

Notes to the Accounts

1. BASIS OF PREPARATION

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties are stated at fair value.

In the current year, the Group adopted the revised Statement of Standard Accounting Practice ("SSAP") No. 12 "Income Taxes" (Revised) issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The principal effect of implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has no material effect on the results for the prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Company controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

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

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortized goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognized in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

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

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(a) Group accounting *(continued)*

(ii) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

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

(iii) Translation of foreign currencies

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

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

(b) Intangible assets

(i) Goodwill

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

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

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

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

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Intangible assets *(continued)*

(ii) Trademark

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

(iii) Impairment of intangible assets

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

(c) Investment properties

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

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

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

(d) Fixed assets

(i) Other properties

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

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

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(d) Fixed assets *(continued)*

(ii) *Kitchen utensils, uniforms and other operating equipment*

Initial purchase costs of utensils, china, glasses, plates, uniforms and linen incurred for the opening of new restaurants and bakery outlets are capitalized as equipment. Depreciation is calculated to write off their costs less accumulated impairment losses over the unexpired periods of the leases or their expected useful lives to the Group on a straight-line basis. The annual rate used for this purpose is 15%. Costs of subsequent replacement for these assets are charged to the profit and loss account in the year in which such expenditure is incurred.

(iii) *Leasehold improvements*

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

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

(iv) *Other tangible fixed assets*

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

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

(v) *Impairment*

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

(vi) *Gain or loss on disposal of fixed assets*

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) Assets under operating leases

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

(f) Other investments

Other investments represent club debentures, which are stated at cost less accumulated impairment losses.

(g) Inventories

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

(h) Trade receivables

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

(i) Cash and cash equivalents

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

(j) Provisions

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

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

(k) Cake coupon liabilities

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

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(l) Deferred taxation

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

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

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the SSAP 12 (Revised) represents a change in accounting policy, which has no material effect on the results of the Group for the prior years.

(m) Revenue recognition

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

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

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

Rental income is recognized on an accrual basis over the lease period. Restaurant management and administrative fees are recognized when services are rendered.

(n) Employee benefits

(i) *Employee leave entitlements*

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

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

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(n) Employee benefits *(continued)*

(ii) Pension obligations

The Group operates the following principal defined contribution pension schemes:

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

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

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

(iii) Equity compensation benefits

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

(o) Segment reporting

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

Unallocated revenue mainly represents rental income from properties and gain on disposal of an investment property while unallocated expenses represent deficit on revaluation of properties and loss on deemed disposal of a subsidiary. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash and exclude items such as investments, taxation recoverable, deferred tax assets and investment properties. Segment liabilities comprise operating liabilities and exclude items such as taxation payable and deferred tax liabilities. Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

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

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(p) Contingent liabilities

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

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

3. TURNOVER, REVENUE AND SEGMENT INFORMATION

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

	Group	
	2004	2003
	<i>HK\$</i>	<i>HK\$</i>
Turnover		
Restaurant operation	406,936,493	465,256,215
Bakery operation	531,895,312	488,482,773
	938,831,805	953,738,988
Other revenues		
Interest income	1,782,826	2,640,494
Rental income from investment properties	4,058,877	1,699,303
Rental income from other properties	568,711	–
Restaurant management and administrative fees	–	374,591
	6,410,414	4,714,388
Total revenues	945,242,219	958,453,376

Primary reporting format – business segments

For management purpose, the Group is currently organized into two operating divisions – restaurant and bakery. These divisions are the basis on which the Group reports its primary segment information.

- Restaurant operation – operating restaurants of different cuisine
- Bakery operation – manufacturing and selling of bakery products and operating eateries which are undertaken by Saint Honore Holdings Limited (“SHHL”) and its subsidiaries (“SHHL Group”)

Sales or other transactions between the business segments have been eliminated from the above.

