1. CORPORATE INFORMATION, GROUP REORGANISATION AND BASIS OF PRESENTATION

Corporate information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 26 June 2001 under the Companies Law (2001 Second Revision) of the Cayman Islands.

The principal activity of the Company is investment holding the principal activities of the Company's subsidiaries are the production, sales and distribution of bakery and other food products, the operation of a fast food outlet and the trading of wine. These principal activities have not changed during the year, except that the restaurant and fast food businesses were acquired and disposed of, respectively, during the year pursuant to the Group reorganisation as set out below. The principal activities of the subsidiaries are set in note 15 to the financial statements.

In the opinion of the directors, Cambo Enterprises Limited ("Cambo"), a company incorporated in Hong Kong, is the Company's ultimate holding company.

Group reorganisation

Pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 October 2001, the Company became the holding company of the companies now comprising the Group (the "Subsidiaries") on 16 August 2001. This was accomplished by the Company acquiring the entire issued share capital of E-Rapid Developments Limited ("E-Rapid"), a company incorporated in the British Virgin Islands (the "BVI") and the then holding company of the other subsidiaries as set out in note 15 to the financial statements, in consideration and in exchange for the Company's allotted and issued share capital.

As further detailed in the Company's prospectus dated 25 September 2001 (the "Prospectus"), the ongoing business concerns relating to the restaurant operations (the "Restaurant Business") operated by Cambo were transferred to Kamboat Chinese Cuisine Company Limited ("KCC"), a wholly-owned subsidiary of the Company, with effect from 15 August 2001. Since the date of the transfer, Cambo discontinued its activity of operating Chinese restaurants.

The ongoing business concerns relating to the fast food operations (the "Fast Food Business") operated by Kamboat Bakery Limited ("Kamboat Bakery"), a wholly-owned subsidiary of the Company, were transferred to a non-Group company beneficially held by Cambo, with effect from 15 August 2001. Since the date of the transfer, Kamboat Bakery discontinued its fast food operations.

1. CORPORATE INFORMATION, GROUP REORGANISATION AND BASIS OF PRESENTATION (continued)

Group reorganisation (continued)

Further details of the Group Reorganisation are set out in note 26 to the financial statements and in the Prospectus.

Basis of presentation

The Group Reorganisation involved companies under common control. The consolidated financial statements have been prepared using the merger basis of accounting in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for group reconstructions", issued by the Hong Kong Society of Accountants, as a result of the Group Reorganisation completed on 16 August 2001. Under this basis, the Company has been treated as the holding company of the Subsidiaries for the financial years presented, rather than from the date of its acquisition of the Subsidiaries on 16 August 2001. Accordingly, the consolidated results of the Group for the years ended 30 April 2001 and 2002 include the results of the Company and the Subsidiaries with effect from 1 May 2000 or since their respective dates of incorporation, where this is a shorter period. Pursuant to the Group Reorganisation, the results attributable to the Restaurant Business have been included in the consolidated financial statements of the Group with effect from 15 August 2001. The results attributable to the Fast Food Business have been excluded from the consolidated financial statements of the Group with effect from 15 August 2001.

In the opinion of the directors, the consolidated financial statements of the Group prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

All significant intercompany transactions and balances within the Group have been eliminated in the preparation of the consolidated financial statements. Comparative amounts have not been presented for the Company's balance sheet as the Company was not in existence as at 30 April 2001.

For information purposes only, the pro forma combined profit and loss accounts for the two years ended 30 April 2001 and 2002, presented below, include the results of the Company and its subsidiaries with effect from 1 May 2000 or since their respective dates of incorporation, where this is a shorter period, on a pro forma combined basis as if the current Group structure had been in existence throughout the two years ended 30 April 2001 and 2002. For the purpose of presenting the pro forma combined results of the Group, the results of the Restaurant Business have been included as if it had been transferred to the Group from Cambo as at the beginning of the earliest period presented. The results of the Fast Food Business have been excluded as if it had been transferred from the Group as at the beginning of the earliest period presented. This basis of presentation was adopted for the preparation of the accountants' report included in the Prospectus.

1. CORPORATE INFORMATION, GROUP REORGANISATION AND BASIS OF PRESENTATION (continued)

Basis of presentation (continued)

For information purposes only, the following are the pro forma combined profit and loss accounts of the Group for the two years ended 30 April 2001 and 2002:

	Note	**2002** **HK$'000**	2001 HK$'000
TURNOVER		**332,965**	308,929
Other revenue		**1,349**	207
Cost of inventories consumed		**(115,648)**	(97,708)
Staff costs		**(95,640)**	(78,218)
Operating lease rentals		**(40,450)**	(26,243)
Depreciation		**(14,942)**	(13,814)
Other operating expenses		**(59,959)**	(53,804)
PROFIT FROM OPERATING ACTIVITIES		**7,675**	39,349
Finance costs		**(570)**	(805)
PROFIT BEFORE TAX		**7,105**	38,544
Tax		**(376)**	(6,119)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**6,729**	32,425
EARNINGS PER SHARE – Basic	*13*	**HK1.64 cents**	HK9.40 cents

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following issued and revised Statements of Standard Accounting Practice ("SSAPs") are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs which have had a significant effect on the financial statements, are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of distributable reserves on a separate line within the capital and reserves section of the balance sheet.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are detailed in notes 24 and 30 to the financial statements, respectively.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. This SSAP has had no major impact on these financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The principal impact of this SSAP on these financial statements is the requirement to discount the amounts of provisions to their present value at the balance sheet date, where the effect of discounting is material. This SSAP has had no major impact on these financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. This SSAP has had no major impact on these financial statements.

