Hong Kong Catering Management Limited

(Incorporated in Hong Kong with limited liability)

Annual Report 2008/09

Stock Code: 668

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

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

Independent non-executive directors

Dr. Cheung Wai Lam, William
Mrs. Fung Yeh Yi Hao, Yvette
Mr. Chan Ip Sing, Evans
(Alternate to Mrs. Fung Yeh Yi Hao, Yvette)
Mr. Gooljarry, Cassam Soliman
Dr. Ho Sai Wah, David
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

REMUNERATION COMMITTEE

Dr. Cheung Wai Lam, William, *Committee Chairman*
Dr. Ho Sai Wah, David
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

25/F, Overseas Trust Bank Building
160 Gloucester Road
Wanchai, 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

SOLICITOR

Iu, Lai & Li Solicitors & Notaries

AUDITOR

PricewaterhouseCoopers

STOCK CODE

668

WEBSITE

http://www.hkcatering.com

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board"), I 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 2009.

RESULTS

The revenue of the Group decreased by approximately 6.8% to HK$328.1 million (2008: HK$352.2 million) while loss attributable to shareholders increased by approximately HK$76.9 million to HK$83.4 million (2008: HK$6.5 million). The substantial loss was largely due to the unsatisfactory performance of certain operating units and the impairment loss provided thereon.

DIVIDENDS

On 16 January 2009, the Company paid out an interim dividend of HK1 cent (2008: HK1 cent) per ordinary share to shareholders. The Board do not recommend any final dividend (2008: HK4 cents) for the year ended 31 March 2009.

On 29 April 2009, the Company entered into a conditional agreement with a connected person, Big League Holdings Limited ("BLH"), to dispose of to the latter the equity interests in certain subsidiaries of the Group which principally engaged in the operation of restaurants (the "Disposal"). The Company will hold an extraordinary general meeting in August 2009 ("EGM") for shareholders to approve the Disposal together with the cancellation of the share premium account. The Company will also propose at the EGM to pay out a special dividend of not less than HK$0.52 per ordinary share from the net proceed receivable on the Disposal. The Company will then make application to court for the cancellation of its share premium account which the effective date is expected to be in October 2009. The Disposal is inter-conditional to the completion of the disposal by the controlling shareholder, Well-Positioned Corporation ("WPC") of its 63.49% interest in the issued share capital of the Company. BLH is the holding company of WPC and is beneficially owned by a trust established for the benefits of my family members.

BUSINESS REVIEW

We incurred a substantial loss of HK$83.4 million for the fiscal year ended 31 March 2009. In the first half-year, we were confronted with soaring costs on our 3 major expenditures namely: retail rent, food ingredients cost and labour wages. Stepped into the second half-year, we were hard hit by the global recession triggered by the collapse of Lehman Brothers and other financial conglomerates which quickly led to a meltdown of the overheated economy.

In the first 6 months, we deliberately restrained ourselves from making lease commitments at the height of the retail rental market cycle and as consumer spending weakened considerably followed the global economic downturn, we were even more prudent in making decision on shop expansion. We only opened a small eatery of about 1,700 sq.ft. in September 2008 and a 2,100 sq.ft. congee and noodle shop in November 2008. Yielding to the Landlord's massive overhaul plan at the Lok Fu Shopping Centre, we were forced to surrender the 4 remaining shops there in February 2009. The closure of our last mega-sized Chinese restaurant in Lok Fu Shopping Centre also completed our transition from traditional restaurants to boutique eateries. We closed a small Shanghainese restaurant at Citygate Outlets as the pedestrian flow there failed to meet up our expectation. Comparing to last year, the number of shops at year-end were reduced from 23 to 19 with aggregate shop areas fell from 138,400 sq.ft. to 84,000 sq.ft.

The economic downturn in the second half-year had a material adverse impact on our business as customers readjusted their spending habits with more cautiousness. The performance of our boutique eateries fell short of our budget and we have to inject further working capital to fund their operation. Postponed shop expansion and shrank same-shop sales gave rise to under utilized capacity at our Central Logistic Centre (the "CLC"). The high-end Mexican and specialty restaurants experienced operating pressure from the weakened spending of their target customers. In accordance with accounting practice, we provided impairment losses totaled HK$28.6 million on property, plant and equipment for shops and the CLC.

The meltdown of the financial markets worldwide also gave rise to significant write down of our investments in financial instruments of HK$13.7 million during the year as compared to a loss of HK$2.7 million in last year.

CHAIRMAN'S STATEMENT

PROSPECTS

Given the uncertainty ahead, BLH entered into the Disposal with the Company on 29 April 2009 to acquire loss-making boutique eateries, specialty and western restaurants from the Group at their net asset value together with all properties and certain financial investments for a total consideration of HK$114 million. Three Chinese restaurants and one Korean restaurant will continue to be operated by the Group. The Disposal will be a major connected transaction which will require independent shareholders' approval at the EGM. The Disposal will enable the Group to realize a substantial portion of its asset portfolio into cash for distribution as dividend to shareholders.

On the same date, WPC entered into share sale agreement (the "Share Sale") with an independent third party to sell its holding of 63.49% in the Company at HK$0.388 per ordinary share. The Share Sale is conditional upon the completion of Disposal. The Company will remain listed on the Main Board of The Stock Exchange of Hong Kong Limited and to continue to operate the remaining Chinese and Korean restaurants (the "Remaining Group").

After the completion of the Disposal and the Share Sale, which are inter-conditional with each other, the offeror will make an unconditional cash offer to other shareholders to acquire their shares at HK$0.388 per ordinary share (the "Cash Offer"). The offer price and the proposed special dividend of not less than HK$0.52 per ordinary share from the net proceed receivable on the Disposal will enable shareholders to receive in aggregate HK$0.908 per share.

After completion of the Share Sale, the existing Board will resign and the new controlling shareholder will conduct a review on the business operations and financial position of the Remaining Group to formulate business plans and strategies for its future business development.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express our sincere gratitude to all management and employees for their dedication and unfailing support which contributed to the Group's development for the past 19 years under my chairmanship. I also thank all our customers, business partners and shareholders for their invaluable support.

Chan Wai Cheung, Glenn
Chairman

Hong Kong, 29 June 2009

Delightful

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

The results of the Group are summarized as follows:

	2009 HK$'000	2008 HK$'000	Changes +/(-)
Revenue	328,075	352,197	(6.8%)
Other income	3,696	13,097	(71.8%)
Costs of inventories consumed	(97,389)	(101,983)	(4.5%)
Staff costs	(129,206)	(127,330)	1.5%
Operating lease rentals	(49,867)	(47,151)	5.8%
Impairment losses on leasehold land	(6,329)	–	n/a
Depreciation and impairment losses of property, plant and equipment	(41,381)	(14,154)	192.4%
Net losses on financial assets	(13,700)	(2,674)	412.3%
Other operating expenses	(83,332)	(79,860)	4.3%
Operating loss	(89,433)	(7,858)	1,038.1%
Share of profit of an associated company	1,693	2,056	(17.7%)
Loss before income tax	(87,740)	(5,802)	1,412.3%
Shop area – sq. ft. at the end of the year	84,000	138,400	
No. of outlets at the end of the year	19	23	

We closed the Shanghainese restaurant at Citygate Outlets and 5 shops in Lok Fu Shopping Centre over the period from September 2008 to February 2009. The shops in Lok Fu Shopping Centre which had been developed for over 20 years used to be a major revenue contributor. On the other hand, we only opened 2 small shops, one EC Eatery in Tuen Mun in September 2008 and one congee and noodle shop at Lok Fu Shopping Centre in November 2008. There was a net decrease in shop area of 54,400 sq.ft. from previous year and this together with the weakened sales since September 2008 led to a drop in sales from HK$352.2 million to HK$328.1 million, which represents 6.8% decrease from last year.

The inflationary trend slowed down in the second half-year as the economic situation worsened worldwide. We managed to control our material costs and our gross profit was able to reflect a slight drop from 71.04% to 70.31%.

Other income dropped significantly by HK$9.4 million from HK$13.1 million to HK$3.7 million as our interest income from bank deposits and investments shrank from prevailing low interest rates and on a lower average cash holding.

The keen competing demand for labour softened in the second half-year. Despite that, our staff costs for the year increased by 1.5% from HK$127.3 million to HK$129.2 million due to severance payment made for closed shops.

The closure of numerous Lok Fu shops failed to lower our rental expenses as its savings was more than offset by high rental committed on leases entered earlier. We provided impairment losses of HK$28.6 million on property, plant and equipment for those loss-making restaurants and the CLC which was running below its optimized production capacity.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

The office property intended to be purchased for self-use eventually became an investment property as the rental yield offered by the existing tenant outweigh the incremental costs on renting alternate office premises. Therefore, we account it as an investment property and revalue it annually to its market value. We recognized an impairment loss of HK$5.2 million in respect of the land and building as at 31 March 2009.

Amid the volatile monetary condition globally, there was a significant loss in the value of our investments in financial instruments. We recorded a loss on our financial assets of HK$13.7 million which was HK$11.0 million worse than last year's loss of HK$2.7 million.

The Japanese restaurant operated by our associated company was also affected by the economic crisis but still contributed profit of HK$1.7 million (2008: HK$2.1 million) to the Group results.

LIQUIDITY AND CAPITAL RESOURCES

At 31 March 2009, the Group had freely-held cash of about HK$139.5 million (2008: HK$229.8 million) with zero gearing. The Group's capital commitments as approved at year end is estimated to be about HK$463,000, which is for the purchase of a vehicle. It will be financed internally and there is no immediate need for external fund raising.

EMPLOYEES AND REMUNERATION POLICIES

At 31 March 2009, the Group had a total of 625 (2008: 907) full time employees. 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. A new share option scheme was approved by shareholders to be adopted by the Company on 11 September 2008 to grant share options to eligible employees. During the year, no share option was granted under the scheme. The Company also encourages the employees to enhance their capability and provides trainings to improve staff development to assure opportunity for individual growth of employees.

PLEDGE OF ASSETS

No assets were pledged throughout the year.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group conducted its business transactions in Hong Kong dollars and there were no financial instruments held for hedging purposes.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 31 March 2009.