Notes to the Accounts

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

An analysis of the Group's turnover and results by business segments is as follows:

	Restaurant HK\$	2004 Bakery HK\$	Group HK\$	Restaurant HK\$	2003 Bakery HK\$	Group HK\$
Turnover	406,936,493	537,515,842	944,452,335	465,256,215	494,492,281	959,748,496
Inter-segment sales	–	(5,620,530)	(5,620,530)	–	(6,009,508)	(6,009,508)
Segment turnover	<u>406,936,493</u>	<u>531,895,312</u>	<u>938,831,805</u>	<u>465,256,215</u>	<u>488,482,773</u>	<u>953,738,988</u>
Segment results	<u>4,267,388</u>	<u>44,660,915</u>	<u>48,928,303</u>	<u>(30,662,835)</u>	<u>29,075,960</u>	<u>(1,586,875)</u>
Unallocated revenue			13,431,666			1,699,303
Unallocated expenses			(6,684,647)			(41,305,970)
Operating profit/(loss)			55,675,322			(41,193,542)
Share of net profits/(losses) of associated companies	487,402	–	487,402	(782,568)	–	(782,568)
Profit/(loss) before taxation			56,162,724			(41,976,110)
Taxation			(8,604,194)			(7,319,936)
Profit/(loss) after taxation			47,558,530			(49,296,046)
Minority interests			(19,199,256)			(8,924,509)
Profit/(loss) attributable to shareholders			<u>28,359,274</u>			<u>(58,220,555)</u>
Segment assets	260,462,678	369,477,980	629,940,658	279,156,999	328,205,822	607,362,821
Investments in associated companies	1,888,057	–	1,888,057	3,488,949	–	3,488,949
Unallocated assets			77,678,001			17,533,178
Total assets			<u>709,506,716</u>			<u>628,384,948</u>
Segment liabilities	69,877,925	178,317,019	248,194,944	60,337,427	184,408,008	244,745,435
Unallocated liabilities			4,045,373			5,812,526
Total liabilities			<u>252,240,317</u>			<u>250,557,961</u>
Capital expenditure	31,850,427	37,135,523	68,985,950	21,244,750	28,432,208	49,676,958
Depreciation	16,746,645	29,823,206	46,569,851	22,287,654	28,623,126	50,910,780
Amortization charge	154,568	4,600,000	4,754,568	195,466	4,600,000	4,795,466
(Reversal of)/provision for impairment losses, revaluation (gain)/loss and gain on disposal of properties	(1,644,918)	(7,159,160)	(8,804,078)	36,720,000	4,585,970	41,305,970
Impairment loss of goodwill	–	–	–	10,067,315	–	10,067,315

Unallocated revenue included a gain on disposal of an investment property amounting to HK\$7,159,160.

Secondary reporting format – geographical segments

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

Notes to the Accounts

4. OPERATING PROFIT/(LOSS)

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

	Group	
	2004 HK\$	2003 HK\$
Auditors' remuneration	1,330,597	1,400,738
Non-audit service fees paid to the Company's auditors	452,050	364,950
(Reversal of)/provision for impairment losses, revaluation (gain)/loss and gain on disposal of properties		
(Reversal of)/provision for impairment losses of other properties	(1,094,918)	33,900,000
(Gain)/loss on revaluation of investment properties	(550,000)	7,405,970
Gain on disposal of an investment property	(7,159,160)	–
	(8,804,078)	41,305,970
(Gain)/loss on disposal of other fixed assets	(935,575)	3,049,938
Net exchange losses	289,961	494,955
One-off expenses incurred on restaurant closures		
Compensation for early termination of lease	–	4,292,000
Additional accrual for long service payments	–	1,472,000
Severance payment and other termination wages	–	2,138,535
Write-off of fixed assets	–	9,814,551
	–	17,717,086

5. TAXATION

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

	Group	
	2004 HK\$	2003 HK\$
Current taxation		
Hong Kong profits tax	7,105,799	7,330,730
Overseas taxation	2,422,127	639,601
Overprovision in prior years	(70,503)	(630,193)
Deferred taxation (<i>note 24</i>)	(1,111,523)	(214,942)
	8,345,900	7,125,196
Share of taxation attributable to associated companies	258,294	194,740
	8,604,194	7,319,936

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits for the year. In 2003, the Hong Kong Government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

Notes to the Accounts

5. TAXATION *(continued)*

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	Group	
	2004	2003
	HK\$	HK\$
Profit/(loss) before taxation	<u>56,162,724</u>	<u>(41,976,110)</u>
Calculated at a taxation rate of 17.5% (2003: 16%)	9,828,477	(6,716,178)
Effect of different taxation rates in other countries	(350,539)	(8,477)
Income not subject to taxation	(1,928,332)	(418,276)
Expenses not deductible for taxation purposes	2,233,403	5,773,337
Overprovision in prior years	(70,503)	(630,193)
Utilization of previously unrecognized tax losses	(10,594)	(6,486)
Unrecognized temporary differences	(3,429,423)	4,606,131
Tax losses not recognized	2,069,026	4,328,630
Increase in opening net deferred tax liabilities resulting from an increase in taxation rate	88,709	–
Others	<u>173,970</u>	<u>391,448</u>
Taxation charge	<u>8,604,194</u>	<u>7,319,936</u>

6. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit/(loss) attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$15,352,691 (2003: loss of HK\$67,383,797).

