1. 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 of the Cayman Islands.

The principal place of business of the Company is located at Unit G, 2nd Floor, Phase 2, Yip Fat Factory Building, 75 Hoi Yuen Road, Kwun Tong, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries have not changed significantly during the year and involve the operation of a chain of Chinese restaurants and the production, sale and distribution of bakery, and other food and beverage products. The principal activities of the principal subsidaries are set in note 17 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.

2. BASIS OF PRESENTATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 April 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group have been eliminated in the preparation of the consolidated financial statements.

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.

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.

2. BASIS OF PRESENTATION (continued)

The Group Reorganisation involved companies under common control. The consolidated financial statements for the year ended 30 April 2002 were 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 year 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 year ended 30 April 2002 include the results of the Company and the Subsidiaries with effect from 1 May 2001 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 for the year ended 30 April 2002 of the Group prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

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

The following new and revised SSAPs are effective for the first time in the preparation of the current year's financial statements:

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 33: "Discontinuing operations"
- SSAP 34: "Employee benefits"

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 adopting these SSAPs are summarised as follows:

SSAP 1 prescribes the basis of presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

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

SSAP 11 prescribes the basis for the translation of foreign currency transactions in the financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. Further details about the impact of this SSAP are given in the accounting policy for foreign currencies as set out in note 4 to the financial statements.

SSAP 15 prescribes the format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. The format of the consolidated cash flow statement and the notes thereto have been revised in accordance with the new requirements. In addition, the cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously, they were translated at the exchange rates at the balance sheet date. Further details of these changes are described in the accounting policy for foreign currencies as set out in note 4 to the financial statements.

SSAP 33 replaces the existing disclosure requirements for discontinuing operations, which were previously included in SSAP 2. The SSAP defines a discontinuing operation and prescribes when an enterprise should commence including discontinued operations disclosures in its financial statements and the disclosures required. The principal impact of the SSAP is that more extensive disclosures concerning the Group's discontinued operations are now included in the consolidated profit and loss account, consolidated cash flow statement and note 7 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits. Additional disclosures are now required in respect of the Company's share option scheme, as detailed in note 28 to the financial statements. These disclosures are similar to those previously required to be disclosed in the Report of the Directors by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and which are now included in the notes to the financial statements as a consequence of the SSAP.

4. 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 catering services are provided to customers;

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

(c) rental income under operating leases, on the straight-line basis over the lease terms; 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.

4. 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.

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 and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the then carrying amount over the remaining term of the lease. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of five years.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

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. 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, beverage 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.

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets (continued)

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 the capital and reserves section 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.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates 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 using the net investment method. The profit and loss accounts of subsidiaries outside Hong Kong are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purpose of the consolidated cash flow statement, the cash flows of subsidiaries outside Hong Kong are translated into Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of subsidiaries outside Hong Kong which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 3 to the financial statements, the profit and loss accounts of subsidiaries outside Hong Kong and the cash flows of subsidiaries outside Hong Kong were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements, while the adoption of the revised SSAP 15 has resulted in changes to the layout of the consolidated cash flow statement, but has had no material effect on the amounts previously reported in the prior year's financial statements.

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 and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Employment Ordinance long service payments

Certain employees of the Group have completed the required number of years of service under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong (the "Employment 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 Employment Ordinance.

A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources of the Group. The Group's contingent liabilities in respect of such payments are set out in note 31 to the financial statements.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. 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 an employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

5. SEGMENT INFORMATION

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 the 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; and

(b) the bakery, and other food and beverage products segment is engaged in the production, sale and distribution of bakery, and other food and beverage products.

Discontinued operation (note 7):

(a) the fast food operations segment was 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.

Intersegment sales and transfers are transacted at mutually agreed prices.