Stimulative

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chan Wai Cheung, Glenn

Chairman Aged 75

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 and Mr. Chan Ka Shun, Raymond. 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 43

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 then was appointed 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 as well as a brother of Mr. Chan Ka Shun, Raymond.

Mr. Chan Ka Shun, Raymond

Aged 45

Mr. Chan obtained his master degree in business administration from the University of South Australia and a Bachelor of Science degree from the University of Denver in the United States. He was an executive director of Saint Honore Holdings Limited ("SHHL"), which was a listed subsidiary of the Company, until its being disposed in February 2007. Mr. Chan is the son of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine as well as the brother of Mr. Chan Ka Lai, Joseph, all of them are executive directors of the Company. Mr. Chan was appointed as a non-executive director of the Company on 6 September 2007 and was redesignated as an executive director with effect from 7 January 2008. He is responsible for the operation of western restaurants and jointly works with Mr. Chiu Wai on new product development of the Group.

Mrs. Chan King Catherine

Aged 75

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

Mr. Chiu Wai

Aged 56

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 the Central Logistic Centre and jointly works with Mr. Chan Ka Shun, Raymond on new product development of the Group.

Mr. Lopez Moulet, Carmelo

Aged 59

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 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 as executive director and is in charge of specialty cuisines of the Group.

Ms. Wong Tsui Yue, Lucy

Aged 48

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 and has become an executive director since 1997. She has a direct line of responsibility over the finance, marketing, administration, human resources and IT functions of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cheung Wai Lam, William

Aged 50

Dr. Cheung is a medical professional and has worked in the public hospital for 7 years before he started his own practice specializing in surgery. He is involved in the active management of Perkins Clinical Center, a network of specialist doctors providing in hospital services. He was an independent non-executive director of SHHL until SHHL was disposed by the Company in February 2007. Dr. Cheung was appointed an independent non-executive director of the Company on 6 September 2007.

Mrs. Fung Yeh Yi Hao, Yvette

Aged 48

Mrs. Fung was appointed an independent non-executive director in 1999. She is an executive director of Hsin Chong International Holdings Limited. Prior to joining Hsin Chong, 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, an M.B.A. 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, the Board of Managers of Hong Kong International School and a Council Member of the Hong Kong Society for the Deaf. She is also a non-executive director of Fountain Set (Holdings) Limited and an independent non-executive director of Tai Ping Carpets International Limited, both of which are listed on The Stock Exchange of Hong Kong Limited.

Mr. Chan Ip Sing, Evans

Aged 55

Mr. Chan was appointed an alternate director to Mrs. Fung Yeh Yi Hao, Yvette in 2001. Mr. Chan is the corporate strategy director of Synergis Holdings Limited and is responsible for corporate development, corporate secretarial services and risk management. Synergis Holdings Limited is a company listed on The Stock Exchange of Hong Kong Limited. He has over 35 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 the Hong Kong Securities Institute.

Mr. Gooljarry, Cassam Soliman

Aged 67

Mr. Gooljarry was appointed a director in 1992. With 48 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 of the Order of the Legion of Honour" and the first "Officer 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".

Dr. Ho Sai Wah, David

Aged 51

Dr. Ho graduated from Sydney University with Honors in Medicine in 1984. After going through orthodox training in Internal Medicine and Cardiology, he went on and obtained a PhD (Medicine) degree from Sydney University and completed his Post Doc Fellowship at The University of Alabama in the United States. A renowned cardiologist, Dr. Ho has made numerous worldwide presentations and publications in the field of angioplasty and stenting for coronary and peripheral artery disease. He was an associate professor with the University of Hong Kong for 7 years before he started his own cardiology practice in 2000. He was an independent non-executive director of SHHL until SHHL was disposed by the Company in February 2007. Dr. Ho was appointed an independent non-executive director of the Company on 6 September 2007.

Dr. Kwok Lok Wai, William

Aged 80

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

Ms. Kwok Choi Har, Catherine

Aged 43

Ms. Kwok first joined the Group in 2001 as the financial controller and left in 2006. She then rejoined the Group as financial controller in August 2007. Prior to joining the Group, she worked in an international accounting firm and US multinational companies. Ms. Kwok obtained a professional diploma in accountancy from the then Hong Kong Polytechnic and has over 20 years of experience in auditing and finance. She is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Ng Wai Lun, Hans

Aged 46

Mr. Ng joined the Group in 1995 as a restaurant manager. He possesses more than 26 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 54

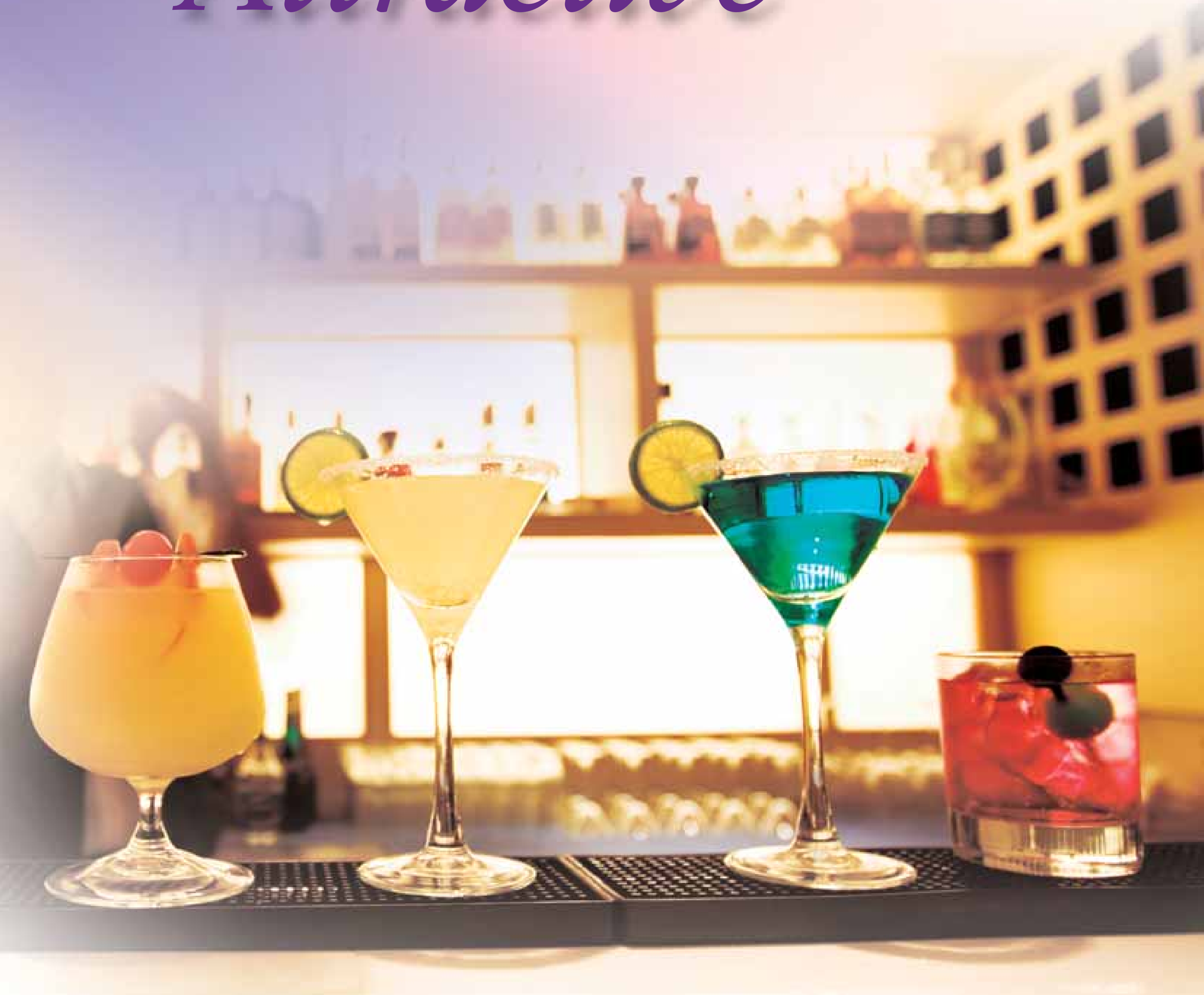
A native Shanghainese with extensive experience in Shanghainese/Peking cuisine, Mr. Tsui joined the Group in 1988 as a restaurant manager and was promoted in 1997 as the senior manager to be in charge of the Group's Shanghainese restaurants.

Ms. Wah On Ping, Joanne

Aged 37

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.

Attractive



REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 25.

The directors do not recommend any final dividend (2008: HK4 cents). Together with interim dividend of HK1 cent (2008: HK1 cent) per ordinary share, the total dividend was HK1 cent (2008: HK5 cents) per ordinary share for the financial year ended 31 March 2009. As disclosed in note 33 on events after the balance sheet date, there will be a proposed special dividend of not less than HK$0.52 per ordinary share, which is subject to fulfilment of conditions precedents the declaration.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 27 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 March 2009, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK$42,155,462 (2008: HK$121,548,250). However, the Company plans to apply to court to cancel the share premium account of HK$142,700,422 so that it will become distributable. However, it is subject to prior approval of independent shareholders at the Extraordinary General Meeting to be held in August 2009.

DONATIONS

Donations made for charitable purposes by the Group during the year amounted to HK$31,000 (2008: HK$15,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company are set out in note 13 to the financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2009 are set out in note 34 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 OPTION SCHEME

In the annual general meeting held on 11 September 2008, the shareholders approved the adoption of a new share option scheme (the "2008 Scheme") to replace the old share option scheme. After adoption of the 2008 Scheme, no share option was granted. The following disclosure is a summary of the 2008 Scheme as required by Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(1) Purpose:

The 2008 Scheme will provide incentives and rewards to eligible persons who have contributed or will contribute to the growth and development of the Group.

(2) Participants:

The Board may at its absolute discretion, invite any employee, officer, manager, director, consultant, associates, chief executive or substantial shareholders of the Group to subscribe for shares of the Company.

(3) Total number of shares available for issue under the 2008 Scheme and percentage of issued share capital at the date of approval of the share option scheme:

The number of shares which can be issued is 34,543,855 shares representing 10% of the issued share capital of the Company at the date of approval of the share option scheme.