SSAP 31 prescribes the recognition and measurement criteria for the impairment of assets. This SSAP has had no major impact on these financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no major impact on the preparation of these financial statements.

In addition to the above new and revised SSAPs, certain minor revisions to SSAP 17 "Property, plant and equipment" are effective for the first time for the current year's financial statements. The adoption of this revised SSAP has had no major impact on the current year's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of leasehold land and buildings, investment properties and short term investments, as further explained below.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) revenue from restaurant and fast food operations, when the catering services are provided to the customers;

(b) revenue from the sale of bakery and other food products and wine, on the transfer of ownership, which generally coincides with the time of delivery;

(c) rental income under operating leases, on a straight-line basis over the periods of the respective leases; and

(d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Leasehold buildings	2% or over the lease terms, whichever is shorter
Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	14% – 20%
Motor vehicles	20%
Utensils and supplies	$33^1/_3$%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

All of the Group's fixed assets, except for the investment properties, were stated at cost less accumulated depreciation prior to the listing of the Company's shares on the Stock Exchange. The financial effect arising from the remeasurement of certain of the Group's fixed assets on a valuation basis as a result of the listing, amounted to a surplus on revaluation in the amount of HK$200,000 which was recognised in the fixed asset revaluation reserve. Further details of the changes in accounting policy for the remeasurement of the Group's fixed assets are set out in note 14 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the carrying amount over the remaining term of the lease, and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Inventories

Inventories, representing food, beverages and bakery products, are stated at the lower of cost and net realisable value, after making due allowances for any obsolete or slow-moving items. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to disposal.

Accounts receivable

Accounts receivable, which generally have credit terms ranging from one month to three months, are recognised and carried at original invoiced amount, less provision for doubtful debts when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Short term investments

Short term investments are investments in listed debt securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

Coupon liabilities

Coupons are recorded as liabilities when sold. Coupons surrendered in exchange for cake and other food products during the year are recognised as sales using the weighted average coupon sales value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and is recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and are depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of distributable reserves within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of subsidiaries outside Hong Kong are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent cash, bank balances and deposits which are not restricted as to use.

Pension contributions

Certain employees of the Group had completed the required number of years of service under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong (the “Ordinance”) to be eligible for long service payments upon termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Ordinance. The Group’s contingent liabilities in respect of such payments are set out in note 29 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension costs (continued)

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all its employees. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

Continuing operations:

(a) the restaurant operations segment is engaged in the provision of catering services through the operation of a chain of Chinese restaurants in Hong Kong;

(b) the bakery, other food and beverage products segment is engaged in the manufacture and sale of bakery, other food and beverage products; and

(c) the others segment is engaged in the trading of wine.

4. SEGMENT INFORMATION (continued)

Discontinued operation (note 6):

(a) the fast food operations segment is engaged in the provision of catering services through the operation of a fast food outlet in Hong Kong.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

Group

	Continuing operations								Discontinued operation			
	Restaurant operations		Bakery, other food and beverage products operations		Others		Sub-total		Fast food operations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**172,046**	–	**104,841**	77,031	**–**	5,879	**276,887**	82,910	**1,594**	6,234	**278,481**	89,144
Other revenue	**98**	–	**902**	12	**–**	–	**1,000**	12	**1,225**	–	**2,225**	12
Total	**172,144**	–	**105,743**	77,043	**–**	5,879	**277,887**	82,922	**2,819**	6,234	**280,706**	89,156
Segment results	**10,068**	–	**(5,897)**	5,670	**–**	(10)	**4,171**	5,660	**872**	(411)	**5,043**	5,249
Unallocated other revenue											**258**	–
Unallocated expenses											**(488)**	–
Profit from operating activities											**4,813**	5,249
Finance costs											**(457)**	(188)
Profit before tax											**4,356**	5,061
Tax											**194**	(1,024)
Net profit from ordinary activities attributable to shareholders											**4,550**	4,037

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Continuing operations								Discontinued operation			
	Restaurant operations		Bakery, other food and beverage products operations		Others		Sub-total		Fast food operations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**88,276**	–	**66,026**	41,517	**–**	1,146	**154,302**	42,663	**–**	2,312	**154,302**	44,975
Unallocated assets											**204**	–
Total assets											**154,506**	44,975
Segment and total liabilities	**24,447**	–	**16,852**	21,136	**–**	1,155	**41,299**	22,291	**–**	19,271	**41,299**	41,562
Other segment information:												
Depreciation	**4,967**	–	**7,309**	4,022	**–**	–	**12,276**	4,022	**174**	–	**12,450**	4,022
Capital expenditure	**53,180**	–	**25,291**	27,952	**–**	–	**78,471**	27,952	**12**	751	**78,483**	28,703

(b) Geographical segments

No separate analysis of geographical segment information is presented as the Group's revenue and results are all derived from operations in Hong Kong.

5. TURNOVER

Turnover represents the receipts from the restaurant and fast food operations, the sale of bakery and other food products and wine trading, less discounts. All significant intra-group transactions have been eliminated in preparation of the consolidated financial statements.

6. DISCONTINUED OPERATION

On 28 June 2001, Kamboat Bakery entered into a business and asset transfer agreement with E D'or Seafood Restaurant Limited ("E D'or"), a non-Group company beneficially held by Cambo, pursuant to which, with effect from 15 August 2001, Kamboat Bakery sold the Fast Food Business to E D'or, at a nominal consideration of HK$1.