5. SEGMENT INFORMATION (continued)

(a) Business segments

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

Group	Continuing operations						Discontinued operation					
	Restaurant operations		Bakery, and other food and beverage products operations		Sub-total		Fast food operations		Eliminations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	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	**219,965**	172,046	**108,965**	104,841	**328,930**	276,887	**–**	1,594	**(4,024)**	–	**324,906**	278,481
Other revenue	**651**	98	**107**	902	**758**	1,000	**–**	1,225	**–**	–	**758**	2,225
Total	**220,616**	172,144	**109,072**	105,743	**329,688**	277,887	**–**	2,819	**(4,024)**	–	**325,664**	280,706
Segment results	**11,729**	10,068	**(14,824)**	(5,897)	**(3,095)**	4,171	**–**	872	**–**	–	**(3,095)**	5,043
Unallocated other revenue											**273**	258
Unallocated expenses											**(2,723)**	(488)
Profit/(loss) from operating activities											**(5,545)**	4,813
Finance costs											**(364)**	(457)
Profit/(loss) before tax											**(5,909)**	4,356
Tax											**(2,050)**	194
Net profit/(loss) from ordinary activities attributable to shareholders											**(7,959)**	4,550

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group	Continuing operations						Discontinued operation			
	Restaurant operations		Bakery, and other food and beverage products operations		Sub-total		Fast food operations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**81,842**	88,276	**66,714**	66,026	**148,556**	154,302	**–**	–	**148,556**	154,302
Unallocated assets									**1,124**	204
Total assets									**149,680**	154,506
Segment liabilities	**26,009**	24,447	**23,265**	16,852	**49,274**	41,299	**–**	–	**49,274**	41,299
Unallocated liabilities									**394**	–
Total liabilities									**49,668**	41,299
Other segment information:										
Depreciation and amortisation expenses	**8,995**	4,967	**11,129**	7,309	**20,124**	12,276	**–**	174	**20,124**	12,450
Unallocated amounts									**387**	–
									20,511	12,450
Capital expenditure	**9,351**	53,180	**13,983**	25,291	**23,334**	78,471	**–**	12	**23,334**	78,483
Unallocated amounts									**1,204**	–
									24,538	78,483

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group	Continuing operations						Discontinued operation			
	Restaurant operations		Bakery, and other food and beverage products operations		Sub-total		Fast food operations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revaluation deficit on leasehold land and buildings	**49**	–	**–**	–	**49**	–	**–**	–	**49**	–
Provision for bad and doubtful debts	**67**	–	**100**	–	**167**	–	**–**	–	**167**	–
Revaluation deficit on investment properties	**36**	–	**–**	–	**36**	–	**–**	–	**36**	–
Loss/(gain) on disposal of fixed assets	**316**	–	**318**	(865)	**634**	(865)	**–**	–	**634**	(865)
Gain on disposal of Fast Food Business	**–**	–	**–**	–	**–**	–	**–**	(1,174)	**–**	(1,174)
Net realised gains on disposal of short term listed debt securities investments	**(181)**	–	**–**	–	**(181)**	–	**–**	–	**(181)**	–
Unrealised holding gains on short term listed debt securities investments	**(172)**	–	**–**	–	**(172)**	–	**–**	–	**(172)**	–

(b) Geographical segments

Over 90% of the Group's revenue is attributable to its operations in Hong Kong. Accordingly, a further analysis by geographical segment is not presented.

6. TURNOVER

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

7. DISCONTINUED OPERATION

Pursuant to the Group Reorganisation in connection with the Company's listing, 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 2 and 30(b) to the financial statements.

The turnover, other revenue, expenses and results of the Fast Food business for the period from 1 May to 15 August 2001 (date of disposal) were as follows:

	HK$'000
TURNOVER	1,594
Other revenue and gains	51
Cost of inventories consumed	(474)
Staff costs	(522)
Operating lease rentals	(352)
Depreciation	(175)
Other operating expenses	(424)
Gain on disposal of Fast Food Business	1,174
PROFIT FROM OPERATING ACTIVITIES	872
Finance costs	(13)
PROFIT BEFORE TAX	859
Tax	–
PROFIT AFTER TAX	859

8. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

		Group	
		2003	2002
	Notes	**HK$'000**	HK$'000
Cost of inventories consumed		**111,605**	94,708
Depreciation	*15*	**19,313**	12,450
Amortisation of goodwill*	*16*	**1,198**	–
Staff costs (including directors' remuneration – *note 9*):			
Wages and salaries		**86,392**	76,843
Pension scheme contributions		**3,475**	3,468
		89,867	80,311
Minimum lease payments under operating leases on land and buildings, payable to:			
Third parties		**42,045**	36,811
Ultimate holding company		**–**	60
		42,045	36,871
Auditors' remuneration		**600**	600
Provision for bad and doubtful debts		**167**	–
Revaluation deficit on leasehold land and buildings	*15*	**49**	–
Revaluation deficit on investment properties	*15*	**36**	–
Loss/(gain) on disposal of fixed assets		**634**	(865)
Gain on disposal of Fast Food Business	*7*	**–**	(1,174)
Net realised gains on disposal of short term listed debt securities investments		**(181)**	(18)
Unrealised holding gains on short term listed debt securities investments		**(172)**	–
Gross rental income		**(146)**	(127)
Less: Outgoings		**–**	–
Net rental income		**(146)**	(127)
Bank interest income		**(92)**	(178)

As at 30 April 2003, no inventories were stated at net realisable value (2002: Nil).

* The amortisation of goodwill for the year is included in "Depreciation and amortisation expenses" on the face of the consolidated profit and loss account.

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

The details of the remuneration of the Company's directors pursuant to Appendix 16 of the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

	Group	
	2003	2002
	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	**3,067**	1,200
Pension scheme contributions	**36**	18
	3,103	1,218
	3,103	1,218

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

	Number of directors	
	2003	2002
Nil – HK$1,000,000	**10**	10
HK$1,500,001 – HK$2,000,000	**1**	–
	11	10

No emoluments were paid by the Group to the directors 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 year.

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

During the year, 1,260,000 share options, as adjusted for the effect of the consolidation of the Company's shares during the year, were granted to the directors in respect of their services to the Group, further details of which are set out in note 28 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account.

The five highest paid individuals during the year included two (2002: one) directors, details of whose remuneration have been disclosed above. Details of the remuneration of the remaining three (2002: four) non-director, highest paid individuals are as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**1,639**	2,042
Pension scheme contributions	**36**	36
	1,675	2,078

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

	Number of employees	
	2003	2002
Nil – HK$1,000,000	**3**	4

During the years ended 30 April 2002 and 2003, no emoluments were paid by the Group to 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.

In addition to the above remuneration, an aggregate total of 1,200,000 share options, as adjusted for the effect of the share consolidation of the Company's shares during the year, were granted to the three non-director, highest paid individuals in respect of their services to the Group and the Company during the year, further details of which are set out in note 28 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account.

10. FINANCE COSTS

	Group	
	2003	2002
	HK$'000	HK$'000
Interest on bank loans	**216**	239
Interest on finance leases	**148**	218
	364	457

11. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 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 17.5% (2002: 16%) on timing differences arising between tax and accounting treatments.

	Group	
	2003	2002
	HK$'000	HK$'000
Current year provision	**975**	130
Deferred tax charge/(credit) – *note 27*	**1,075**	(324)
Tax charge/(credit) for the year	**2,050**	(194)

12. NET PROFIT/(LOSS) 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 year ended 30 April 2003 was HK$220,000 (26 June 2001 (date of incorporation) to 30 April 2002: HK$4,771,000).

13. DIVIDENDS

	2003 HK$'000	2002 HK$'000
Interim and special dividends *(Note)*	**–**	6,000
Interim dividend – HK3.0 cents* (2002: HK5.0 cents*) per ordinary share	**2,760**	4,600
Proposed final dividend – HK1.5 cent (2002: HK2.5 cents*) per ordinary share	**1,365**	2,300
	4,125	12,900

* Adjusted for the effect of the consolidation of shares during the year ended 30 April 2003.

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 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.

14. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders for the year ended 30 April 2003 of HK$7,959,000 (2002: net profit of HK$4,550,000) and the weighted average of 91,766,000 (2002: 81,855,000) ordinary shares in issue during the year. The weighted average number of shares outstanding for the year ended 30 April 2002 has been retrospectively adjusted for the effect of the consolidation of shares during the current year.