(4) Maximum entitlement of each participant:

The total number of shares issued and to be issued upon exercise of the share options granted and to be granted to each eligible person (including exercised, cancelled and outstanding options) in any 12-month period up to the date of grant must not exceed 1% of the shares of the Company in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of the Company, with such eligible person and his associates abstaining from voting.

(5) The periods within which the shares must be taken up under an option:

The share options may be exercised at any time during the exercise period, notwithstanding that the scheme may have expired or been terminated.

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

The exercise period of the share options granted is determinable by the Board, which shall not be more than 10 years after the date of grant.

SHARE OPTION SCHEME *(continued)*

(7) The amount payable on application or acceptance of the option and the period within which payments of calls must or may be made or loans for such purpose must be paid:

Share options granted under the 2008 Scheme must be accepted within 10 days from the date of grant, upon payment of HK$1 per grant.

(8) The basis of determining the exercise price:

The exercise price of the share options will be determined by the Board, at its absolute discretion, but shall at least be the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the share options, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet for the 5 trading days immediately preceding the date of the grant; and (iii) the nominal value of the Company's shares.

(9) The remaining life:

The 2008 Scheme will remain in force for a period of 10 years commencing on 11 September 2008.

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 2009 and 31 March 2008.

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.

REPORT OF THE DIRECTORS

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*
Mr. Chan Ka Shun, Raymond
Mrs. Chan King Catherine
Mr. Chiu Wai
Mr. Lopez Moulet, Carmelo
Ms. Wong Tsui Yue, Lucy

Independent non-executive directors

Dr. Cheung Wai Lam, William
Mrs. Fung Yeh Yi Hao, Yvette
Mr. Chan Ip Sing, Evans
(Alternate to Mrs. Fung Yeh Yi Hao, Yvette)
Mr. Gooljarry, Cassam Soliman
Dr. Ho Sai Wah, David
Dr. Kwok Lok Wai, William

In accordance with Articles 77 to 79 of the Company's Articles of Association ("the Articles of Association"), Mr. Chan Ka Lai, Joseph, Mr. Lopez Moulet, Carmelo, 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.

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 note 26 to the financial statements on related-party transactions, 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' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

At 31 March 2009, the following directors and chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of Part XV 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:

	Number of ordinary shares held				
Name of director	**Personal interest** *(Note a)*	**Family interest**	**Trust interest**	**Total number of shares interested or deemed to be interested (long position)**	**Percentage of shareholding in the Company** %
Chan Wai Cheung, Glenn	–	–	219,314,089 *(Note b)*	219,314,089	63.49
Chan King Catherine	–	219,314,089 *(Note b)*	–	219,314,089	63.49
Chan Ka Lai, Joseph	4,451,096	16,000 *(Note c)*	219,314,089 *(Note d)*	223,781,185	64.78
Chan Ka Shun, Raymond	650,000	–	219,314,089 *(Note d)*	219,964,089	63.68
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. These shares are held by the spouse of Mr. Chan Ka Lai, Joseph who is deemed to be interested in these shares.

d. Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond, being the eligible beneficiaries of the family trust established by Mr. Chan Wai Cheung, Glenn, are also deemed to be interested in these shares held by Well-Positioned.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION *(continued)*

Save as disclosed above, at 31 March 2009, 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 2009, 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	219,314,089	63.49
DJE Investment S.A. *(Note b)*	Beneficial owner	27,738,715	8.03

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. 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 2009, 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 29 June 2009, being the latest practicable date prior to printing of this report.

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.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retires and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chan Wai Cheung, Glenn
Chairman

Hong Kong, 29 June 2009

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.

Throughout the year ended 31 March 2009, the Company 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 the code provision A.4.1. The independent non-executive directors ("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.

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 2009.

THE BOARD

The Board comprises the Chairman, the Managing Director, 5 executive directors and 5 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/her annual confirmation of his/her 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 9 to 11 of this report. Except for the family relationship of Mr. Chan Wai Cheung, Glenn, Mr. Chan Ka Lai, Joseph, Mr. Chan Ka Shun, Raymond 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*	5/5
Mr. Chan Ka Lai, Joseph, *Managing Director*	5/5
Mr. Chan Ka Shun, Raymond	4/5
Mrs. Chan King Catherine	5/5
Mr. Chiu Wai	5/5
Mr. Lopez Moulet, Carmelo	5/5
Ms. Wong Tsui Yue, Lucy	5/5
Independent non-executive directors	
Dr. Cheung Wai Lam, William	4/5
Mrs. Fung Yeh Yi Hao, Yvette	4/5
Mr. Chan Ip Sing, Evans (Alternate to Mrs. Fung Yeh Yi Hao, Yvette)	4/5
Mr. Gooljarry, Cassam Soliman	3/5
Dr. Ho Sai Wah, David	1/5
Dr. Kwok Lok Wai, William	3/5

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 less than one-third) should retire from office by rotation at each annual general meeting of the Company provided that every director shall be subject to retirement by rotation at least once every 3 years. Furthermore, any director appointed to fill a casual vacancy or as an addition to the existing 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 have 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 committee members, all of whom are INEDs, namely Mr. Gooljarry, Cassam Soliman (Committee Chairman), Mrs. Fung Yeh Yi Hao, Yvette (with Mr. Chan Ip Sing, Evans as alternate to Mrs. Fung Yeh Yi Hao, Yvette) and Dr. Kwok Lok Wai, William as committee members. Mrs. Fung Yeh Yi Hao, Yvette and Mr. Chan Ip Sing, Evans possess 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 control system of the Group.

During the year ended 31 March 2009, the Audit Committee held 2 meetings. The Audit Committee reviewed the accounting policies and practices adopted by the Group and discussed auditing, internal controls system and financial reporting matters. It also reviewed the financial statements of the Company, the Company's annual and interim reports and the management letter from the auditor of the Company.

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*	2/2
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

REMUNERATION COMMITTEE

The Remuneration Committee was established in October 2007 with written terms of reference pursuant to all the duties set out in code provision B.1.1 of the CG Code. Currently, there are 3 committee members, all of whom are INEDs, namely Dr. Cheung Wai Lam, William (Committee Chairman), Dr. Ho Sai Wah, David and Dr. Kwok Lok Wai, William.

The Remuneration Committee is accountable to the Board and its principal duties include review and determination of the Board policy for the remuneration of senior management and make recommendation to the chairman and the executive members of the Board on non-executive directors remuneration.

During the year ended 31 March 2009, the Remuneration Committee held one meeting. The Remuneration Committee reviewed the framework of remuneration policy, considered discretionary bonus to staff, remuneration packages of executives and provided the guideline of annual salary review.

REMUNERATION COMMITTEE *(continued)*

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

	Number of meeting attended
Independent non-executive directors	
Dr. Cheung Wai Lam, William, *Committee Chairman*	1/1
Dr. Ho Sai Wah, David	0/1
Dr. Kwok Lok Wai, William	1/1

DIRECTORS' 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 auditor about their reporting responsibilities on financial statements is set out in the Independent Auditor's Report on page 24.

AUDITOR'S REMUNERATION

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

	2009 HK$	2008 HK$
Audit fees	**699,306**	1,009,000
Non-audit service fees	**70,868**	70,293
	770,174	1,079,293

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective system of internal control 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 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.

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, 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 25 to 67, which comprise the consolidated and company balance sheets as at 31 March 2009, 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 2009 and of the Group's loss 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, 29 June 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Note	2009 HK$	2008 HK$
Revenue	5	328,075,315	352,196,836
Other income	6	3,695,518	13,097,493
Cost of inventories consumed		(97,389,373)	(101,982,816)
Staff costs	7	(129,205,991)	(127,330,446)
Operating lease rentals		(49,867,079)	(47,151,202)
Impairment losses on leasehold land		(6,328,583)	–
Depreciation and impairment losses of property, plant and equipment	8	(41,380,613)	(14,153,788)
Net losses on financial assets	8	(13,699,456)	(2,674,235)
Other operating expenses		(83,333,277)	(79,859,798)
Operating loss	8	(89,433,539)	(7,857,956)
Share of profit of an associated company		1,693,088	2,055,940
Loss before income tax		(87,740,451)	(5,802,016)
Income tax expense	9	(339,395)	(1,021,775)
Loss for the year		(88,079,846)	(6,823,791)
Attributable to:			
Shareholders of the Company	10	(83,368,988)	(6,463,168)
Minority interests		(4,710,858)	(360,623)
		(88,079,846)	(6,823,791)
Dividends	11	3,395,396	17,271,928
BASIC AND DILUTED LOSSES PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	12	(24.1 cents)	(1.9 cents)

The notes on pages 30 to 67 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Note	2009 HK$	2008 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	13	28,555,062	59,472,502
Investment property	14	31,588,815	–
Leasehold land	15	22,873,416	24,650,210
Interest in an associated company	17	3,555,914	3,396,857
Available-for-sale financial assets – non-current portion	18	8,461,160	24,482,528
Rental deposits paid – non-current portion		10,195,047	6,208,495
Deferred income tax assets	29	–	250,000
Total non-current assets		105,229,414	118,460,592
Current assets			
Inventories	19	10,721,404	11,091,987
Trade receivables	21	761,093	1,147,316
Deposits, prepayments and other receivables		8,893,140	6,081,750
Available-for-sale financial assets – current portion	18	–	8,438,430
Financial assets at fair value through profit or loss	22	10,115,948	15,672,555
Rental deposits paid – current portion		4,836,429	7,771,867
Tax recoverable		114,339	412,259
Cash and cash equivalents	23	139,485,622	229,755,995
Total current assets		174,927,975	280,372,159
Total assets		280,157,389	398,832,751
LIABILITIES			
Current liabilities			
Trade payables	24	6,934,568	14,038,531
Other payables and accrued charges		34,385,891	41,612,160
Tax payable		–	11,016
Rental deposits received – current portion		2,550	–
Provision for long service payments – current portion	28	4,285,318	1,180,821
Total current liabilities		45,608,327	56,842,528
Non-current liabilities			
Rental deposits received – non-current portion		664,742	74,155
Provision for long service payments – non-current portion	28	3,325,331	1,263,896
Deferred income tax liabilities	29	390,000	374,000
Total non-current liabilities		4,380,073	1,712,051
Total liabilities		49,988,400	58,554,579
Total assets less current liabilities		234,549,062	341,990,223
Net current assets		129,319,648	223,529,631
Net assets		230,168,989	340,278,172
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	25	34,543,855	34,543,855
Reserves	27	195,557,082	287,126,865
Dividend reserve	27	–	13,817,542
		230,100,937	335,488,262
Minority interests		68,052	4,789,910
Total equity		230,168,989	340,278,172