Since the date of disposal, the Group discontinued the Fast Food Business. The results of the Fast Food Business were accounted for up to the date of its disposal, at which time the assets and liabilities of the Fast Food Business were taken into account in the calculation of the gain on disposal of the Fast Food Business. Further details of the above disposal transaction are set out in notes 1 and 28(c) to the financial statements.

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	Group	
	2002	2001
	HK$'000	HK$'000
Cost of inventories consumed	**94,708**	30,941
Depreciation	**12,450**	4,022
Staff costs (including directors' remuneration – *note 8*):		
Wages and salaries	**76,843**	20,331
Pension contributions	**3,468**	369
	80,311	20,700
Minimum lease payments under operating leases on land and buildings, payable to:		
Third parties	**36,811**	10,779
Ultimate holding company	**60**	110
	36,871	10,889
Auditors' remuneration	**600**	120
Gain on disposal of fixed assets	**(865)**	–
Gain on disposal of Fast Food Business	**(1,174)**	–
Net realised gains on disposal of short term listed debt securities investments	**(18)**	–
Gross rental income	**(127)**	–
Less: Outgoings	**–**	–
Net rental income	**(127)**	–
Bank interest income	**(178)**	(12)

As at 30 April 2002, no inventories were stated at net realisable value (2001: nil).

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

The details of the remuneration of the Company's directors pursuant to Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Fees:		
Executive directors	**–**	–
Non–executive directors	**–**	–
Independent non-executive directors	**–**	–
	–	–
Other emoluments of executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	**1,200**	–
Pension contributions	**18**	–
	1,218	–
	1,218	–

The number of directors whose remuneration fell within the following band is as follows:

	Number of directors	
	2002	2001
Nil – HK$1,000,000	**10**	10

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

The five highest paid individuals during the year included one (2001: nil) director, details of whose remuneration have been disclosed above. Details of the remuneration of the remaining four (2001: five) non-director, highest paid individuals are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**2,042**	959
Pension contributions	**36**	17
	2,078	976

The number of non-director, highest paid individuals whose remuneration fell within the following band is as follows:

	Number of employees	
	2002	2001
Nil – HK$1,000,000	**4**	5

During the years ended 30 April 2001 and 2002, no emoluments were paid by the Group to the directors or any of the five non-director, highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 30 April 2001 and 2002.

In addition to the above remuneration, an aggregate total of 3,200,000 share options were granted to the four non-director, highest paid individuals in respect of their services to the Group and the Company, further details of which are set out in note 26 to the financial statements and in the section "Share option scheme" in the Report of the Directors.

9. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	HK$'000
Interest on bank loans	**239**	109
Interest on finance leases	**218**	79
	457	188

10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Deferred tax has been provided for the year under the liability method at the rate of 16% (2001: 16%) on timing differences arising between tax and accounting treatments.

	Group	
	2002	2001
	HK$'000	HK$'000
Current year provision	**130**	–
Deferred tax charge/(credit) – *note 25*	**(324)**	1,024
Tax charge/(credit) for the year	**(194)**	1,024

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the period from 26 June 2001 (date of incorporation) to 30 April 2002 was HK$4,771,000.

12. DIVIDENDS

	2002 HK$'000	2001 HK$'000
Interim and special dividends *(Note)*	**6,000**	236
Interim dividend – HK1 cent (2001: nil) per ordinary share	**4,600**	–
Proposed final dividend – HK0.5 cent (2001: nil) per ordinary share	**2,300**	–
	12,900	236

Note: The interim and special dividends for the year ended 30 April 2002 were paid by the Company to Cambo, during the period after the Group Reorganisation and before the listing of the Company's shares on the Stock Exchange. The interim and special dividends for the year ended 30 April 2001 were paid by certain subsidiaries of the Company to their then shareholders prior to the Group Reorganisation as set out in notes 1 and 26 to the financial statements. The rates of the dividends and the number of shares ranking for these dividends are not presented as the directors consider that such information is not meaningful for the purpose of these financial statements.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year, the Group adopted SSAP 9 (Revised) "Events after the balance sheet date", as detailed in note 2 to the financial statements. The effect of this change in accounting policy as at 30 April 2002, is that the current year's proposed final dividend of HK$2,300,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years it would have been recognised as a current liability at the balance sheet date.

13. EARNINGS PER SHARE

The calculation of basic earnings per share, on a consolidated basis, is based on the net profit from ordinary activities attributable to shareholders for the year ended 30 April 2002 of HK$4,550,000 (2001: HK$4,037,000) and the weighted average of 409,274,000 (2001: 345,000,000) ordinary shares in issue during the year.

For information purposes only, the calculation of pro forma basic earnings per share, on the pro forma combined basis as set out in note 1 to the financial statements, is based on the pro forma combined net profit from ordinary activities attributable to shareholders for the year ended 30 April 2002 of HK$6,729,000 (2001: HK$32,425,000) and the weighted average of 409,274,000 (2001: 345,000,000) ordinary shares in issue during the year.

The weighted average number of shares used to calculate the earnings per share, on both the consolidated and pro forma combined bases, for the year ended 30 April 2001 includes the pro forma issued share capital of the Company of 345,000,000 shares, comprising the 1,000,000 shares of the Company allotted and issued nil paid to Cambo on 3 July 2001, the 1,000,000 shares issued as consideration for the acquisition of the entire issued share capital of E-Rapid, the 2,000,000 additional shares issued pursuant to the sub-division from a nominal value of HK$0.10 per share to HK$0.05 per share and the capitalisation issue of 341,000,000 shares, as further detailed in note 26 to the financial statements. The weighted average number of shares used to calculate the earnings per share, on both the consolidated and pro forma combined bases, for the year ended 30 April 2002 includes the weighted average of the 64,274,000 shares issued upon the listing of the Company's shares on the Stock Exchange on 9 October 2001 in addition to the aforementioned 345,000,000 ordinary shares.

