(26,316,689)**
2006/07 interim dividend proposed	**–**	**–**	**(5,179,328)**	**5,179,328**	**–**
2006/07 interim dividend paid	**–**	**–**	**–**	**(5,179,328)**	**(5,179,328)**
2006/07 special dividend declared	**–**	**–**	**(248,715,756)**	**–**	**(248,715,756)**
2006/07 final dividend proposed	**–**	**–**	**(10,363,157)**	**10,363,157**	**–**
At 31 March 2007	**142,700,422**	**1,903,120**	**134,534,168**	**10,363,157**	**289,500,867**

29. PROVISION FOR LONG SERVICE PAYMENTS

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

	Group		Company	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
At the beginning of the year	**9,216,973**	11,037,608	**1,325,815**	1,893,572
Provision for/(reversal of) the year (Note 7)	**1,825,586**	(1,261,603)	**136,386**	(440,675)
Amounts utilized	**(677,455)**	(559,032)	**(450,352)**	(127,082)
Disposal of SHHL	**(6,247,952)**	–	**–**	–
At the end of the year	**4,117,152**	9,216,973	**1,011,849**	1,325,815

The Group's provision for long service payments is determined with reference to the actuarial valuation as at 31 March 2007 prepared by Hewitt Associates LLC, a qualified actuary.

30. DEFERRED INCOME TAX

Deferred income tax is calculated on temporary differences under the liability method using a principal taxation rate of 17.5% (2006: 17.5%).

The movement on the net deferred income tax (assets)/liabilities is as follows:

	Group	
	2007	2006
	HK$	HK$
At the beginning of the year	**2,861**	(642,720)
Charged to consolidated income statement (Note 9)	**190,432**	645,581
Disposal of SHHL	**(831,293)**	–
At the end of the year	**(638,000)**	2,861
It was analyzed as follows:		
Deferred income tax assets	**(1,000,000)**	(1,833,139)
Deferred income tax liabilities	**362,000**	1,836,000
Net deferred income tax (assets)/liabilities	**(638,000)**	2,861
Provided for in respect of:		
Accelerated depreciation allowances	**59,000**	1,019,861
Tax losses	**(697,000)**	(1,017,000)
Net deferred income tax (assets)/liabilities	**(638,000)**	2,861

Deferred income tax assets are recognized for tax loss carry forward to the extent that the realization of the related tax benefit through the future taxable profit is probable.

30. DEFERRED INCOME TAX *(continued)*

The deferred income tax assets not recognized by the Group and the Company are summarized as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
Excess of depreciation over tax allowances	**1,482,132**	599,286	**639,963**	557,672
Tax losses	**9,603,141**	7,436,487	**5,148,809**	2,969,400
	11,085,273	8,035,773	**5,788,772**	3,527,072

31. CASH (USED IN)/GENERATED FROM OPERATIONS

Reconciliation of profit for the year to cash (used in)/generated from operations is as follows:

	Note	**2007** **HK$**	2006 HK$
Profit for the year		**236,790,922**	58,075,153
Adjustment for:			
Income tax expense		**7,304,142**	9,375,327
Depreciation of property, plant and equipment		**45,013,362**	42,114,737
Amortization of prepaid operating lease payments		**1,887,707**	2,104,379
Loss/(gain) on disposal of leasehold land and property, plant and equipment		**806,999**	(10,125,126)
Gain on disposal of SHHL	32	**(219,282,147)**	–
Loss on deemed disposal of a subsidiary		**–**	522,029
Share of profit of an associated company		**(2,186,256)**	(1,397,622)
Interest income		**(14,229,015)**	(9,490,118)
Operating profit before working capital changes		**56,105,714**	91,178,759
Decrease in deposits for purchase of properties		**–**	3,575,972
Decrease/(increase) in rental deposits paid		**2,476,929**	(789,860)
Decrease/(increase) in inventories		**188,839**	(1,207,853)
Increase in trade receivables		**(893,800)**	(2,068,365)
Increase in deposits, prepayments and other receivables		**(75,847,912)**	(1,725,873)
Increase in other financial assets at fair value through profit or loss		**(5,854,035)**	(224,400)
Increase/(decrease) in trade payables		**2,875,954**	(575,652)
Increase/(decrease) in other payables and accrued charges		**18,631,176**	(1,093,978)
(Decrease)/increase in cake coupon liabilities		**(8,728,266)**	15,519,948
(Decrease)/increase in rental deposits received		**(58,861)**	46,525
Increase/(decrease) in provision for long service payments		**1,148,131**	(1,820,635)
Cash (used in)/generated from operations		**(9,956,131)**	100,814,588