On behalf of the Board

Chan Wai Cheung, Glenn
Chairman

Chan Ka Lai, Joseph
Managing Director

The notes on pages 30 to 67 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 March 2009

	Note	2009 HK$	2008 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	267,306	7,710,544
Leasehold land	*15*	897,748	921,376
Interests in subsidiaries	*16*	55,306,548	151,196,000
Available-for-sale financial assets – non-current portion	*18*	8,461,160	24,482,528
Total non-current assets		64,932,762	184,310,448
Current assets			
Inventories	*19*	–	1,980,732
Amounts due from subsidiaries	*20*	59,461,309	70,826,219
Trade receivables	*21*	–	255,130
Deposits, prepayments and other receivables		379,747	1,760,512
Available-for-sale financial assets – current portion	*18*	–	8,438,430
Financial assets at fair value through profit or loss	*22*	9,757,058	15,176,095
Rental deposits paid – current portion		915,516	3,735,899
Cash and cash equivalents	*23*	124,299,120	215,333,188
Total current assets		194,812,750	317,506,205
Total assets		259,745,512	501,816,653
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	*20*	28,065,173	177,943,020
Trade payables	*24*	6,934,568	14,038,531
Other payables and accrued charges		4,661,107	6,360,593
Provision for long service payments – current portion	*28*	1,120,645	–
Total current liabilities		40,781,493	198,342,144
Non-current liabilities			
Rental deposits received		–	3,000
Provision for long service payments – non-current portion	*28*	–	793,334
Total non-current liabilities		–	796,334
Total liabilities		40,781,493	199,138,478
Total assets less current liabilities		218,964,019	303,474,509
Net current assets		154,031,257	119,164,061
Net assets		218,964,019	302,678,175
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	*25*	34,543,855	34,543,855
Reserves	*27*	184,420,164	254,316,778
Dividend reserve	*27*	–	13,817,542
Total equity		218,964,019	302,678,175

On behalf of the Board

Chan Wai Cheung, Glenn
Chairman

Chan Ka Lai, Joseph
Managing Director

The notes on pages 30 to 67 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	Note	2009 HK$	2008 HK$
Cash flows from operating activities			
Cash used in operations	*30*	(47,211,072)	(14,586,283)
Hong Kong profits tax refund/(paid)		213,509	(316,215)
Net cash used in operating activities		(46,997,563)	(14,902,498)
Cash flows from investing activities			
Purchase of property, plant and equipment		(16,549,822)	(44,443,804)
Purchase of leasehold land		(31,388,715)	(12,518,892)
Proceeds from disposal of property, plant and equipment		202,649	111,000
Purchase of available-for-sale financial assets		–	(7,800,000)
Proceeds from redemption of held-to-maturity financial assets		–	4,900,000
Proceeds from redemption of available-for-sale financial assets		17,750,780	3,900,000
Interest received		2,886,236	11,447,654
Dividends received from an associated company		1,050,000	2,100,000
Net cash used in investing activities		(26,048,872)	(42,304,042)
Cash flows from financing activities			
Dividends paid		(17,223,938)	(262,533,299)
Net cash used in financing activities		(17,223,938)	(262,533,299)
Net decrease in cash and cash equivalents		(90,270,373)	(319,739,839)
Cash and cash equivalents at the beginning of the year		229,755,995	549,495,834
Cash and cash equivalents at the end of the year	*23*	139,485,622	229,755,995

The notes on pages 30 to 67 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Attributable to shareholders of the Company							
	Share capital HK$	Share premium HK$	Investment revaluation reserve HK$	Retained earnings HK$	Dividend reserve HK$	Total HK$	Minority interests HK$	Total equity HK$
At 1 April 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
Share of reserves of an associated company	–	–	89,151	–	–	89,151	–	89,151
Revaluation surplus of available-for-sale financial assets	–	–	1,982,528	–	–	1,982,528	–	1,982,528
Loss for the year	–	–	–	(6,463,168)	–	(6,463,168)	(360,623)	(6,823,791)
2006/07 final dividend paid	–	–	–	–	(10,363,157)	(10,363,157)	–	(10,363,157)
2007/08 interim dividend proposed	–	–	–	(3,454,386)	3,454,386	–	–	–
2007/08 interim dividend paid	–	–	–	–	(3,454,386)	(3,454,386)	–	(3,454,386)
2007/08 final dividend proposed	–	–	–	(13,817,542)	13,817,542	–	–	–
At 31 March 2008	34,543,855	142,700,422	4,087,276	140,339,167	13,817,542	335,488,262	4,789,910	340,278,172
At 1 April 2008 as per above	**34,543,855**	**142,700,422**	**4,087,276**	**140,339,167**	**13,817,542**	**335,488,262**	**4,789,910**	**340,278,172**
Share of deficit of an associated company	**–**	**–**	**(484,031)**	**–**	**–**	**(484,031)**	**–**	**(484,031)**
Revaluation deficit of available-for-sale financial assets	**–**	**–**	**(4,321,368)**	**–**	**–**	**(4,321,368)**	**–**	**(4,321,368)**
Loss for the year	**–**	**–**	**–**	**(83,368,988)**	**–**	**(83,368,988)**	**(4,710,858)**	**(88,079,846)**
Write-back of unclaimed dividend	**–**	**–**	**–**	**58,990**	**–**	**58,990**	**–**	**58,990**
2007/08 final dividend paid	**–**	**–**	**–**	**–**	**(13,817,542)**	**(13,817,542)**	**–**	**(13,817,542)**
2008/09 interim dividend proposed	**–**	**–**	**–**	**(3,454,386)**	**3,454,386**	**–**	**(11,000)**	**(11,000)**
2008/09 interim dividend paid	**–**	**–**	**–**	**–**	**(3,454,386)**	**(3,454,386)**	**–**	**(3,454,386)**
At 31 March 2009	**34,543,855**	**142,700,422**	**(718,123)**	**53,574,783**	**–**	**230,100,937**	**68,052**	**230,168,989**

The notes on pages 30 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 25/F, Overseas Trust Bank Building, 160 Gloucester Road, Wanchai, Hong Kong. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the operation of restaurants.

The Company is 63.49% owned by Well-Positioned Corporation ("Well-Positioned"), a company incorporated in the British Virgin Islands, with 36.51% of its shares widely held by the public. The directors consider Well-Positioned to be the ultimate holding company.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements were approved for issue by the board of directors (the "Board") on 29 June 2009.

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"). They have been prepared under the historical cost convention, as modified by the revaluation of investment property, financial assets and financial liabilities at fair value through profit or loss and available-for-sale financial assets which 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.

The following new amendments and interpretations are mandatory for the financial year beginning 1 April 2008.

- Amendments to HKAS 39 and HKFRS 7, "Reclassification of Finance Assets";
- HK(IFRIC)-Int 12, "Service Concession Arrangements"; and
- HK(IFRIC)-Int 14, "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

Except for the Amendments to HKAS 39 and HKFRS 7, these interpretations to financial statements are not relevant to the Group's operations and consequently do not have a significant impact to these consolidated financial statements.

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

2.1 Basis of preparation *(continued)*

The Amendments to HKAS 39 and HKFRS 7 permit reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, "Financial instruments: Disclosures", introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective from 1 July 2008. This amendment does not have any impact on these consolidated financial statements, as the Group has not reclassified any financial assets.

The following new standards, amendments/revisions to standards and interpretations have been issued but are not yet effective and have not been early adopted by the Group:

- HKAS 1 (Revised), "Presentation of Financial Statements". [1]
- HKAS 23 (Revised), "Borrowing Costs". [1]
- HKAS 27 (Revised), "Consolidated and Separate Financial Statements". [2]
- HKAS 32 and HKAS 1 (Amendment), "Puttable Financial Instruments and Obligations arising on Liquidation". [1]
- HKAS 39 (Amendment), "Eligible Hedged Items". [2]
- HKFRS 1 (Revised), "First-time Adoption of Hong Kong Financial Reporting Standards". [1]
- HKFRS 1 and HKAS 27 (Amendments), "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate". [2]
- HKFRS 2 (Amendment), "Share-based Payment – Vesting Condition and Cancellations". [1]
- HKFRS 3 (Revised), "Business Combinations". [2]
- HKFRS 7 (Amendment), "Improving Disclosures about Financial Instruments: Disclosures". [1]
- HKFRS 8, "Operating Segments". [1]
- HK(IFRIC) – Int 9 and HKAS 39 (Amendments), "Financial Instruments: Recognition and Measurement – Embedded Derivatives". [6]
- HK(IFRIC) – Int 13, "Customer Loyalty Programmes". [3]
- HK(IFRIC) – Int 15, "Agreements for the Construction of Real Estate". [1]
- HK(IFRIC) – Int 16, "Hedges of a Net Investment in a Foreign Operation". [4]
- HK(IFRIC) – Int 17, "Distribution of Non-cash Assets to Owners". [2]
- HK(IFRIC) – Int 18, "Transfers of Assets from Customers". [5]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008
[5] Effective for transfers on or after 1 July 2009
[6] Effective for annual periods ending on or after 30 June 2009

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

2.1 Basis of preparation *(continued)*

In addition, HKICPA also published a number of amendments for the existing standards under its annual improvement project 2008 and 2009.

The Group has already commenced an assessment of the related impact of adopting the above new standards, amendments/revisions to standards and interpretations to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March 2009.

(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 at 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 consolidated income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements, to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the interests in subsidiaries are stated at cost less provision for impairment losses (Note 2.6). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

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

2.2 Consolidation *(continued)*

(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 identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associate's post-acquisition profits or losses is recognized in the consolidated 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 (Note 2.6). The result of an associated company is accounted for by the Company on the basis of dividend received and receivable.

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 consolidated income statement.

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

2.3 Foreign currency translation *(continued)*

(b) Transactions and balances (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed 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 recognized in 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 investment revaluation 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.