No diluted earnings per share amount, on either a consolidated or pro forma combined basis, is shown for the year ended 30 April 2002 as the effect of the Company's share options outstanding during the year ended 30 April 2002 was anti-dilutive. There were no potential dilutive ordinary shares in existence for the year ended 30 April 2001, and accordingly, no diluted earnings per share amount has been presented.

14. FIXED ASSETS

Group

	Leasehold land and buildings	Investment properties	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Utensils and supplies	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation:							
At beginning of year	4,210	–	12,260	14,442	3,017	1,717	35,646
Acquisition of Restaurant Business pursuant to Group Reorganisation	7,909	1,796	15,730	4,341	372	3,992	34,140
Additions	1,030	–	15,841	3,886	679	5,412	26,848
Disposal of Fast Food Business pursuant to Group Reorganisation	–	–	(1,422)	(499)	(608)	(8)	(2,537)
Disposals	–	–	–	(1,346)	–	–	(1,346)
Revaluation *(note 27)*	(38)	–	–	–	–	–	(38)
At 30 April 2002	13,111	1,796	42,409	20,824	3,460	11,113	92,713
Analysis of cost or valuation:							
At cost	–	–	42,409	20,824	3,460	11,113	77,806
At 2002 valuation	13,111	1,796	–	–	–	–	14,907
	13,111	1,796	42,409	20,824	3,460	11,113	92,713
Accumulated depreciation:							
At beginning of year	59	–	2,179	1,617	313	226	4,394
Provided during the year	179	–	6,548	2,989	618	2,116	12,450
Disposal of Fast Food Business pursuant to Group Reorganisation	–	–	(721)	(223)	(46)	(2)	(992)
Write-back on disposals	–	–	–	(353)	–	–	(353)
Write-back on revaluation *(note 27)*	(238)	–	–	–	–	–	(238)
At 30 April 2002	–	–	8,006	4,030	885	2,340	15,261
Net book value:							
At 30 April 2002	13,111	1,796	34,403	16,794	2,575	8,773	77,452
At 30 April 2001	4,151	–	10,081	12,825	2,704	1,491	31,252

14. FIXED ASSETS (continued)

The cost or valuation of the Group's leasehold land and buildings is analysed as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Leasehold land and buildings held under:		
Long term leases	**1,020**	–
Medium term leases	**12,091**	4,210
	13,111	4,210

The Group's investment properties were held under medium term leases. The leasehold land and buildings and investment properties are all situated in Hong Kong.

The Group's leasehold land and buildings were valued on an open market, existing use basis at 30 April 2002 by Castores Magi Surveyors Limited ("Castores Magi"), an independent firm of professional valuers, at HK$13,111,000. A surplus of HK$200,000 arising therefrom, which represented the excess of the revalued amounts over the then carrying values of the leasehold land and buildings, on an individual asset basis, has been credited to the fixed asset revaluation reserve (note 27).

Had the Group's leasehold land and buildings been stated at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK$12,911,000 (2001: HK$4,151,000).

The Group's investment properties were valued on an open market, existing use basis at 30 April 2002 by Castores Magi, at HK$1,796,000. No valuation surplus or deficit has arisen during the year.

The investment properties are leased to third parties under operating leases, further details of which are summarised in note 30(a) to the financial statements.

As at 30 April 2002, the Group's investment properties and certain leasehold land and buildings, with carrying values of HK$1,796,000 and HK$12,091,000, respectively, were pledged to secure banking facilities granted to the Group (note 23).

The net book values of the fixed assets of the Group held under finance leases included in the total amount of motor vehicles as at 30 April 2002 amounted to HK$2,241,000 (2001: HK$2,646,000).

15. INTERESTS IN SUBSIDIARIES

	2002 HK$'000
Unlisted shares, at cost	**82,072**
Due from subsidiaries	**36,105**
	118,177

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation and operations	Nominal value of issued and fully paid-up share/ capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
E-Rapid Developments Limited	BVI/ Hong Kong	Ordinary US$4	100	–	Investment holding
E-Sky Enterprises Limited	BVI/ Hong Kong	Ordinary US$1	–	100	Holding of trademarks
Effective China Limited*	BVI	Ordinary US$1	–	100	Yet to commence business
Inter Effect Limited*	BVI	Ordinary US$1	–	100	Investment holding
Kamboat Bakery Limited	Hong Kong	Ordinary HK$1,000,000	–	100	Bakery operations

15. INTERESTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation and operations	Nominal value of issued and fully paid-up share/ capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Kamboat Chinese Cuisine Company Limited	BVI/ Hong Kong	Ordinary US$1 Non-voting deferred *(Note)* US$101	–	100	Operations of Chinese restaurants
Kamboat Trading Limited	Hong Kong	Ordinary HK$2	–	100	Trading of wine

* *Incorporated during the year*

Note: The non-voting deferred shares carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding-up (other than the nominal amount paid up or credited as paid up on such shares, after the sum of US$100,000,000,000,000 has been distributed to the holders of the ordinary shares of the company in such winding-up).