32. DISPOSAL OF SHHL

	2007 HK$
Net assets disposed of:	
Trademarks	27,600,000
Property, plant and equipment	135,985,559
Leasehold land and land use rights	72,583,463
Held-to-maturity financial assets	3,875,000
Rental deposits paid	10,942,160
Deferred income tax assets	1,604,652
Inventories	11,846,850
Trade receivables	6,777,171
Deposits, prepayments and other receivables	89,499,907
Other financial assets at fair value through profit or loss	4,271,437
Cash and cash equivalents	78,719,282
Amount due to intermediate holding company	(7,762,411)
Trade payables	(18,412,688)
Other payables and accrued charges	(51,229,568)
Tax payable	(341,931)
Cake coupon liabilities	(123,282,039)
Rental deposits received	(96,877)
Provision for long service payments	(6,247,952)
Deferred income tax liabilities	(2,435,945)
Minority interests	(104,995,328)
	128,900,742
Gain on disposal of SHHL	219,282,147
	348,182,889
Satisfied by:	
Cash	348,182,889
Gain on disposal of SHHL	219,282,147
Less: Relevant costs incurred for the disposal of SHHL	(1,536,605)
3% profit sharing by a director on net gain on disposal	(6,530,000)
Net gain on disposal of SHHL	211,215,542

An analysis of net inflow of cash and cash equivalents in respect of the disposal of SHHL is as follows:

	2007 HK$
Cash consideration received	348,182,889
Cash and cash equivalents disposed of	(78,719,282)
Net inflow of cash and cash equivalents in respect of the disposal of SHHL	269,463,607

33. COMMITMENTS

(a) Capital expenditure for property, plant and equipment at the balance sheet date but not yet incurred is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
Contracted but not provided for	**–**	2,234,000	**–**	493,000
Approved but not contracted for	**55,800,000**	17,962,000	**1,500,000**	187,000
	55,800,000	20,196,000	**1,500,000**	680,000

(b) Operating lease commitments

At 31 March 2007, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
Within one year	**37,444,736**	94,651,281	**27,694,471**	38,720,849
After one year and within five years	**22,403,803**	70,866,687	**11,576,062**	12,768,341
Over five years	**–**	2,276,373	**–**	–
	59,848,539	167,794,341	**39,270,533**	51,489,190

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) Future operating lease arrangements

At 31 March 2007, the Group had nil (2006: HK$791,773) future aggregate minimum lease receipts under non-cancellable operating leases.

34. BANKING FACILITIES

At 31 March 2007, the Group had aggregate banking facilities of HK$12,000,000 (2006: HK$17,000,000) for bank overdrafts and bank guarantees. Some of the banking facilities were secured by corporate guarantees given by the Company.

At 31 March 2007, the facilities were utilized by the Group to the extent of approximately HK$6,833,000 (2006: HK$10,198,000) primarily for bank guarantees granted to third parties in lieu of rental and utility deposits.

35. SUBSEQUENT EVENT

In May 2007, the Group has committed the purchase of properties at an industrial building in Kwai Chung amounting to HK$23.3 million which is expected to be completed on or before mid July 2007. The property will be used for the centralized logistic centre.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is the particulars of the principal subsidiaries as at 31 March 2007:

Name of subsidiary	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective interest held by the Group	Principal activities
Interests held directly:				
Advance HR Management Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Management service
Albion Agents Limited	British Virgin Islands	10 ordinary shares of US$1 each	100%	Investment holding
Banqueting Caterers Limited	Hong Kong	80 ordinary shares of HK$1 each 10,000,020 non-voting deferred shares of HK$1 each	100%	Restaurant operator
High Value Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Investment holding
Sparklet Investment Limited	Hong Kong	300,000 ordinary shares of HK$1 each	100%	Restaurant operator
Tin Fook Caterers Limited	Hong Kong	100 ordinary shares of HK$100 each 120,100 non-voting deferred shares of HK$100 each	100%	Restaurant operator
Interests held indirectly:				
Criscane Limited	Hong Kong	2 ordinary shares of HK$10 each	100%	Property holding
Elegant Grand Limited	Hong Kong	400 ordinary shares of HK$1 each	100%	Restaurant operator
Shanghai Lu Yang Chun Restaurant (Hong Kong) Limited	Hong Kong	10,000 ordinary shares of HK$1 each	45%	Restaurant operator

Five-Year Financial Information

Results		For the year ended 31 March			
			(Restated)	(Restated)	(Restated)
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover (including discontinued bakery operation)	**954,824**	987,520	980,515	938,832	953,739
Profit/(loss) attributable to shareholders	**226,683**	39,666	55,256	28,457	(58,116)

Assets and liabilities		At 31 March			
			(Restated)	(Restated)	(Restated)
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**671,498**	750,898	721,299	711,196	629,897
Total liabilities	**312,650**	253,657	247,022	252,240	250,557
Net assets	**358,848**	497,241	474,277	458,956	379,340
Minority interests	**5,151**	108,941	101,503	88,920	65,899
Shareholders' equity	**353,697**	388,300	372,774	370,036	313,441