2.4 Property, plant and equipment

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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed in the consolidated income statement during the financial period in which they are incurred.

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

2.4 Property, plant and equipment *(continued)*

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 and the annual rates of depreciation are 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% or over the unexpired periods of the leases.
- Furniture, fixtures and equipment: 15–25%
- 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 (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the income statement.

2.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group or for sale in the ordinary course of business, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value, representing open market value determined by external valuers at least annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the external valuers use alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recognized in the consolidated income statement.

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

2.5 Investment property *(continued)*

Subsequent expenditure is charged to the asset's carrying amount 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. Repairs and maintenance costs are expensed in the consolidated income statement during the period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any increase between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the consolidated income statement. On the other hand, any resulting decrease in the carrying amount of this item at the date of transfer is recognized in the consolidated income statement. However, if a fair value loss reverses a previous revaluation surplus, the loss is charged against that revaluation surplus.

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

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables 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) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are designated as at fair value through profit or loss at inception if the designation relates to financial instruments containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments. 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.

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

2.7 Financial assets *(continued)*

(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) 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 way 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. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated 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 are carried at amortized cost using the effective interest method.

Gains and losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the consolidated income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated 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 consolidated income statement.

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

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

2.7 Financial assets *(continued)*

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 consolidated income statement. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing on trade receivables is described in note 2.9.

2.8 Inventories

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

2.9 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 consolidated 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 consolidated income statement.

2.10 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 three months or less.

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

2.11 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, 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 substantively 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.

2.12 Trade and other payables

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

2.13 Share capital

Ordinary shares are classified as equity.

2.14 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 pay further contributions if the funds 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.

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

2.14 Employee benefits *(continued)*

(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 there is a clear evidence of the need to terminate the employment of current employees; or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(d) Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, after taking into consideration the profit attributable to the Company's shareholders and individuals' performance. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.15 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past event; 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 rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.16 Revenue and income 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 credit card fees and discounts and after eliminating sales within the Group. The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration of the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods and services

Sales of goods are recognized at the point of sales to customers and sales of services from restaurant and fast food operations are recognized when services are rendered to customers.

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

2.16 Revenue and income recognition *(continued)*

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.

2.17 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), including upfront payment made for leasehold land, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.18 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.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, foreign exchange risk, cash flow and fair value interest rate risk, price risk and liquidity 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) *Foreign exchange risk*

The Group operates in Hong Kong with most of the transactions denominated and settled in local currencies. The Group is exposed to foreign exchange risk arising primarily from short-term bank deposits denominated in United States dollars ("US$"). As HK$ is pegged to US$, the Company believes the foreign exchange risk exposure of transactions denominated in US$ to be insignificant.

The Company does not use any derivative financial instruments to hedge its exposure to foreign exchange risk.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) 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.

As at 31 March 2009, if the HK$ interest rates on bank deposits had been 50 basis points higher/lower with all other variables were held constant, the Group's net loss for the year would decrease/increase by approximately HK$607,000 (2008: HK$1,054,000), mainly as a result of higher/lower interest income on bank balances.

As at 31 March 2009, if the US$ interest rates on bank deposits had been 50 basis points higher/lower with all other variables were held constant, the Group's net loss for the year would decrease/increase by approximately HK$88,000 (2008: HK$91,000), mainly as a result of higher/lower interest income on bank balances.

(d) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments in financial instruments are primarily quoted or publicly traded in Hong Kong, the United States and Japan.

As at 31 March 2009, if the listed or quoted price of each equity investment classified as financial assets at fair value through profit or loss and available-for-sale financial assets had appreciated/depreciated by 15% (2008: 15%) with all other variables held constant, the Group's net loss for the year would have been approximately HK$1,517,000 (2008: HK$2,351,000) lower/higher as a result of gains/losses on equity securities classified as at fair value through profit or loss. Equity would have been HK$1,269,000 (2008: HK$4,938,000) higher/lower as a result of gains/losses on equity securities classified as available for sale.

(e) Liquidity risk

The Group's primary cash requirements have been for the payments for purchases and operating expenses. The Group finances its working capital requirements mainly through funds generated from operations.

The liquidity risk of the Group is managed by maintaining sufficient banking facilities and cash and cash equivalents generated from operating cash flow.

All the Group's and Company's contractual financial liabilities will mature within one year at the balance sheet date.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio, which is calculated as total borrowings divided by total shareholders' fund.

The Group's strategy was to maintain a minimal gearing ratio. The Group had no outstanding bank loans, overdrafts or other borrowings subsisted with zero gearing at 31 March 2008 and 2009.

3.3 Fair value estimation

The fair value of financial instruments traded in the active markets (such as trading 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 leasehold land and property, plant and equipment

The Group tests whether leasehold land and property, plant and equipment have suffered any impairment, whenever events or changes in circumstances, indicate the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of the value-in-use calculations or fair value less costs to sell. The value-in-use calculations use cash flow projections based on financial budgets approved by the directors covering a one to five year period with zero expected growth in both revenue and gross margin. Management determined budgeted revenue and gross margin based on past performance and its expectation of market developments. The discount rates for the tests were based on a pre-tax discount rate of 10%. Judgement is required to determine key assumptions adopted in cash flow projections and changes to key assumptions can significantly affect cash flow projections and therefore the results of the impairment tests.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(continued)*

4.1 Impairment of leasehold land and property, plant and equipment *(continued)*

If the estimated revenue or the estimated gross profit margin applied to the discounted cash flows adopted in the value-in-use calculations had been 10% higher than management's estimates, the Group would be able to reduce impairment losses by HK$10,550,000 and HK$9,537,000 respectively that had been charged against these assets in current year.

4.2 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 adjust the depreciation where useful lives vary with previously estimated lives.

4.3 Estimated fair value of investment property

The fair value of investment property is determined individually at each balance sheet date by independent professional valuer by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net rental income/net income, after allowing for outgoings and in appropriate cases provisions for reversionary income potential. These methodologies are based upon estimates of future results and a set of assumptions as to income and expenses of the property and future economic conditions. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

4.4 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. The Group recognizes liabilities of anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

4.5 Provision for long service payments

The Group's provision for long service payment is determined with reference to expect closure of certain restaurants upon termination of the related leases, the statutory requirements, the employees' remuneration, their year of services and age profile, and demographic assumptions including, pre-retirement termination, involuntary termination, early retirement, normal retirement, death and disability. The basis of estimation is reviewed on an on-going basis and revised where appropriate. Any changes in these assumptions will impact the carrying amount of provision for long service payments and as a result affect the Group's financial condition and results of operations.

4.6 Provision for re-instatement costs

Provision for re-instatement costs is estimated and reassessed at each balance sheet date with reference to the recent actual re-instatement cost incurred for shops of similar attributes and latest available quotation from independent contractors. Estimation based on current market information may vary over time and could differ from the actual re-instatement cost upon closures or relocation of existing shop premises.

5. REVENUE AND SEGMENT INFORMATION

Turnover and revenue comprises takings and service charges less discounts and credit card commission from the restaurant operation. The Group's principal activity is the operation of restaurants and has only one major business segment.

Since all the Group's assets, liabilities and capital expenditure are located and utilized in Hong Kong, no geographical segment information is provided.

6. OTHER INCOME

	2009 HK$	2008 HK$
Management fee income	–	1,147,464
Interest income	2,886,236	11,447,654
Rental income from other properties	182,587	444,738
Rental income from investment property	458,179	–
Dividend income	168,516	57,637
	3,695,518	13,097,493

7. STAFF COSTS

	2009 HK$	2008 HK$
Wages and salaries, including directors' fees	109,429,016	117,124,140
Provision for termination benefits	1,271,663	110,009
Provision for leave balance	814,549	1,044,402
Retirement benefit costs – defined contribution schemes	5,387,101	5,653,223
Provision for/(reversal of provision for) long service payments *(Note 28)*	7,580,769	(1,317,471)
Other staff costs	4,722,893	4,716,143
	129,205,991	127,330,446

The Company adopted a new share option scheme pursuant to a resolution passed on 11 September 2008. No share option was granted under this scheme since its adoption and there was no share option outstanding during the years ended 31 March 2008 and 2009. The specific terms including exercise price, exercise period, vesting requirement for each grant will be determined by the Board at the time of grant.

7. STAFF COSTS *(continued)*

(a) Directors' and senior management's emoluments

	2009 HK$	2008 HK$
Fees	400,000	225,001
Other emoluments:		
Salary, housing and other allowances and benefits in kind	5,057,610	5,178,667
Employer's contribution to pension scheme	197,381	173,027
Discretionary bonus and profit sharing	113,315	368,216
	5,768,306	5,944,911

The remuneration of every director for the year ended 31 March 2009 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 HK$	Total HK$
Executive directors					
Mr. Chan Wai Cheung, Glenn	–	1,080,000	–	–	1,080,000
Mr. Chan Ka Lai, Joseph	–	1,129,050	56,453	48,250	1,233,753
Mr. Chan Ka Shun, Raymond	–	615,000	30,750	–	645,750
Mrs. Chan King Catherine	–	30,000	–	–	30,000
Mr. Chiu Wai	–	745,060	37,253	31,065	813,378
Mr. Lopez Moulet, Carmelo	–	643,500	32,175	–	675,675
Ms. Wong Tsui Yue, Lucy	–	815,000	40,750	34,000	889,750
Independent non-executive directors					
Dr. Cheung Wai Lam, William	80,000	–	–	–	80,000
Mrs. Fung Yeh Yi Hao, Yvette	80,000	–	–	–	80,000
Mr. Gooljarry, Cassam Soliman	80,000	–	–	–	80,000
Dr. Ho Sai Wah, David	80,000	–	–	–	80,000
Dr. Kwok Lok Wai, William	80,000	–	–	–	80,000
	400,000	5,057,610	197,381	113,315	5,768,306

7. STAFF COSTS *(continued)*

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

The remuneration of every director for the year ended 31 March 2008 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$
Executive directors					
Mr. Chan Wai Cheung, Glenn	–	1,685,000	–	–	1,685,000
Mr. Chan Ka Lai, Joseph	–	1,149,300	57,465	95,050	1,301,815
Mr. Chan Ka Shun, Raymond	16,667	140,323	7,500	–	164,490
Mrs. Chan King Catherine	–	30,000	–	–	30,000
Mr. Chiu Wai	–	740,130	37,007	97,598	874,735
Mr. Lopez Moulet, Carmelo	–	646,010	31,660	80,000	757,670
Ms. Wong Tsui Yue, Lucy	–	787,904	39,395	95,568	922,867
Independent non-executive directors					
Dr. Cheung Wai Lam, William	29,167	–	–	–	29,167
Mrs. Fung Yeh Yi Hao, Yvette	50,000	–	–	–	50,000
Mr. Gooljarry, Cassam Soliman	50,000	–	–	–	50,000
Dr. Ho Sai Wah, David	29,167	–	–	–	29,167
Dr. Kwok Lok Wai, William	50,000	–	–	–	50,000
	225,001	5,178,667	173,027	368,216	5,944,911

During the year, Mr. Chan Wai Cheung, Glenn waived housing allowance of HK$942,760 (2008: Nil)

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 (2008: 5) directors. The total emoluments payable to the 5 highest paid individuals during the year are as follows:

	2009 HK$	2008 HK$
Basic salaries and benefits in kind	**4,553,860**	5,008,344
Performance related bonuses	**145,815**	368,216
Pension contributions	**173,693**	165,527
	4,873,368	5,542,087

The emoluments of the 5 highest paid individuals.