16. DEPOSITS PAID FOR LONG TERM INVESTMENT

	Group	
	2002	2001
	HK$'000	HK$'000
Deposits paid for the acquisition of long term non-trading unlisted equity investment, at cost	**17,495**	–

On 15 March 2002, a conditional sale and purchase agreement ("S&P Agreement") was entered into between an independent third party and Inter Effect Limited ("Inter Effect"), a wholly wholly-owned subsidiary of the Company, pursuant to which, Inter Effect agreed to acquire the entire beneficial interest in the registered capital of 東莞新聯食品有限公司 ("新聯"), a wholly-owned foreign investment enterprise registered in the People's Republic of China (the "PRC"), for a consideration of HK$17,495,000 (the "Proposed Acquisition"). 新聯 is principally engaged in the manufacture and distribution of bakery and other food products. It is the Group's intention to utilise the manufacturing facilities of 新聯 located in the PRC for the processing and production of the Group's bakery and other food products.

Subsequent to the balance sheet date, on 14 May 2002, all conditions relating to the S&P Agreement were fulfilled and the Proposed Acquisition was completed (note 33).

17. ACCOUNTS RECEIVABLE

The general credit terms of the Group range from one month to three months. An aged analysis of the Group's accounts receivable as at balance sheet date, based on invoice date, is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Within 1 month	**1,997**	739
1 – 3 months	**101**	–
4 – 6 months	**318**	–
	2,416	739

18. STAFF ADVANCES

The staff advances represent advances to the non-director employees of the Group. The advances are unsecured, interest-free and are repayable in accordance with the repayment schedules agreed with the Group.

19. BALANCES WITH A RELATED COMPANY AND THE ULTIMATE HOLDING COMPANY

Particulars of the amount due from a related company of the Group disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

	30 April 2002	**Maximum amount outstanding during the year**	**1 May 2001**
	HK$'000	HK$'000	HK$'000
Hong Thai Citizens Travel Services Limited ("Hong Thai")	–	84	84

Hong Thai is a company in which Mr. Wong See Sum J.P., a director of the Company and a shareholder of the ultimate holding company of the Company, is a director and a shareholder.

The balance with the ultimate holding company was unsecured, interest-free and was repayable on demand. The balance with a related company was unsecured, interest-free and was repayable within one month.

20. SHORT TERM INVESTMENTS

	Group	
	2002	2001
	HK$'000	HK$'000
Listed debt securities investments outside Hong Kong, at market value	**4,032**	–

The market value of the Group's short term investments at the date of approval of the financial statements was approximately HK$4,205,000.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**8,711**	1,896	**204**	–
Time deposits	**5,000**	–	**–**	–
	13,711	1,896	**204**	–

Subsequent to the balance sheet date, the time deposits were pledged to as security for banking facilities granted to the Group by a bank.

.

22. ACCOUNTS PAYABLE

An aged analysis of the Group's accounts payable as at balance sheet date, based on invoice date, is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Within 1 month	**8,687**	3,135
1 – 3 months	**6,223**	2,367
4 – 6 months	**533**	–
	15,443	5,502

23. BANK LOANS

	Group	
	2002	2001
	HK$'000	HK$'000
Bank loans wholly repayable:		
Within one year	**1,144**	491
In the second year	**1,408**	526
In the third to fifth years, inclusive	**2,342**	1,393
	4,894	2,410
Portion classified as current liabilities	**(1,144)**	(491)
Long term portion	**3,750**	1,919

At 30 April 2002, the Group's banking facilities were secured by legal charges over certain of the leasehold land and buildings and investment properties (note 14) of the Group and were supported by a personal guarantee executed by a director of the Company and by corporate guarantees of the Company. The Group has received written consents in principle from the bank that those banking facilities supported by the personal guarantee executed by a director will be replaced by new banking facilities supported by corporate guarantees provided by the Company and/or other members of the Group.

24. FINANCE LEASE PAYABLES

The Group leases certain of its fixed assets (note 14). These leases are classified as finance leases and have remaining lease terms ranging from within one to two years.

At 30 April 2002, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
Group	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**1,088**	1,039	**940**	772
In the second year	**429**	919	**330**	824
In the third to fifth years, inclusive	**–**	492	**–**	441
Total minimum finance lease payments	**1,517**	2,450	**1,270**	2,037
Future finance charges	**(247)**	(413)		
Total net finance lease payables	**1,270**	2,037		
Portion classified as current liabilities	**(940)**	(772)		
Long term portion	**330**	1,265		

SSAP 14 was revised and implemented during the year, as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above.

25. DEFERRED TAX

Deferred tax for the year has been provided under the liability method at the rate of 16% (2001: 16%) on timing differences arising between tax and accounting treatments.

	Group	
	2002	2001
	HK$'000	HK$'000
Balance at beginning of year	**1,024**	–
Charge/(credit) for the year – *note 10*	**(324)**	1,024
At 30 April	**700**	1,024

The principal components of the Group's provision for deferred tax, and net deferred tax liabilities/(assets) not recognised are as follows:

	Provided		Unprovided	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accelerated depreciation allowances	**2,204**	1,024	**–**	171
Tax losses	**(1,504)**	–	**–**	(362)
	700	1,024	**–**	(191)

The revaluation of the Group's leasehold land and buildings and investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

The Company had no significant potential deferred tax liabilities or unprovided deferred tax at the balance sheet date.