No diluted earnings per share amount is shown for the years ended 30 April 2003 and 2002 as the effect of the Company's share options outstanding during these years was anti-dilutive.

15. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Investment properties HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Utensils and supplies HK$'000	Total HK$'000
Cost or valuation:							
At beginning of year	13,111	1,796	42,409	20,824	3,460	11,113	92,713
Additions	6,256	–	7,665	5,880	1,136	3,601	24,538
Disposals	(1,025)	–	(649)	(350)	(141)	–	(2,165)
Acquisition of a subsidiary *(note 30(a))*	–	–	360	1,393	155	–	1,908
Revaluation	18	(36)	–	–	–	–	(18)
At 30 April 2003	18,360	1,760	49,785	27,747	4,610	14,714	116,976
Analysis of cost or valuation:							
At cost	–	–	49,785	27,747	4,610	14,714	96,856
At 2003 valuation	18,360	1,760	–	–	–	–	20,120
	18,360	1,760	49,785	27,747	4,610	14,714	116,976
Accumulated depreciation:							
At beginning of year	–	–	8,006	4,030	885	2,340	15,261
Provided during the year	363	–	10,171	5,026	912	2,841	19,313
Write-back on disposals	(11)	–	(649)	(80)	(12)	–	(752)
Write-back on revaluation	(352)	–	–	–	–	–	(352)
At 30 April 2003	–	–	17,528	8,976	1,785	5,181	33,470
Net book value:							
At 30 April 2003	18,360	1,760	32,257	18,771	2,825	9,533	83,506
At 30 April 2002	13,111	1,796	34,403	16,794	2,575	8,773	77,452

15. FIXED ASSETS

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

	Group	
	2003	2002
	HK$'000	HK$'000
Leasehold land and buildings held under:		
Long term leases	**–**	1,020
Medium term leases	**18,360**	12,091
	18,360	13,111

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 revalued individually on an open market, existing use basis at 30 April 2003 by Castores Magi Surveyors Limited ("Castores Magi"), an independent firm of professional valuers, at HK$18,360,000. A revaluation surplus aggregating HK$419,000 and revaluation deficit aggregating HK$49,000 arising therefrom, have been credited to the fixed asset revaluation reserve and charged to the profit and loss account, respectively.

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$17,990,000 (2002: HK$12,911,000).

The Group's investment properties were revalued on an open market, existing use basis at 30 April 2003 by Castores Magi, at HK$1,760,000. A revaluation deficit of HK$36,000 has been charged to the profit and loss account.

The investment properties are leased to third parties under operating leases, further details of which are summarised in note 32(a) to the financial statements.

As at 30 April 2003, the Group's investment properties and certain leasehold land and buildings, with carrying values of HK$1,760,000 and HK$15,940,000, respectively, were pledged to secure banking facilities granted to the Group (note 25).

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 2003 amounted to HK$1,384,000 (2002: HK$2,241,000).

16. GOODWILL

The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of a subsidiary during the year, is as follows:

Group	**HK$'000**
Cost:	
Acquisition of a subsidiary *(note 30(a))* and at 30 April 2003	**5,989**
Accumulated amortisation:	
Provided during the year and at 30 April 2003	**1,198**
Net book value:	
At 30 April 2003	**4,791**

17. INTERESTS IN SUBSIDIARIES

	2003 **HK$'000**	2002 HK$'000
Unlisted shares, at cost	**82,072**	82,072
Due from subsidiaries	**31,709**	36,105
Due to subsidiaries	**(499)**	–
	113,282	118,177

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

17. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid-up share/ capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Kamboat China Limited (Formerly Effective China Limited)	BVI/ Mainland China	Ordinary US$1	–	100	Investment holding and operation of a Chinese restaurant
Kamboat Bakery Limited	Hong Kong	Ordinary HK$1,000,000	–	100	Bakery operations
Kamboat Chinese Cuisine Company Limited	BVI/ Hong Kong	Ordinary US$1 Non-voting deferred *(Note)* US$101	–	100	Operation of Chinese restaurants
東莞新聯食品有限公司(“新聯”)*	The PRC/ Mainland China	HK$7,582,000	–	100	Manufacture of bakery and other food products
廣東金龍船飲食顧問有限公司#	The PRC	Nil#	–	100	Yet to commence business

17. INTERESTS IN SUBSIDIARIES (continued)

* Acquired during the year and is a wholly foreign-owned enterprise in the PRC (Notes 18 and 30(a) to the financial statements).