	Number of individuals	
	2009	2008
Nil – HK$1,000,000	**3**	3
HK$1,000,001 – HK$1,500,000	**2**	1
HK$1,500,001 – HK$2,000,000	**–**	1
	5	5

During the year, one of the 5 highest paid individuals of the Group waived housing allowance of HK$942,760 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 LOSS

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

	2009 HK$	2008 HK$
Auditor's remuneration	770,174	1,079,293
Amortization of prepaid operating lease payments	861,147	563,927
Depreciation and impairment losses of property, plant and equipment		
Depreciation charge	12,795,945	13,717,788
Impairment losses	28,584,668	436,000
	41,380,613	14,153,788
Net losses on financial assets		
Financial assets at fair value through profit or loss		
– Listed equity securities	3,378,645	464,495
– Derivative financial instruments	1,469,145	(496,470)
– Financial assets designated as at fair value through profit or loss	6,464,016	2,706,210
	11,311,806	2,674,235
Available-for-sale financial assets	2,387,650	–
	13,699,456	2,674,235
Loss/(gain) on disposal of other plant and equipment	270,964	(111,000)
Net exchange loss/(gain)	39,131	(4,755)

9. INCOME TAX EXPENSE

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

	2009 HK$	2008 HK$
Current income tax		
Hong Kong profits tax	**131,109**	260,327
Over provision in prior years	**(57,714)**	(552)
Deferred income tax charge *(Note 29)*	**266,000**	762,000
	339,395	1,021,775

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits for the year.

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

	2009 HK$	2008 HK$
Loss before income tax	**(87,740,451)**	(5,802,016)
Calculated at a taxation rate of 16.5% (2008: 17.5%)	**(14,477,174)**	(1,015,353)
Income not subject to taxation	**(638,254)**	(2,373,214)
Expenses not deductible for taxation purposes	**6,303,350**	142,874
Over provision in prior years	**(57,714)**	(552)
Utilization of previously unrecognized temporary differences	**–**	(671,401)
Tax losses not recognized	**9,167,096**	3,939,421
Deferred tax assets written off	**250,000**	1,000,000
Utilization of previously unrecognized tax losses	**(207,909)**	–
Income tax expense	**339,395**	1,021,775

10. LOSS ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The loss attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$62,179,850 (2008: HK$9,531,532) (Note 27(b)).

11. DIVIDENDS

	2009 HK$	2008 HK$
Interim, paid, of HK1 cent (2008: HK1 cent) per ordinary share	**3,454,386**	3,454,386
Final, of Nil (2008: HK4 cents) per ordinary share	**–**	13,817,542
Write-back of unclaimed dividend	**(58,990)**	–
	3,395,396	17,271,928

No final dividend was proposed for the year ended 31 March 2009. The proposed final dividend for the year ended 31 March 2008 is not reflected as a dividend payable in these financial statements. It is reflected as an appropriation of retained earnings and is presented as dividend reserve in the balance sheet.

12. LOSSES PER SHARE

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

	2009 HK$	2008 HK$
Losses		
Loss attributable to shareholders of the Company	**(83,368,988)**	(6,463,168)

	2009	2008
Number of shares		
Weighted average number of ordinary shares in issue	**345,438,550**	345,438,550

No employee share options were outstanding at 31 March 2008 and 2009 and have no dilutive effect on basis losses per share.

NOTES TO THE FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings HK$	Leasehold improvements HK$	Air-conditioning plant HK$	Furniture, fixtures, and equipment HK$	Motor vehicles HK$	Total HK$
Year ended 31 March 2008						
Opening net book amount	8,193,180	5,906,777	3,765,435	8,929,610	2,387,484	29,182,486
Additions	11,896,515	16,306,030	4,281,639	11,421,549	538,071	44,443,804
Depreciation	(445,640)	(4,819,832)	(2,275,475)	(5,683,562)	(493,279)	(13,717,788)
Impairment losses	–	–	–	(436,000)	–	(436,000)
Closing net book amount	19,644,055	17,392,975	5,771,599	14,231,597	2,432,276	59,472,502
At 31 March 2008						
Cost	32,150,946	45,764,528	16,211,709	51,869,873	4,647,423	150,644,479
Accumulated depreciation and impairment losses	(12,506,891)	(28,371,553)	(10,440,110)	(37,638,276)	(2,215,147)	(91,171,977)
Net book amount	19,644,055	17,392,975	5,771,599	14,231,597	2,432,276	59,472,502
Year ended 31 March 2009						
Opening net book amount	**19,644,055**	**17,392,975**	**5,771,599**	**14,231,597**	**2,432,276**	**59,472,502**
Additions	**5,715,285**	**5,110,836**	**1,505,320**	**3,639,884**	**578,497**	**16,549,822**
Disposals	**–**	**(59,551)**	**(16,159)**	**(397,903)**	**–**	**(473,613)**
Transfer to investment property	**(5,613,036)**	**–**	**–**	**–**	**–**	**(5,613,036)**
Depreciation	**(816,576)**	**(5,668,859)**	**(1,802,331)**	**(3,948,988)**	**(559,191)**	**(12,795,945)**
Impairment losses	**(23,145)**	**(12,519,867)**	**(4,637,046)**	**(11,404,610)**	**–**	**(28,584,668)**
Closing net book amount	**18,906,583**	**4,255,534**	**821,383**	**2,119,980**	**2,451,582**	**28,555,062**
At 31 March 2009						
Cost	**22,896,786**	**28,127,613**	**9,386,045**	**22,889,472**	**2,482,615**	**85,782,531**
Accumulated depreciation and impairment losses	**(3,990,203)**	**(23,872,079)**	**(8,564,662)**	**(20,769,492)**	**(31,033)**	**(57,227,469)**
Net book amount	**18,906,583**	**4,255,534**	**821,383**	**2,119,980**	**2,451,582**	**28,555,062**

The Group's interests in buildings at their net book amounts are analyzed as follows:

	2009 HK$	2008 HK$
In Hong Kong, held on:		
Leases of between 10 to 50 years	**18,906,583**	19,644,055

Due to the economic downturn, the Group has assessed the recoverable amounts of certain buildings, leasehold improvements, air-conditioning plant and furniture, fixtures and equipment. Based on this assessment, the carrying amounts of property, plant and equipment was written down by HK$28,584,668 (included in "Depreciation and impairment losses of property, plant and equipment"). The estimates of recoverable amount was based on the higher of fair value less costs to sell and value in use by applying a discount rate at 10%.

13. 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 2008						
Opening net book amount	283,506	3,033,246	1,629,853	4,088,299	2,387,484	11,422,388
Additions	–	–	48,050	127,027	538,072	713,149
Depreciation	(8,100)	(1,885,440)	(544,485)	(1,493,689)	(493,279)	(4,424,993)
Closing net book amount	275,406	1,147,806	1,133,418	2,721,637	2,432,277	7,710,544
At 31 March 2008						
Cost	386,400	10,954,801	4,020,028	19,247,756	4,647,423	39,256,408
Accumulated depreciation	(110,994)	(9,806,995)	(2,886,610)	(16,526,119)	(2,215,146)	(31,545,864)
Net book amount	275,406	1,147,806	1,133,418	2,721,637	2,432,277	7,710,544
Year ended 31 March 2009						
Opening net book amount	**275,406**	**1,147,806**	**1,133,418**	**2,721,637**	**2,432,277**	**7,710,544**
Additions	**–**	**–**	**87,600**	**252,177**	**578,497**	**918,274**
Disposals	**–**	**(116,554)**	**(409,004)**	**(1,178,163)**	**(2,482,616)**	**(4,186,337)**
Depreciation	**(8,100)**	**(1,031,252)**	**(560,914)**	**(1,275,210)**	**(528,158)**	**(3,403,634)**
Impairment losses	**–**	**–**	**(251,100)**	**(520,441)**	**–**	**(771,541)**
Closing net book amount	**267,306**	**–**	**–**	**–**	**–**	**267,306**
At 31 March 2009						
Cost	**386,400**	**–**	**–**	**–**	**–**	**386,400**
Accumulated depreciation	**(119,094)**	**–**	**–**	**–**	**–**	**(119,094)**
Net book amount	**267,306**	**–**	**–**	**–**	**–**	**267,306**

The Company's interests in buildings at their net book amounts are analyzed as follows:

	2009 HK$	2008 HK$
In Hong Kong, held on:		
Leases of between 10 to 50 years	**267,306**	275,406

14. INVESTMENT PROPERTY

	2009 HK$	2008 HK$
At 1 April	–	–
Transfer from property, plant and equipment	5,613,036	–
Transfer from leasehold land	25,975,779	–
At 31 March	31,588,815	–

The Group's interest in investment property at the carrying value is analyzed as follows:

	2009 HK$	2008 HK$
In Hong Kong, held on:		
Leases of between 10 to 50 years	31,588,815	–

The investment property at 31 March 2009 were revalued on an open market value basis by independent professional valuers, Asset Appraisal Limited.