26. SHARE CAPITAL

Shares

	2002 HK$'000
Authorised:	
4,000,000,000 ordinary shares of HK$0.05 each	200,000
Issued and fully paid:	
460,000,000 ordinary shares of HK$0.05 each	23,000

The following changes in the Company's authorised and issued share capital took place during the period from 26 June 2001 (date of incorporation) to 30 April 2002:

(a) On incorporation, the authorised share capital of the Company was HK$380,000 divided into 3,800,000 shares of HK$0.10 each.

(b) On 3 July 2001, one subscriber share of HK$0.10 was allotted and issued nil paid and then transferred to Cambo at nil consideration. On the same date, 999,999 shares of HK$0.10 each were allotted and issued nil paid to Cambo.

(c) On 16 August 2001, the authorised share capital of the Company was increased from HK$380,000 to HK$200,000,000 by the creation of an additional 1,996,200,000 shares of HK$0.10 each.

(d) On 16 August 2001, as part of the Group Reorganisation described in note 1 to the financial statements, the Company issued an aggregate of 1,000,000 shares of HK$0.10 each credited as fully paid as consideration for the acquisition of the entire issued share capital of E-Rapid. The excess of the fair value of the shares of E-Rapid, determined on the basis of its consolidated net assets at that date, over the nominal value of the Company's shares issued and credited as fully paid in exchange therefor, amounting to HK$81,872,000, was credited to the Company's share premium account as set out in note 27 to the financial statements.

26. SHARE CAPITAL (continued)

(e) On 16 August 2001, an amount of HK$100,000, being a portion of the amount credited to the share premium account of the Company on the issue of shares in exchange for the shares of E-Rapid as set out in (d) above, was applied to pay up, in full at par value, the 1,000,000 shares allotted and issued nil paid on 3 July 2001 as set out in (b) above.

(f) On 17 August 2001, every issued and unissued share of HK$0.10 in the share capital of the Company was sub-divided into two shares of HK$0.05 each.

(g) On 17 August 2001, a total of 341,000,000 shares of HK$0.05 each were allotted as fully paid at par to the holders of the shares whose names were registered on the register of members of the Company at the close of business on 17 August 2001, in proportion to their shareholdings, by way of the capitalisation of the sum of HK$17,050,000 standing to the credit of the share premium account of the Company ("Capitalisation Issue"). This allotment and capitalisation were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in (h) below.

(h) In connection with the Company's initial public offering, 115,000,000 shares of HK$0.05 each ("Offer Shares"), were issued at HK$0.5 each for a total cash consideration, before expenses, of HK$57,500,000. Dealings in the shares of the Company on the Stock Exchange commend on 9 October 2001.

26. SHARE CAPITAL (continued)

A summary of the above movements in the authorised and issued share capital of the Company is as follows:

	Notes	Number of authorised shares '000	Number of shares issued '000	Nominal value of shares issued HK$'000
On incorporation	*(a)*	3,800	–	–
Shares allotted and issued nil paid	*(b)*	–	1,000	–
Increase in authorised share capital	*(c)*	1,996,200	–	–
Shares issued as consideration for the acquisition of the entire issued share capital of E-Rapid	*(d)*	–	1,000	100
Application of share premium account to pay up nil paid shares issued	*(e)*	–	–	100
		2,000,000	2,000	200
Additional shares issued pursuant to sub-division from of nominal value of HK$0.10 per share to HK$0.05 per share	*(f)*	2,000,000	2,000	–
Capitalisation Issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of the Offer Shares	*(g)*	–	341,000	–
Pro forma issued share capital as at 30 April 2001		4,000,000	345,000	200
New issue on public listing	*(h)*	–	115,000	5,750
Capitalisation of the share premium account as set out above	*(g)*	–	–	17,050
As at 30 April 2002		4,000,000	460,000	23,000

26. SHARE CAPITAL (continued)

Share options

The Company operates a share option scheme, further details of which are set out under the section "Share option scheme" in the Report of the Directors.

On 4 December 2001, 4,600,000 share options were granted to certain employees of the Group which entitle them to subscribe for a total of 4,600,000 ordinary shares of the Company. The share options are exercisable at a price of HK$0.39 per share during the period from 4 December 2001 to 3 December 2004. The exercise in full of such share options would, under the capital structure of the Company existing at the balance sheet date, have resulted in the issue of 4,600,000 additional ordinary shares of HK$0.05 each at a total consideration of HK$1,794,000.

27. RESERVES

Group

	Share premium account	Fixed asset revaluation reserve	Retained profits/ (accumulated) losses)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 May 2000	800	–	(1,388)	(588)
Net profit for the year	–	–	4,037	4,037
Interim and special dividends – *note 12*	–	–	(236)	(236)
At 30 April 2001 and 1 May 2001	800	–	2,413	3,213
Arising on acquisition of Restaurant Business pursuant to Group Reorganisation	73,506	–	–	73,506
Issue of shares	51,750	–	–	51,750
Share issue expenses	(15,362)	–	–	(15,362)
Capitalisation issue of shares	(17,050)	–	–	(17,050)
Surplus on revaluation	–	200	–	200
Net profit for the year	–	–	4,550	4,550
Interim and special dividends – *note 12*	(6,000)	–	–	(6,000)
Interim dividend – *note 12*	–	–	(4,600)	(4,600)
Proposed final dividend – *note 12*	(2,300)	–	–	(2,300)
At 30 April 2002	85,344	200	2,363	87,907

27. RESERVES (continued)

Company

	Share premium account HK$'000	Retained profits HK$'000	Total HK$'000
Arising on acquisition of E-Rapid – *note 26*	81,872	–	81,872
Issue of shares	51,750	–	51,750
Share issue expenses	(15,362)	–	(15,362)
Capitalisation issue of shares	(17,050)	–	(17,050)
Net profit for the year	–	4,771	4,771
Interim and special dividends – *note 12*	(6,000)	–	(6,000)
Interim dividend – *note 12*	–	(4,600)	(4,600)
Proposed final dividend – *note 12*	(2,300)	–	(2,300)
At 30 April 2002	92,910	171	93,081

The share premium account of the Group includes (i) shares issued at a premium; and (ii) the difference between the nominal value of the share capital of the subsidiaries acquired, together with the share premium arising on the acquisition of the Restaurant Business pursuant to the Group Reorganisation set out in note 1 to the financial statements over the nominal value of the share capital of the Company issued in exchange therefor.