Established during the year and is a wholly foreign-owned enterprise registered in the PRC. The registered share capital is HK$1,000,000 and no share capital was paid up as at 30 April 2003.

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).

18. DEPOSITS PAID FOR A LONG TERM INVESTMENT

	Group	
	2003	2002
	HK$'000	HK$'000
Deposits paid for the acquisition of a 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 Jin Long Chuan Group Limited ("JLC Limited"), a wholly-owned subsidiary of the Company, pursuant to which, JLC Limited agreed to acquire the shareholders' loan and the entire beneficial interest in the registered capital of 新聯, a wholly-owned foreign investment enterprise registered in 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.

During the year, on 14 May 2002, all conditions relating to the S&P Agreement were fulfilled and the Proposed Acquisition was completed, as detailed in note 30(a) to the financial statements.

19. ACCOUNTS RECEIVABLE

The general credit terms granted by 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	
	2003	2002
	HK$'000	HK$'000
Within 1 month	**764**	1,997
1 – 3 months	**376**	101
4 – 6 months	**35**	318
	1,175	2,416

20. 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.

21. DUE FROM A RELATED 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 2003	**Maximum amount outstanding during the year**	**1 May 2002**
	HK$'000	HK$'000	HK$'000
Hong Thai Citizens Travel Services Limited ("Hong Thai")	287	287	–

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.

22. SHORT TERM INVESTMENTS

	Group	
	2003	2002
	HK$'000	HK$'000
Listed debt securities investments outside Hong Kong, at market value	**4,779**	4,032

23. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**6,460**	8,711	**41**	204
Time deposits	**–**	5,000	**–**	–
	6,460	13,711	**41**	204

24. ACCOUNTS PAYABLE

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

	Group	
	2003	2002
	HK$'000	HK$'000
Within 1 month	**6,910**	8,687
1 – 3 months	**7,933**	6,223
4 – 6 months	**446**	533
6 – 12 months	**479**	–
Over 1 year	**446**	–
	16,214	15,443

25. BANK LOANS

	Group	
	2003	2002
	HK$'000	HK$'000
Bank loans wholly repayable:		
Within one year	**3,226**	1,144
In the second year	**1,894**	1,408
In the third to fifth years, inclusive	**3,499**	2,342
	8,619	4,894
Portion classified as current liabilities	**(3,226)**	(1,144)
Long term portion	**5,393**	3,750

25. BANK LOANS (continued)

The Group's banking facilities were secured by:

(i) legal charges over certain of the leasehold land and buildings and investment properties of the Group (note 15);

(ii) a corporate guarantee executed by the Company;

(iii) corporate guarantees executed by certain subsidiaries of the Company; and

(iv) a personal guarantee executed by a director of the Company, which was released during the year.

26. FINANCE LEASE PAYABLES

The Group leases certain of its fixed assets (note 15). These leases are classified as finance leases and have remaining lease terms within one year.

At 30 April 2003, 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	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**429**	1,088	**330**	940
In the second year	**–**	429	**–**	330
Total minimum finance lease payments	**429**	1,517	**330**	1,270
Future finance charges	**(99)**	(247)		
Total net finance lease payables	**330**	1,270		
Portion classified as current liabilities	**(330)**	(940)		
Long term portion	**–**	330		

27. DEFERRED TAX

Deferred tax for the year has been provided under the liability method at the rate of 17.5% (2002: 16%) on timing differences arising between tax and accounting treatments.