15. LEASEHOLD LAND

The Group's and the Company's interests in leasehold land represent prepaid operating lease payments and their net book values are analyzed as follows:

	Group		Company	
	2009 HK$	2008 HK$	2009 HK$	2008 HK$
In Hong Kong, held on:				
Leases of between 10 to 50 years	22,873,416	24,650,210	897,748	921,376

15. LEASEHOLD LAND *(continued)*

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
At 1 April	**24,650,210**	12,695,245	**921,376**	945,004
Additions	**31,388,715**	12,518,892	**–**	–
Transfer to investment property	**(25,975,779)**	–	**–**	–
Amortization of prepaid operating lease payments	**(861,147)**	(563,927)	**(23,628)**	(23,628)
Impairment losses upon transfer to investment property	**(5,182,137)**	–	**–**	–
Impairment losses	**(1,146,446)**	–	**–**	–
	(6,328,583)	–	**–**	–
At 31 March	**22,873,416**	24,650,210	**897,748**	921,376

16. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$	HK$
Unlisted shares, at cost	**85,738,424**	173,272,029
Loans to subsidiaries *(Note)*	**2,049,605**	2,049,605
	87,788,029	175,321,634
Provision for impairment losses	**(32,481,481)**	(24,125,634)
	55,306,548	151,196,000

Note: The loans to subsidiaries are unsecured and interest bearing at agreed interest rates and not expected to be repaid within the next 12 months. As at 31 March 2008 and 2009, the balances are denominated in HK$.

Details of the principal subsidiaries as at 31 March 2009 are set out in note 34.

17. INTEREST IN AN ASSOCIATED COMPANY

	Group	
	2009	2008
	HK$	HK$
At the beginning of the year	**3,396,857**	3,351,766
Share of an associated company	**1,693,088**	2,055,940
Dividends received from an associated company	**(1,050,000)**	(2,100,000)
Other equity movements	**(484,031)**	89,151
At the end of the year	**3,555,914**	3,396,857

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

Name	Place of incorporation and operation	Particulars of issued share capital	Assets HK$	Liabilities HK$	Revenue HK$	Profit HK$	Effective interest held by the Group	Principal activity
2008								
Wellcon Limited	Hong Kong	10,000 ordinary shares of HK$1 each	4,333,740	936,883	7,870,342	2,055,940	21%	Restaurant operator
2009								
Wellcon Limited	**Hong Kong**	**10,000 ordinary shares of HK$1 each**	**4,519,238**	**963,324**	**7,563,694**	**1,693,088**	**21%**	**Restaurant operator**

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Available-for-sale financial assets				
– Non-current portion	**8,461,160**	24,482,528	**8,461,160**	24,482,528
– Current portion	**–**	8,438,430	**–**	8,438,430
	8,461,160	32,920,958	**8,461,160**	32,920,958

All available-for-sale financial assets are unlisted debt securities. The fair value of unlisted securities is determined by reference to published price quotations in an open market.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

Available-for-sale financial assets are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
HK$	**7,244,360**	9,100,000	**7,244,360**	9,100,000
US$	**1,216,800**	23,820,958	**1,216,800**	23,820,958
	8,461,160	32,920,958	**8,461,160**	32,920,958

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as available for sale.

None of the financial assets is either past due or impaired.

19. INVENTORIES

	Group		Company	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Raw materials	**10,721,404**	11,091,987	**–**	1,980,732

20. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts are unsecured, interest free and repayable on demand except for an amount due from a subsidiary of HK$9,340,495 (2008: HK$9,340,495) which bears interest at 6% per annum. As at 31 March 2008 and 2009, the balances are denominated in HK$.

21. TRADE RECEIVABLES

The ageing analysis of the trade receivables is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Current to 30 days	**759,448**	1,115,553	**–**	248,109
31 to 60 days	**1,645**	30,740	**–**	6,506
Over 60 days	**–**	1,023	**–**	515
	761,093	1,147,316	**–**	255,130

The Group's sales are mainly conducted in cash or by credit cards. The Group's trade receivables are either repayable within one month or on demand and denominated in HK$. The fair value of the Group's trade receivables is approximately the same as the carrying value. The trade receivables included in the above ageing are considered not impaired as they are aged within the credit period granted and there is no recent history of default.

The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above. The Group does not hold any collateral as security.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Listed equity securities, Hong Kong	**2,052,165**	2,920,725	**1,693,275**	2,424,265
Derivative financial instruments	**385,853**	3,758,040	**385,853**	3,758,040
Financial assets designated as at fair value through profit or loss	**7,677,930**	8,993,790	**7,677,930**	8,993,790
	10,115,948	15,672,555	**9,757,058**	15,176,095
Market value of listed equity securities	**2,052,165**	2,920,725	**1,693,275**	2,424,265

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

The movements of financial assets designated as at fair value through profit or loss are analyzed as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
At the beginning of the year	**8,993,790**	–	**8,993,790**	–
Additions	**7,800,000**	11,700,000	**7,800,000**	11,700,000
Disposals	**(2,651,844)**	–	**(2,651,844)**	–
Fair value losses charged to consolidated income statement *(Note 8)*	**(6,464,016)**	(2,706,210)	**(6,464,016)**	(2,706,210)
At the end of the year	**7,677,930**	8,993,790	**7,677,930**	8,993,790

The maximum exposure to credit risk at the reporting date is the fair value of the financial assets designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are presented within "Operating activities" as part of changes in working capital in the cash flow statement (Note 30).

Changes in fair values of financial assets at fair value through profit or loss are recorded in "Net losses on financial assets at fair value through profit or loss" in the income statement.

The fair values of all financial assets at fair value through profit or loss are based on their current bid prices in an open market.

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Cash at bank and on hand	**32,465,291**	35,600,472	**17,278,789**	23,226,109
Short-term bank deposits	**107,010,052**	182,521,875	**107,010,052**	180,473,431
Other short-term highly liquid investments	**10,279**	11,633,648	**10,279**	11,633,648
	139,485,622	229,755,995	**124,299,120**	215,333,188

The effective interest rate on the Group's short-term bank deposits was 1.21% (2008: 3.66%); these deposits have maturities of less than 90 days.

23. CASH AND CASH EQUIVALENTS *(continued)*

At 31 March 2009, the carrying amounts of the cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2009 HK$	2008 HK$	**2009 HK$**	2008 HK$
HK$	**121,811,699**	211,647,928	**106,625,197**	197,225,121
US$	**17,672,891**	18,106,897	**17,672,891**	18,106,897
Others	**1,032**	1,170	**1,032**	1,170
	139,485,622	229,755,995	**124,299,120**	215,333,188

24. TRADE PAYABLES

The ageing analysis of the trade payables is as follows:

	Group		Company	
	2009 HK$	2008 HK$	**2009 HK$**	2008 HK$
Current to 30 days	**5,779,182**	12,950,965	**5,779,182**	12,950,965
31 to 60 days	**652,638**	563,980	**652,638**	563,980
Over 60 days	**502,748**	523,586	**502,748**	523,586
	6,934,568	14,038,531	**6,934,568**	14,038,531

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

25. SHARE CAPITAL

	2009 HK$	2008 HK$
Authorized		
400,000,000 ordinary shares of HK$0.1 each	**40,000,000**	40,000,000
Issued and fully paid		
345,438,550 ordinary shares of HK$0.1 each	**34,543,855**	34,543,855

26. RELATED-PARTY TRANSACTIONS

The Group is controlled by Well-Positioned, a company incorporated in British Virgin Islands, which owns 63.49% of the Company's shares at 31 March 2009. The remaining 36.51% 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.

On 5 November 2008, the Group entered into a sales and purchases agreement with Tipau Hong Kong Limited, which is beneficially wholly-owned by Mr. Chan Wai Cheung, Glenn, the Chairman of the Group and Mrs. Chan King Catherine, director of the Group, for the entire share capital of and the shareholder's loan owed by Custom Fit Investments Limited, whose principal asset is a real estate property in Hong Kong, at a consideration of HK$37,104,000.

The transaction was approved by the independent shareholders by way of poll in an extraordinary general meeting held on 9 December 2008.

27. 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$	Investment revaluation reserve HK$	Retained earnings HK$	Dividend reserve HK$	Total HK$
At 1 April 2007	142,700,422	2,015,597	164,074,263	10,363,157	319,153,439
Share of reserves of an associated company	–	89,151	–	–	89,151
Revaluation surplus of available-for-sale financial assets	–	1,982,528	–	–	1,982,528
Loss for the year	–	–	(6,463,168)	–	(6,463,168)
2006/07 final dividend paid	–	–	–	(10,363,157)	(10,363,157)
2007/08 interim dividend proposed	–	–	(3,454,386)	3,454,386	–
2007/08 interim dividend paid	–	–	–	(3,454,386)	(3,454,386)
2007/08 final dividend proposed	–	–	(13,817,542)	13,817,542	–
At 31 March 2008	142,700,422	4,087,276	140,339,167	13,817,542	300,944,407
At 1 April 2008 as per above	**142,700,422**	**4,087,276**	**140,339,167**	**13,817,542**	**300,944,407**
Share of deficit of an associated company	**–**	**(484,031)**	**–**	**–**	**(484,031)**
Revaluation deficit of available-for-sale financial assets	**–**	**(4,321,368)**	**–**	**–**	**(4,321,368)**
Loss for the year	**–**	**–**	**(83,368,988)**	**–**	**(83,368,988)**
Write-back of unclaimed dividend	**–**	**–**	**58,990**	**–**	**58,990**
2007/08 final dividend paid	**–**	**–**	**–**	**(13,817,542)**	**(13,817,542)**
2008/09 interim dividend proposed	**–**	**–**	**(3,454,386)**	**3,454,386**	**–**
2008/09 interim dividend paid	**–**	**–**	**–**	**(3,454,386)**	**(3,454,386)**
At 31 March 2009	**142,700,422**	**(718,123)**	**53,574,783**	**–**	**195,557,082**