The share premium account of the Company includes (i) shares issued at a premium; and (ii) the difference between the nominal value of the shares of the Company issued in exchange for the issued share capital of the subsidiaries and the value of the underlying net assets of the subsidiaries pursuant to the Group Reorganisation as set out in note 1 to the financial statements. Under the Companies Law (2001 Second Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	Group	
	2002	2001
	HK$'000	HK$'000
Profit from operating activities	**4,813**	5,249
Bank interest income	**(178)**	(12)
Depreciation	**12,450**	4,022
Gain on disposal of fixed assets	**(865)**	–
Gain on disposal of Fast Food Business	**(1,174)**	–
Net realised gains on disposal of short term listed debt securities investments	**(18)**	–
Increase in rental and utility deposits	**(1,215)**	(3,950)
Decrease/(increase) in inventories	**1,087**	(2,622)
Decrease/(increase) in accounts receivable	**497**	(269)
Increase in staff advances	**(332)**	(488)
Decrease/(increase) in deposits, prepayments and other receivables	**7,198**	(2,716)
Decrease/(increase) in an amount due from a related company	**84**	(84)
Increase/(decrease) in accounts payable	**(1,370)**	5,137
Increase in accruals	**413**	3,500
Increase in coupon liabilities	**2,791**	5,293
Increase in other payables	**854**	429
Net cash inflow from operating activities	**25,035**	13,489

28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of Restaurant Business

	Group 2002 HK$'000	Group 2001 HK$'000
Net assets acquired:		
Fixed assets	**34,140**	–
Rental and utility deposits	**6,041**	–
Inventories	**18,532**	–
Accounts receivable	**2,174**	–
Deposits, prepayments and other receivables	**9,730**	–
Staff advances	**1,426**	–
Due from ultimate holding company	**29,212**	–
Cash and bank balances	**3,096**	–
Accounts payable	**(11,460)**	–
Accruals	**(3,282)**	–
Tax payable	**(9,180)**	–
Bank loans	**(6,897)**	–
Finance lease payables	**(26)**	–
Total net assets acquired	**73,506**	–

As part of the Group Reorganisation described in note 1 to the financial statements, on 15 August 2001, the Restaurant Business operated by Cambo was transferred to KCC at a consideration of HK73,506,000, which was settled by the allotment and issue of 100 ordinary shares of US$1 each in KCC to Cambo. The excess of the consideration over the nominal value of shares issued was credited to the share premium account (note 27).

Analysis of the net inflow of cash and cash equivalents in respect of the purchase of the Restaurant Business

	Group 2002 HK$'000	Group 2001 HK$'000
Cash and bank balances acquired	**3,096**	–

28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of Restaurant Business (continued)

During the year, the acquired Restaurant Business contributed HK$19,825,000 to the Group's net operating cash flows, paid HK$5,096,000 in respect of the cash flows for net returns on investments and servicing of finance, paid HK$7,562,000 in respect of tax, utilised HK$19,040,000 in respect of investing activities and contributed HK$14,828,000 in respect of financing activities.

Further details of the acquisition are included in note 1 to the financial statements.

The Restaurant Business acquired during the year contributed HK$172,046,000 to the Group's turnover and a net profit of HK$9,178,000 to the consolidated profit after tax for the year ended 30 April 2002.

(c) Disposal of Fast Food Business

	Group	
	2002	2001
	HK$'000	HK$'000
Net liabilities disposed of:		
Fixed assets	**1,545**	–
Rental and utility deposits	**456**	–
Inventories	**52**	–
Deposits, prepayments and other receivables	**87**	–
Cash and bank balances	**75**	–
Accounts payable	**(149)**	–
Accruals	**(286)**	–
Due to ultimate holding company	**(2,547)**	–
Finance lease payables	**(407)**	–
Total net liabilities disposed of	**(1,174)**	–
Gain on disposal of Fast Food Business	**1,174**	–
	–	–

As part of the Group Reorganisation described in note 1 to the financial statements, on 15 August 2001, the Fast Food Business operated by Kamboat Bakery was transferred to a non-Group company beneficially held by Cambo at a nominal consideration of HK$1.

28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Disposal of Fast Food Business (continued)

Analysis of the net outflow of cash and cash equivalents in respect of the disposal of the Fast Food Business

	Group	
	2002	2001
	HK$'000	HK$'000
Cash and bank balances disposed of	**75**	–

During the year, the disposed Fast Food Business had no significant impact on the cash flow of the Group for the year.

The Fast Food Business disposed of during the year contributed HK$1,594,000 to the Group's turnover and a net profit of HK$859,000 to the consolidated profit after tax for the year ended 30 April 2002. The gain on disposal of the Fast Food Business of HK$1,174,000 is included in the abovementioned net profit.