7. DIVIDENDS

	Group	
	2004	2003
	HK\$	HK\$
Write-back of unclaimed dividend	–	(49,465)
Interim, paid, of HK1.0 cent (2003: Nil) per ordinary share	3,238,486	–
Final, proposed, of HK3.5 cents (2003: HK1.5 cents) per ordinary share <i>(Note 23(a))</i>	<u>11,513,551</u>	<u>4,695,429</u>
	<u>14,752,037</u>	<u>4,645,964</u>

At a meeting held on 8 July 2004 the directors declared a final dividend of HK3.5 cents per ordinary share for the year ended 31 March 2004. This proposed dividend is not reflected as a dividend payable in these accounts. It is reflected as an appropriation of retained earnings and is presented as a dividend reserve in the balance sheet.

Notes to the Accounts

8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share is based on the following:

	2004 HK\$	2003 HK\$
Earnings/(loss)		
Earnings/(loss) for the purpose of the calculation of basic earnings/(loss) per share	28,359,274	(58,220,555)
Adjustment to the share of results of a subsidiary based on the dilution of the subsidiary's earnings per share	(751,355)	N/A
Earnings for the purpose of the calculation of diluted earnings per share	27,607,919	N/A
	2004	2003
Number of shares		
Weighted average number of ordinary shares for the purpose of the calculation of basic earnings/(loss) per share	316,954,073	312,970,253
Effect of dilutive potential ordinary shares	5,116,318	N/A
Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share	322,070,391	N/A

Diluted loss per share for the year ended 31 March 2003 has not been disclosed as the share options outstanding during that year had an anti-dilutive effect on the basic loss per share for that year.

9. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Group	
	2004 HK\$	2003 HK\$
Wages and salaries, including directors' fees	287,137,584	284,985,210
Termination benefits	279,052	2,641,991
Unused annual leave	968,425	1,512,611
Retirement benefit costs – defined contribution schemes (Note 10)	13,042,990	13,662,684
(Reversal of)/provision for long service payments (Note 20)	(2,870,858)	2,631,405
Other staff costs	12,841,920	13,720,056
	311,399,113	319,153,957

Notes to the Accounts

10. RETIREMENT BENEFIT COSTS

The Group participates in MPF Schemes and the Group's contributions to these schemes are set at 5% of employees' relevant income up to a maximum of HK\$1,000 per employee per month ("Mandatory Contributions") except for some managerial staff whose monthly contributions are not capped at that absolute amount. The Mandatory Contributions to MPF Schemes are fully and immediately vested on the employees as accrued benefits once they are paid. The Group's contributions in excess of the Mandatory Contributions are voluntary contributions which are subject to a vesting scale.

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

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

Aggregate amount of unvested benefits accrued to the Group during the year amounted to HK\$292,999 (2003: HK\$211,889). The aggregate amount of unvested benefits refunded to the Group was HK\$220,332 (2003: HK\$135,322). At 31 March 2004, the aggregate amount of unvested benefits not yet refunded was HK\$154,627 (2003: HK\$81,960).

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year were as follows:

	2004 HK\$	2003 HK\$
Directors' fees	250,000	457,500
Other emoluments:		
Basic salaries and benefits in kind	7,701,182	7,449,115
Performance related bonuses	2,596,000	930,000
Pension contributions	203,227	199,338
	<u>10,750,409</u>	<u>9,035,953</u>

For both years, all of the above were paid to executive directors except for directors' fees amounting to HK\$150,000 (2003: HK\$187,500) which were paid to three (2003: four) independent non-executive directors.