27. RESERVES *(continued)*

(b) Company

	Share premium HK$	Investment revaluation reserve HK$	Retained earnings HK$	Dividend reserve HK$	Total HK$
At 1 April 2007	142,700,422	1,903,120	134,534,168	10,363,157	289,500,867
Revaluation surplus of available-for-sale financial assets	–	1,982,528	–	–	1,982,528
Loss for the year	–	–	(9,531,532)	–	(9,531,532)
2006/07 final dividend paid	–	–	–	(10,363,157)	(10,363,157)
2007/08 interim dividend proposed	–	–	(3,454,386)	3,454,386	–
2007/08 interim dividend paid	–	–	–	(3,454,386)	(3,454,386)
2007/08 final dividend proposed	–	–	(13,817,542)	13,817,542	–
At 31 March 2008	142,700,422	3,885,648	107,730,708	13,817,542	268,134,320
At 1 April 2008 as per above	**142,700,422**	**3,885,648**	**107,730,708**	**13,817,542**	**268,134,320**
Revaluation deficit of available-for-sale financial assets	**–**	**(4,321,368)**	**–**	**–**	**(4,321,368)**
Loss for the year	**–**	**–**	**(62,179,850)**	**–**	**(62,179,850)**
Write-back of unclaimed dividend	**–**	**–**	**58,990**	**–**	**58,990**
2007/08 final dividend paid	**–**	**–**	**–**	**(13,817,542)**	**(13,817,542)**
2008/09 interim dividend proposed	**–**	**–**	**(3,454,386)**	**3,454,386**	**–**
2008/09 interim dividend paid	**–**	**–**	**–**	**(3,454,386)**	**(3,454,386)**
At 31 March 2009	**142,700,422**	**(435,720)**	**42,155,462**	**–**	**184,420,164**

28. 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	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Provision for long service payments				
At the beginning of the year	**2,444,717**	4,117,152	**793,334**	1,011,849
Provision for/(reversal of provision for) the year *(Note 7)*	**7,580,769**	(1,317,471)	**2,609,128**	(164,962)
Amounts utilized	**(2,414,837)**	(354,964)	**(2,281,817)**	(53,553)
Less: non-current portion	**(3,325,331)**	(1,263,896)	**–**	(793,334)
Current portion	**4,285,318**	1,180,821	**1,120,645**	–

The Group's provision for long service payments is determined with reference to the statutory requirements, the employees' remuneration and their years of services and age profile. In addition, the provision has also taken into consideration of the expected closure of a number of existing restaurants at the end of respective lease contracts.

29. DEFERRED INCOME TAX

Deferred income tax is calculated on temporary differences under the liability method.

The movement on the net deferred income tax liabilities is as follows:

	Group	
	2009	2008
	HK$	HK$
At the beginning of the year	**124,000**	(638,000)
Charged to consolidated income statement *(Note 9)*	**266,000**	762,000
At the end of the year	**390,000**	124,000
It was analyzed as follows:		
Deferred income tax assets	**–**	(250,000)
Deferred income tax liabilities	**390,000**	374,000
Net deferred income tax liabilities	**390,000**	124,000
Provided for in respect of:		
Decelerated depreciation allowances	**–**	(250,000)
Accelerated depreciation allowances	**390,000**	374,000
Net deferred income tax liabilities	**390,000**	124,000

29. DEFERRED INCOME TAX *(continued)*

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefits through the future taxable profit is probable.

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Excess of depreciation over tax allowances	**2,734,746**	975,603	**322,430**	407,762
Tax losses that can be carried forward indefinitely	**25,140,731**	14,953,297	**12,282,537**	6,936,259
	27,875,477	15,928,900	**12,604,967**	7,344,021

30. CASH USED IN OPERATIONS

Reconciliation of loss before income tax to cash used in operations is as follows:

	2009	2008
	HK$	HK$
Loss before income tax	**(87,740,451)**	(5,802,016)
Adjustments for:		
Depreciation and impairment losses of property, plant and equipment	**41,380,613**	14,153,788
Impairment loss on leasehold land	**6,328,583**	–
Amortization of prepaid operating lease payments	**861,147**	563,927
Loss/(gain) on disposal of other plant and equipment	**270,964**	(111,000)
Net losses on financial assets	**13,699,456**	2,674,235
Share of profit of an associated company	**(1,693,088)**	(2,055,940)
Interest income	**(2,886,236)**	(11,447,654)
Operating loss before working capital changes	**(29,779,012)**	(2,024,660)
Increase in rental deposits paid	**(1,051,114)**	(4,118,483)
Decrease in inventories	**370,583**	2,450,639
Decrease in trade receivables	**386,223**	442,875
(Increase)/decrease in deposits, prepayments and other receivables	**(2,811,390)**	7,341,479
Increase in financial assets at fair value through profit or loss	**(5,755,199)**	(13,278,222)
Decrease in trade payables	**(7,103,963)**	(756,753)
Decrease in other payables and accrued charges	**(7,226,269)**	(3,039,878)
Increase in rental deposits received	**593,137**	69,155
Increase/(decrease) in provision for long service payments	**5,165,932**	(1,672,435)
Cash used in operations	**(47,211,072)**	(14,586,283)

31. COMMITMENTS

(a) Capital commitments

Capital expenditure commitments for property, plant and equipment at the balance sheet date but not yet incurred are as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Contracted but not provided for	**–**	157,000	**–**	157,000
Approved but not contracted for	**462,522**	17,572,000	**–**	8,352,000
	462,522	17,729,000	**–**	8,509,000

(b) Operating lease commitments

At 31 March 2009, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Within one year	**37,721,333**	41,190,412	**8,024,890**	19,989,147
After one year and within five years	**74,965,651**	89,566,088	**29,815,981**	26,825,625
Over five years	**11,124,609**	10,870,922	**11,124,609**	2,250,000
	123,811,593	141,627,422	**48,965,480**	49,064,772

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 2009, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2009	2008
	HK$	HK$
Within one year	**1,989,930**	130,508
After one year and within five years	**5,796,525**	2,550
	7,786,455	133,058

32. BANKING FACILITIES

At 31 March 2009, the Group had aggregate banking facilities of HK$12,000,000 (2008: HK$12,000,000) for bank overdrafts and bank guarantees. Some of the banking facilities were secured by corporate guarantees given by the Company.

At 31 March 2009, the facilities were utilized by the Group to the extent of approximately HK$6,053,468 (2008: HK$8,986,015) primarily for bank guarantees granted to third parties in lieu of rental and utility deposits.

33. EVENTS AFTER THE BALANCE SHEET DATE

The Company announced on 6 May 2009 that on 29 April 2009, the Company (as vendor) entered into an agreement with Big League Holdings Limited ("BLH", as purchaser), a trust company established by Mr. Chan Wai Cheung, Glenn, the chairman of the Company and Mr. Chan Wai Cheung, Glenn (as BLH's guarantor). Pursuant to the agreement, it was conditionally agreed that certain subsidiaries of the Group ("Advanced Caterers Group") will be disposed of to BLH at a total consideration of HK$114,000,000 (the "Disposal"). The consideration will be determined with reference to 1) the aggregate market value of property portfolio and financial instruments held by Advanced Caterers Group as at 31 March 2009; 2) the net carrying amounts of its remaining assets and liabilities, including property, plant and equipment, rental deposits, inventories, trade and other receivables, cash and cash equivalents, trade and other payables and provision for long service payments, as at the completion date, and 3) the 21% equity interests in an associated company. The properties were valued by an independent professional valuer at HK$81,840,000 on 31 March 2009. The Disposal is a major connected transaction as defined in the Listing Rules of the Stock Exchange and will be subject to the approval by independent shareholders at the extraordinary general meeting (the "EGM") to be held in August 2009.

On the same day, the controlling shareholder of the Company, Well-Positioned (as vendor), entered into an agreement with an independent third party, Money Success Limited (as purchaser) and Mr. Chan Wai Cheung, Glenn (as Well-Positioned's guarantor). Pursuant to this agreement, Well-Positioned conditionally agreed to sell 219,314,089 shares in the Company to Money Success Limited at HK$0.388 per ordinary share. According to Rule 26.1 of the Hong Kong Codes on Takeovers and Mergers, Money Success Limited will be required to make an unconditional mandatory general cash offer to all remaining shareholders for their shares in the Company at an offer price of HK$0.388 per ordinary share upon completion of the Disposal.

The Board intends to cancel the share premium account of the Company of approximately HK$142,700,000 as at 31 March 2009 by way of reduction of capital under the Company Ordinance ("Cancellation of the Share Premium Account"). The Cancellation of the Share Premium Account is conditional upon, inter alia, the approval of the shareholders by way of a special resolution at the EGM and the confirmation thereof by the Court of First Instance of the High Court, Hong Kong.

Subject to and upon the completion of the Disposal and the Cancellation of the Share Premium Account becoming effective, the board of directors will propose at the EGM that a special dividend of HK$0.52 per ordinary share (the "Proposed Special Dividend") will be distributed to the qualifying shareholders. The Proposed Special Dividend will be paid in cash out of the Company's reserves as partly contributed by the net proceeds to be received from the Disposal.

Further details of the Disposal and the other proposed transactions above will be included in the circular to be despatched to shareholders of the Company in July 2009.

NOTES TO THE FINANCIAL STATEMENTS

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is the particulars of the principal subsidiaries as at 31 March 2009:

Name of subsidiary	Place of incorporation and operation	Particulars of issued share 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%	Provision for management services
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
Custom Fit Investments Limited*	British Virgin Islands	1 ordinary share of US$1 each	100%	Investment holding
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
Sincere United Limited*	Hong Kong	2 ordinary shares of HK$1 each	100%	Provision for logistic services
Wealth Capture Limited*	Hong Kong	1 ordinary share of HK$1 each	100%	Property holding

*Note** These subsidiaries will become subsidiaries of Advance Caterers Group upon the completion of the reorganization for the purpose of the completion of the Disposal (Note 33).

FIVE-YEAR FINANCIAL INFORMATION

RESULTS

	For the year ended 31 March				
					(Restated)
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue (including discontinued bakery operation)	328,075	352,197	954,824	987,520	980,515
(Loss)/profit attributable to shareholders	(83,369)	(6,463)	226,683	39,666	55,256

ASSETS AND LIABILITIES

	At 31 March				
					(Restated)
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	280,157	398,833	671,498	750,898	721,299
Total liabilities	49,988	58,555	312,650	253,657	247,022
Net assets	230,169	340,278	358,848	497,241	474,277
Minority interests	68	4,790	5,151	108,941	101,503
Shareholders' equity	230,101	335,488	353,697	388,300	372,774