	Group	
	2003	2002
	HK$'000	HK$'000
Balance at beginning of year	**700**	1,024
Charge/(credit) for the year – *note 11*	**1,075**	(324)
At 30 April	**1,775**	700

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

	Provided		Unprovided	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accelerated depreciation allowances	**1,075**	2,204	**–**	–
Tax losses	**–**	(1,504)	**–**	–
	1,075	700	**–**	–

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.

28. SHARE CAPITAL

Shares

	2003 **HK$'000**	2002 HK$'000
Authorised:		
800,000,000 ordinary shares of HK$0.25 each (2002: 4,000,000,000 ordinary shares of HK$0.05 each)	**200,000**	200,000
Issued and fully paid:		
90,969,000 ordinary shares of HK$0.25 each (2002: 460,000,000 ordinary shares of HK$0.05 each)	**22,742**	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 2 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 Development Limited ("E-Rapid"), a wholly-owned subsidiary of the Company. 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 29 to the financial statements.

28. 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$0.50 each for a total cash consideration, before expenses, of HK$57,500,000. Dealings in the shares of the Company on the Stock Exchange commenced on 9 October 2001.

28. SHARE CAPITAL (continued)

Details of the movements in the authorised and issued share capital of the Company during the year ended 30 April 2003 are as follows:

(i) The Company repurchased 5,155,000 of its ordinary shares of HK$0.05 each on the Stock Exchange, the summary details of which are as follows:

Month	Number of shares repurchased	Price per share Highest	Lowest	Total price paid
		HK$	HK$	HK$'000
January 2003	1,395,000	0.115	0.105	154
February 2003	3,500,000	0.130	0.111	409
March 2003	260,000	0.122	0.122	32
	5,155,000			595

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares, of HK$337,000, has been charged to the share premium account in accordance with the provisions of the Companies Law of the Cayman Islands. An amount equivalent to the par value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

The repurchases of the Company's shares during the year were effected by the directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

(j) Pursuant to a resolution passed at an extraordinary general meeting of the Company held on 11 March 2003, every five issued and unissued shares of HK$0.05 each were consolidated into one share of HK$0.25 each.

28. 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 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 1 May 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 and 1 May 2002, at HK$0.05 each		4,000,000	460,000	23,000
Repurchase of shares	*(i)*	–	(5,155)	(258)
Consolidation of shares	*(j)*	(3,200,000)	(363,876)	–
As at 30 April 2003, at HK$0.25 each		800,000	90,969	22,742

28. SHARE CAPITAL (continued)

Share option scheme

SSAP 34 was adopted during the year, as explained in note 3 and under the heading "Share option scheme" in note 4 to the financial statements. As a result, these detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including non-executive directors, other employees of the Group, and any other groups or classes of suppliers, customers, sub-contractors or agents of the Group from time to time determined by the directors as having contributed or who may contribute to the development and growth of the Group. The Scheme became effective on 9 October 2001 and, unless otherwise cancelled or amended, remains in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the official closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

28. SHARE CAPITAL (continued)

Share option scheme (continued)

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. An option may be exercised in accordance with the terms of the Scheme at any time during the period commencing from the date on which the option is deemed to be granted and accepted and expiring on a date to be notified by the directors to each grantee, which shall not be more than 10 years from the date on which the option is deemed to be granted and accepted. There is no minimum holding period before an option may be exercised.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

28. SHARE CAPITAL (continued)

Share option scheme (continued)

The following share options were outstanding during the year:

Name or category of participant	Number of share options: At 1 May 2002	Granted during the year	Lapsed during the year	At 30 April 2003	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$	Price of Company's shares at grant date of options*** HK$
Directors								
Mr. Wong Chi Man	–	800,000	–	800,000	17 September 2002	17 September 2002 to 16 September 2007	0.660	0.660
Mr. Wong Chi Wing, Tenny	–	100,000	–	100,000	14 June 2002	14 June 2002 to 13 June 2005	1.575	1.575
Mr. Chang Kai Mo#	160,000	–	–	160,000	4 December 2001	4 December 2001 to 3 December 2004	1.950	1.900
	–	100,000	–	100,000	14 June 2002	14 June 2002 to 13 June 2005	1.575	1.575
	–	260,000	–	260,000	28 January 2003	28 January 2003 to 27 January 2006	0.578	0.535
	160,000	360,000	–	520,000				
Sub-total	160,000	1,260,000	–	1,420,000				
Non-director employees								
In aggregate	760,000	–	–	760,000	4 December 2001	11 December 2001 to 10 December 2004	1.950	1.900
	–	1,600,000	(200,000)	1,400,000	14 June 2002	14 June 2002 to 13 June 2005	1.575	1.575
	–	400,000	(100,000)	300,000	10 July 2002	10 July 2002 to 9 July 2005	1.500	1.500
	–	120,000	–	120,000	17 September 2002	17 September 2002 to 16 September 2007	0.660	0.660
	–	1,700,000	–	1,700,000	17 January 2003	17 January 2003 to 16 January 2006	0.565	0.565
	–	260,000	–	260,000	30 January 2003	30 January 2003 to 29 January 2006	0.546	0.540
Sub-total	760,000	4,080,000	(300,000)	4,540,000				
Total	920,000	5,340,000	(300,000)	5,960,000				

28. SHARE CAPITAL (continued)

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital, and accordingly, has been adjusted for the share consolidation during the year (see "Note" below).

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange's closing price on the trading date immediately prior to the date of the grant of the share options, as adjusted for the share consolidation during the year (see "Note" below).

\# Mr. Chang Kai Mo was appointed as an executive director during the year.

Note:

Pursuant to a resolution passed at an extraordinary general meeting of the Company held on 11 March 2003, every five issued and unissued shares of HK$0.05 each were consolidated into one share of HK$0.25 each. Accordingly, the numbers of the share options and the exercise prices of the share options as shown above have been adjusted for the consolidation of shares. The prices of the Company's shares at the grant dates of the options shown above have also been adjusted for the share consolidation, in order to provide a meaningful comparison.

At the balance sheet date, the Company had 5,960,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in issue of 5,960,000 additional ordinary shares of the Company and additional share capital of HK$1,490,000 and share premium of HK$5,134,000 (before issue expenses).

Subsequent to the balance sheet date, 520,000 share options lapsed after Mr. Chang Kai Mo resigned as a director of the Company. In addition, a total of 860,000 share options lapsed upon the termination of certain employees' employment.

29. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

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 4 to the financial statements, over the nominal value of the share capital of the Company issued in exchange therefor.

Company

	Share premium account HK$'000	**Capital redemption reserve** HK$'000	**Retained profits/ (accumulated losses)** HK$'000	**Total** HK$'000
Arising on acquisition of E-Rapid – *note 28*	81,872	–	–	81,872
Issue of shares – *note 28*	51,750	–	–	51,750
Share issue expenses – *note 28*	(15,362)	–	–	(15,362)
Capitalisation issue of shares – *note 28*	(17,050)	–	–	(17,050)
Net profit for the year	–	–	4,771	4,771
Interim and special dividends – *note 13*	(6,000)	–	–	(6,000)
Interim dividend – *note 13*	–	–	(4,600)	(4,600)
Proposed final dividend – *note 13*	(2,300)	–	–	(2,300)
At 30 April 2002 and 1 May 2002	92,910	–	171	93,081
Repurchase of shares – *note 28*	(337)	258	(258)	(337)
Interim dividend – *note 13*	(2,760)	–	–	(2,760)
Net profit for the year	–	–	220	220
Proposed final dividend – *note 13*	(1,365)	–	–	(1,365)
At 30 April 2003	88,448	258	133	88,839

29. RESERVES (continued)

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 2 to the financial statements. Under the Companies Law 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.