Notes to the Accounts

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2004	2003
Nil – HK\$1,000,000	8	9
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$5,000,001 – HK\$5,500,000	1	–
	<u>10</u>	<u>11</u>

No directors have waived emoluments in respect of the two years ended 31 March 2004 and 2003. No share options were granted to the directors during the year. The details of share options exercised by the directors are set out in section headed "Share Options" in the report of the directors.

(b) Five highest paid individuals

The aggregate amounts of emoluments payable to the five highest paid individuals of the Group during the year, of whom four (2003: four) are directors of the Company, were as follows:

	2004	2003
	HK\$	HK\$
Directors' fees	50,000	150,000
Basic salaries and benefits in kind	7,729,036	7,630,015
Performance related bonuses	2,526,000	860,000
Pension contributions	209,521	205,983
	<u>10,514,557</u>	<u>8,845,998</u>

The emoluments of the five highest paid individuals fell within the following bands:

Emolument bands	Number of individuals	
	2004	2003
Nil – HK\$1,000,000	2	2
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$5,000,001 – HK\$5,500,000	1	–
	<u>5</u>	<u>5</u>

Notes to the Accounts

12. INTANGIBLE ASSETS

	Goodwill <i>HK\$</i>	Group Trademarks <i>HK\$</i>	Total <i>HK\$</i>
Net book value, 1 April 2003	–	36,800,000	36,800,000
Acquisition of additional interest in a subsidiary	154,568	–	154,568
Amortization charge	(154,568)	(4,600,000)	(4,754,568)
Net book value, 31 March 2004	<u>–</u>	<u>32,200,000</u>	<u>32,200,000</u>
Cost	375,850	92,000,000	92,375,850
Accumulated amortization	(375,850)	(59,800,000)	(60,175,850)
Net book value, 31 March 2004	<u>–</u>	<u>32,200,000</u>	<u>32,200,000</u>
Cost	221,282	92,000,000	92,221,282
Accumulated amortization	(221,282)	(55,200,000)	(55,421,282)
Net book value, 31 March 2003	<u>–</u>	<u>36,800,000</u>	<u>36,800,000</u>

At 31 March 2004, the remaining amortization period of trademarks was 7 years.

Goodwill on acquisition occurring prior to 1 April 2001 was written off against reserve. The movement of such goodwill during the year was as follows:

	Group	
	2004 <i>HK\$</i>	2003 <i>HK\$</i>
At 1 April 2003/2002	37,818,089	47,885,404
Attributable share of goodwill written back upon deemed disposal of a subsidiary	(3,787,774)	–
Impairment loss	–	(10,067,315)
At 31 March 2004/2003	<u>34,030,315</u>	<u>37,818,089</u>

Notes to the Accounts

13. FIXED ASSETS

(a) Group

	Investment properties HK\$	Other properties HK\$	Leasehold improve- ments HK\$	Air- conditioning plant HK\$	Furniture, fixtures, and equipment HK\$	Motor vehicles HK\$	Total HK\$
Cost or valuation							
At 1 April 2003	15,805,118	264,401,616	157,301,846	28,895,743	183,390,146	16,157,682	665,952,151
Reclassification	44,825,012	(54,387,596)	-	-	-	-	(9,562,584)
Additions	-	21,420,173	24,140,916	5,475,524	15,123,329	2,671,440	68,831,382
Disposals	(10,500,000)	-	(24,344,003)	(5,764,071)	(16,609,571)	(1,529,163)	(58,746,808)
Revaluation adjustment	25,724,988	-	-	-	-	-	25,724,988
At 31 March 2004	75,855,118	231,434,193	157,098,759	28,607,196	181,903,904	17,299,959	692,199,129
Accumulated depreciation and impairment							
At 1 April 2003	-	69,668,338	115,713,156	21,899,783	127,491,716	9,704,910	344,477,903
Reclassification	-	(9,562,584)	-	-	-	-	(9,562,584)
Charge for the year	-	4,471,143	19,431,720	2,798,435	17,806,973	2,061,580	46,569,851
Reversal of impairment charge	-	(1,094,918)	-	-	-	-	(1,094,918)
Disposals	-	-	(23,942,483)	(5,706,377)	(15,523,216)	(1,254,643)	(46,426,719)
At 31 March 2004	-	63,481,979	111,202,393	18,991,841	129,775,473	10,511,847	333,963,533
Net book value							
At 31 March 2004	75,855,118	167,952,214	45,896,366	9,615,355	52,128,431	6,788,112	358,235,596
At 31 March 2003	15,805,118	194,733,278	41,588,690	6,995,960	55,898,430	6,452,772	321,474,248
The analysis of the cost or valuation of the above assets is as follows:							
At cost	-	231,434,193	157,098,759	28,607,196	181,903,904	17,299,959	616,344,011
At directors' valuation, 2004	75,855,118	-	-	-	-	-	75,855,118
At 31 March 2004	75,855,118	231,434,193	157,098,759	28,607,196	181,903,904	17,299,959	692,199,129
At cost	-	264,401,616	157,301,846	28,895,743	183,390,146	16,157,682	650,147,033
At professional valuation, 2003	15,805,118	-	-	-	-	-	15,805,118
At 31 March 2003	15,805,118	264,401,616	157,301,846	28,895,743	183,390,146	16,157,682	665,952,151