(d) Analysis of changes in financing during the year

	Issued capital (including share premium account)	**Due to ultimate holding company**	**Bank loans**	**Finance lease payables**
	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 May 2000	1,000	6,189	1,247	252
Inception of finance leases	–	–	–	2,570
Cash inflow/(outflow) from financing, net	–	14,210	1,163	(785)
Balance as at 30 April 2001 and at 1 May 2001	1,000	20,399	2,410	2,037
Inception of finance leases	–	–	–	679
Acquisition of Restaurant Business	73,506	(29,212)	6,897	26
Disposal of Fast Food Business	–	(2,547)	–	(407)
Interim and special dividends – *note 12*	(6,000)	–	–	–
Proposed final dividend – *note 12*	(2,300)	–	–	–
Cash inflow/(outflow) from financing, net	42,138	11,360	(4,413)	(1,065)
Balance as at 30 April 2002	108,344	–	4,894	1,270

28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(e) Major non-cash transactions

(i) The Group Reorganisation involved acquisition of the entire issued share capital of E-Rapid by the issue of shares of the Company, further details of which are set out in notes 1 and 26 to the financial statements.

(ii) As detailed in note (b) above, the Group acquired the Restaurant Business from Cambo at a consideration of HK$73,506,000, which was settled by way of an allotment and issue of 100 ordinary shares of US$1 each in KCC, to Cambo.

(iii) During the years ended 30 April 2001 and 2002, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK$2,570,000 and HK$679,000, respectively.

29. CONTINGENT LIABILITIES

Following the purchase of the Restaurant Business as detailed in notes 1, 26 and 28(b) to the financial statements, under the Ordinance and as detailed in note 3 to the financial statements, the Group's possible liabilities at 30 April 2002 would be approximately HK$4 million (2001: nil). No provision has been made for these amounts.

As at 30 April 2002, the Company has provided corporate guarantees to (i) landlords in respect of the operating lease payments of its subsidiaries; and (ii) banks in respect of banking facilities granted to its subsidiary.

30. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under non-cancellable operating lease arrangements with lease terms of three years.

At 30 April 2002, the Group had total future minimum lease rental receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Within one year	**132**	–
In the second to fifth years, inclusive	**121**	–
	253	–

30. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its restaurants, bakery outlets, bakery production workshops, staff quarters, offices and warehouses under non-cancellable operating lease arrangements with lease terms ranging from one to nine years.

At 30 April 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Within one year	**38,145**	15,130
In the second to fifth years, inclusive	**84,606**	16,661
After five years	**22,239**	–
	144,990	31,791

Certain operating lease arrangements were entered into by Cambo. Pursuant to the Group Reorganisation, the Group is currently in the process of novating the abovementioned operating lease arrangements to the Company's subsidiaries (note 32).

At 30 April 2002, the Company did not have any significant operating lease arrangements.

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required.

31. COMMITMENTS

In addition to the operating lease commitments detailed in note 30 above, the Group had the following commitments at the balance sheet date:

	Group	
	2002	2001
	HK$'000	HK$'000
Capital commitments contracted for		
Commitments in respect of purchases of fixed assets	**213**	773

At the balance sheet date, the Company did not have any significant capital commitments.

32. RELATED PARTY TRANSACTIONS

In addition to the transactions related to the Group Reorganisation and the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		2002	2001
	Notes	**HK$'000**	HK$'000
Sale of food and beverages to the ultimate holding company	*(i)*	**–**	5,880
Sale of food to a related company	*(ii)*	**387**	694
Purchases of food from the ultimate holding company	*(iii)*	**–**	339
Minimum lease payments under operating leases for land and buildings paid to the ultimate holding company	*(iv)*	**60**	110

Notes:

(i) During the year ended 30 April 2001, the Group sold food and beverages to Cambo. The directors considered that the sales were charged with reference to costs.

(ii) The Group made sale to Hong Thai. The directors consider that the sales were based on the published sales prices of the Group, less discounts ranging from 30% to 50%.

(iii) During the year ended 30 April 2001, the Group purchased food from Cambo. The directors considered the purchases of food were made with reference to costs.

32. RELATED PARTY TRANSACTIONS (continued)

(iv) Certain leased properties of Cambo are sub-leased to the Group for its bakery and other food product operations. The rental expenses were assessed by Castores Magi, an independent firm of professional valuers, on an open market, existing use basis.

(v) The Group's banking facilities are supported by a personal guarantee executed by Mr. Wong Chi Man, a director of the Company (note 23).

(vi) During the year, Cambo advanced HK$11,360,000 to the Group (2001: HK$14,210,000). A related company repaid HK$84,000 (2001: an advance of HK$84,000) to the Group. The balance with Cambo was unsecured, interest-free and was repayable on demand. The balance with a related company was unsecured interest-free and was repayable within one month. Further details are set out in note 19 to the financial statements.

(vii) Certain operating lease arrangements were entered into by Cambo. Pursuant to the Group Reorganisation, the Group is currently in the process of novating the abovementioned operating lease arrangements to the Company's subsidiaries (note 30).

Except for (ii), (v) and (vii) which also constitute connected transactions as defined under the Listing Rules, the remaining related party transactions did not continue after the completion of the Group Reorganisation.

33. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events occurred:

(i) As further described in note 16 to the financial statements, on 14 May 2002, the acquisition of 新聯 was completed. The total consideration of HK$17,495,000 was settled by the utilisation of the deposits as at 30 April 2002.

(ii) As further described in note 12 to the financial statements, the directors of the Company proposed the payment of a final dividend of HK$2,300,000, representing HK0.5 cent per share, in respect of the year ended 30 April 2002.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 August 2002.