The capital redemption reserve represents the amount by which the Company's issued share capital has been diminished on cancellation of the shares repurchased. Under the Companies Law of the Cayman Islands, the capital redemption reserve may be applied by the Company in paying up its unissued shares to be allocated to members of the Company as fully paid bonus shares.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary/Restaurant Business

	Group	
	2003	2002
	HK$'000	HK$'000
Net assets acquired:		
Fixed assets	**1,908**	34,140
Rental and utility deposits	**8,545**	6,041
Inventories	**200**	18,532
Accounts receivable	**–**	2,174
Deposits, prepayments and other receivables	**160**	9,730
Staff advances	**19**	1,426
Due from ultimate holding company	**–**	29,212
Cash and bank balances	**1,004**	3,096
Accounts payable	**(223)**	(11,460)
Accruals	**(107)**	(3,282)
Tax payable	**–**	(9,180)
Bank loans	**–**	(6,897)
Finance lease payables	**–**	(26)
Total net assets acquired	**11,506**	73,506
Goodwill on acquisition	**5,989**	–
	17,495	73,506

The consideration of HK$17,495,000 for the acquisition of the subsidiary during the current year was settled by the deposit paid as at 30 April 2002 (note 18).

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(a) Acquisition of a subsidiary/Restaurant Business (continued)

During the prior year, as part of the Group Reorganisation described in note 2 to the financial statements, on 15 August 2001, the Restaurant Business operated by Cambo was transferred to KCC at a consideration of HK$73,506,000, 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.

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary in the current year and the purchase of the Restaurant Business in the prior year is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Cash and bank balances acquired	**1,004**	3,096

The subsidiary acquired during the current year made no significant contribution to the Group's turnover and consolidated loss from operating activities. Further details of the acquisition are included in note 18 to the financial statements.

The Restaurant Business acquired during the prior 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 that year.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Disposal of Fast Food Business

	Group	
	2003	2002
	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 the 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 as stated in note 2 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.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Disposal of Fast Food Business (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the Fast Food Business is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Cash and bank balances disposed of	**–**	75

The Fast Food Business disposed of during the year ended 30 April 2002 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 that year. The gain on disposal of the Fast Food Business of HK$1,174,000 is included in the above-mentioned net profit.

31. CONTINGENT LIABILITIES

At 30 April 2003, a number of current employees had achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance should their employment be terminated under certain prescribed circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that there will be a material future outflow of resources from the Group in respect thereof.

The Group has a contingent liability in respect of possible future payments to employees under the Employment Ordinance, as detailed under the heading "Employee benefits" in note 4 to the financial statements, with a maximum possible amount of HK$3.7 million (2002: HK$4.0 million) as at 30 April 2003.

As at 30 April 2003 and 2002, the Company 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 subsidiaries.

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under non-cancellable operating lease arrangements with lease terms of two years.

At 30 April 2003, the Group had total future minimum lease rental receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Within one year	**121**	132
In the second to fifth years, inclusive	**–**	121
	121	253

(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 two to twenty years.

At 30 April 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Within one year	**37,257**	38,145
In the second to fifth years, inclusive	**63,178**	84,606
After five years	**34,476**	22,239
	134,911	144,990

Certain of these 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 34).

At 30 April 2003, the Company did not have any significant operating lease arrangements.

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32 above, the Group had the following commitments at the balance sheet date:

	Group	
	2003	2002
	HK$'000	HK$'000
Capital commitments contracted for		
Commitments in respect of investments in subsidiaries	**1,414**	–
Commitments in respect of purchases of fixed assets	**–**	213
Commitments in respect of leasehold improvements	**1,932**	–

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

34. 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:

		2003	2002
	Notes	**HK$'000**	HK$'000
Sales of food to a related company	*(i)*	**713**	387
Minimum lease payments under operating leases for land and buildings paid to the ultimate holding company	*(ii)*	**–**	60

Notes:

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

(ii) During the year ended 30 April 2002, certain leased properties of Cambo were 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.

34. RELATED PARTY TRANSACTIONS (continued)

(iii) The Group's banking facilities were supported by a personal guarantee executed by Mr. Wong Chi Man, a director of the Company (note 25) during the year ended 30 April 2002. Such guarantee was released during the year.

(iv) 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).

35. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the presentation of the financial statements and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 August 2003.