Notes to the Accounts

13. FIXED ASSETS (continued)

(a) Group (continued)

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

	2004 HK\$	2003 HK\$
In Hong Kong, held on:		
Leases of over 50 years	7,820,833	18,520,833
Leases of between 10 to 50 years	205,138,358	160,416,570
Outside Hong Kong, held on:		
Leases of over 50 years	19,609,190	20,097,709
Leases of between 10 to 50 years	11,238,951	11,503,284
	<u>243,807,332</u>	<u>210,538,396</u>

All investment properties with a total net book value of HK\$75,855,118 were disposed of subsequent to year end at a total consideration of HK\$75,780,000. At 31 March 2004, all investment properties were valued by the directors with reference to sales consideration subsequently realized. The directors consider that this serves the same purpose as having an independent professional valuation performed on these properties.

Notes to the Accounts

13. FIXED ASSETS (continued)

(b) Company

	Other properties HK\$	Leasehold improvements HK\$	Air- conditioning plant HK\$	Furniture, fixtures, and equipment HK\$	Motor vehicles HK\$	Total HK\$
Cost						
At 1 April 2003	1,665,685	15,987,227	7,105,009	24,242,195	5,191,711	54,191,827
Additions	–	4,659,955	2,250,900	4,101,825	434,589	11,447,269
Disposals	–	–	–	(1,792,440)	(1,048,698)	(2,841,138)
At 31 March 2004	<u>1,665,685</u>	<u>20,647,182</u>	<u>9,355,909</u>	<u>26,551,580</u>	<u>4,577,602</u>	<u>62,797,958</u>
Accumulated depreciation						
At 1 April 2003	307,096	12,761,801	5,834,096	18,071,528	2,968,188	39,942,709
Charge for the year	33,312	1,862,808	800,673	2,590,236	649,617	5,936,646
Disposals	–	–	–	(1,284,442)	(774,178)	(2,058,620)
At 31 March 2004	<u>340,408</u>	<u>14,624,609</u>	<u>6,634,769</u>	<u>19,377,322</u>	<u>2,843,627</u>	<u>43,820,735</u>
Net book value						
At 31 March 2004	<u>1,325,277</u>	<u>6,022,573</u>	<u>2,721,140</u>	<u>7,174,258</u>	<u>1,733,975</u>	<u>18,977,223</u>
At 31 March 2003	<u>1,358,589</u>	<u>3,225,426</u>	<u>1,270,913</u>	<u>6,170,667</u>	<u>2,223,523</u>	<u>14,249,118</u>

The properties held by the Company are under medium-term leases and situated in Hong Kong.

Notes to the Accounts

14. INVESTMENTS

	Group		Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Subsidiaries (Note a)	–	–	244,081,962	244,081,962
Associated companies (Note b)	1,888,057	3,488,949	–	–
Club debentures, at cost	4,996,880	4,996,880	4,996,880	4,996,880
	6,884,937	8,485,829	249,078,842	249,078,842

(a) Subsidiaries

	Company	
	2004	2003
	HK\$	HK\$
Unlisted shares, at cost	177,226,623	177,226,623
Loans to subsidiaries (Note)	114,060,482	114,060,482
	291,287,105	291,287,105
Provision for impairment losses	(47,205,143)	(47,205,143)
	244,081,962	244,081,962

Note: The balances are unsecured and have no fixed terms of repayment. Loan interests are charged at agreed interest rates on a total balance of HK\$114,056,582 and the remaining balances are interest-free. The details of principal subsidiaries are set out in note 29.

(b) Associated companies

	Group		Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Unlisted shares, at cost	N/A	N/A	12,564,831	12,564,831
Provision for impairment losses	N/A	N/A	(12,564,831)	(12,564,831)
Share of net assets	1,888,057	3,488,949	N/A	N/A
	1,888,057	3,488,949	–	–

The details of associated companies are set out in note 29.

Notes to the Accounts

15. INVENTORIES

	Group		Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Raw materials	15,004,319	10,854,016	1,614,512	1,543,691
Packing materials	3,240,926	3,411,707	–	–
Work in progress	459,387	347,848	–	–
Finished goods	453,522	560,992	–	–
	19,158,154	15,174,563	1,614,512	1,543,691

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

16. AMOUNTS DUE FROM/TO SUBSIDIARIES

The balances are unsecured and have no fixed terms of repayment. Intercompany interests are charged at agreed interest rates on the net amounts due from subsidiaries totalling HK\$1,516,632 (2003: HK\$1,709,556) and the remaining balances are interest-free.

17. AMOUNT DUE FROM AN ASSOCIATED COMPANY

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

18. TRADE RECEIVABLES

At 31 March 2004, the ageing analysis of the trade receivables was as follows:

	Group		Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Current to 30 days	3,005,450	2,103,666	191,302	156,920
31 to 60 days	190,511	487,724	10,235	8,680
Over 60 days	123,279	137,163	–	–
	3,319,240	2,728,553	201,537	165,600

A majority of the Group's sales is conducted by cash, credit cards or through redemption of cake coupons. Credit sales are mainly made to certain local and overseas corporate customers of the bakery operation who are normally granted with respective credit terms of 30 days and 61 to 120 days. Overseas corporate customers are required to pay a deposit in the amount of 20% to 30% of their estimated purchase values.

Notes to the Accounts

19. TRADE PAYABLES

At 31 March 2004, the ageing analysis of the trade payables was as follows:

	Group		Company	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Current to 30 days	6,409,102	5,108,702	–	–
31 to 60 days	19,415,878	19,533,703	15,894,551	16,326,504
Over 60 days	398,431	1,420,734	–	1,252,877
	26,223,411	26,063,139	15,894,551	17,579,381

20. PROVISION FOR LONG SERVICE PAYMENTS

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

	Group HK\$	Company HK\$
At 1 April 2003	16,538,830	4,206,334
Reversal for the year (Note 9)	(2,870,858)	(919,839)
Less: Amounts utilized	(2,211,172)	(1,253,716)
At 31 March 2004	11,456,800	2,032,779

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

21. SHARE CAPITAL

	2004 HK\$	2003 HK\$
Authorised		
400,000,000 ordinary shares of HK\$0.10 each	40,000,000	40,000,000
Issued and fully paid		
328,958,609 (2003: 313,028,609) ordinary shares of HK\$0.10 each	32,895,861	31,302,861

Notes to the Accounts

21. SHARE CAPITAL *(continued)*

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

	Number of shares	
	2004	2003
Ordinary shares of HK\$0.10 each		
At 1 April 2003/2002	313,028,609	312,803,609
Issue of shares upon exercise of share options	15,930,000	225,000
At 31 March 2004/2003	328,958,609	313,028,609

22. SHARE OPTIONS

The share option schemes respectively adopted by the Company ("HKCM Scheme") and SHHL ("SHHL Scheme") no longer fulfil the requirements of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which has become effective since 1 September 2001, both schemes are invalid and no further share option can be granted under them.

(1) HKCM Scheme

The details of movements of options granted under the HKCM Scheme ("HKCM Options") during the year are as follows:

	Number of HKCM Options	
	2004	2003
At 1 April 2003/2002	23,980,000	29,710,000
Exercised <i>(Note a)</i>	(15,930,000)	(225,000)
Lapsed	(2,220,000)	(5,505,000)
Cancelled <i>(Note b)</i>	(2,480,000)	–
At 31 March 2004/2003 <i>(Note c)</i>	3,350,000	23,980,000

Notes to the Accounts

22. SHARE OPTIONS (continued)

(1) HKCM Scheme (continued)

(a) The details of HKCM Options exercised during the year are as follows:

Month	Exercise price HK\$	Number of HKCM Options exercised	Proceeds from exercise of HKCM Options HK\$
October 2003	0.48	920,000	441,600
November 2003	0.48	3,860,000	1,852,800
December 2003	0.48	2,750,000	1,320,000
January 2004	0.48	3,290,000	1,579,200
February 2004	0.48	2,740,000	1,315,200
March 2004	0.48	2,370,000	1,137,600
Total		15,930,000	7,646,400

(b) In December 2003, Well-Positioned Corporation ("Well-Positioned") made a cash offer to acquire all the shares and outstanding HKCM Options, not being then held by the offeror and/or its concert parties. Upon the lapse of the offer on 30 March 2004, there were 2,480,000 HKCM Options tendered by the optionholders which were cancelled upon their acceptance.

(c) HKCM Options outstanding at the end of the year have the following terms:

Grant date	Exercise period		Exercise price HK\$	Number of HKCM Options	
	From	To		2004	2003
Directors of the Company					
30 August 2001	1 October 2001	30 September 2011	0.48	1,000,000	1,700,000
30 August 2001	1 March 2002	30 September 2011	0.48	1,000,000	2,200,000
30 August 2001	1 September 2002	30 September 2011	0.48	1,000,000	2,080,000
		Total		3,000,000	5,980,000
Other employees					
30 August 2001	1 March 2002	30 September 2011	0.48	175,000	8,925,000
30 August 2001	1 September 2002	30 September 2011	0.48	175,000	9,075,000
		Total		350,000	18,000,000
		Grand total		3,350,000	23,980,000

Notes to the Accounts

22. SHARE OPTIONS (continued)

(2) SHHL Scheme

The details of movement of options granted under the SHHL Scheme ("SHHL Options") during the year are as follows:

	Number of SHHL Options	
	2004	2003
At 1 April 2003/2002	18,650,000	19,280,000
Exercised (Note a)	(15,088,000)	–
Lapsed	(532,000)	(630,000)
Cancelled (Note b)	(190,000)	–
At 31 March 2004/2003 (Note c)	2,840,000	18,650,000

(a) The details of SHHL Options exercised during the year are as follows:

Month	Number of SHHL Options exercised		Total	Proceeds from exercise of SHHL Options HK\$
	exercisable at HK\$0.50	exercisable at HK\$0.55		
August 2003	80,000	–	80,000	40,000
September 2003	328,000	380,000	708,000	373,000
October 2003	2,620,000	620,000	3,240,000	1,651,000
November 2003	490,000	1,800,000	2,290,000	1,235,000
December 2003	1,090,000	2,380,000	3,470,000	1,854,000
January 2004	40,000	1,720,000	1,760,000	966,000
February 2004	2,060,000	710,000	2,770,000	1,420,500
March 2004	–	770,000	770,000	423,500
Total	6,708,000	8,380,000	15,088,000	7,963,000

(b) In December 2003, Well-Positioned made a cash offer to acquire all the shares and outstanding SHHL Options, not being then held by the offeror and/or its concert parties. Upon lapse of the offer on 30 March 2004, there were 190,000 SHHL Options tendered by the optionholders which were cancelled upon their acceptance.

Notes to the Accounts

22. SHARE OPTIONS (continued)

(2) SHHL Scheme (continued)

(c) SHHL Options outstanding at the end of the year have the following terms:

Grant date	Exercise period		Exercise price HK\$	Number of SHHL Options	
	From	To		2004	2003
Director of the Company					
15 January 2001	1 May 2001	31 May 2010	0.50	–	1,000,000
15 January 2001	1 May 2002	31 May 2010	0.50	–	1,000,000
31 August 2001	1 March 2002	30 September 2011	0.55	–	300,000
31 August 2001	1 September 2002	30 September 2011	0.55	–	300,000
		Total		–	2,600,000
Other directors of SHHL and employees					
15 January 2001	1 May 2001	31 May 2010	0.50	1,030,000	4,820,000
15 January 2001	1 May 2002	31 May 2010	0.50	1,000,000	2,000,000
31 August 2001	1 March 2002	30 September 2011	0.55	405,000	4,615,000
31 August 2001	1 September 2002	30 September 2011	0.55	405,000	4,615,000
		Total		2,840,000	16,050,000
		Grand total		2,840,000	18,650,000

23. RESERVES

(a) The reserves of the Group and of the Company as at 31 March 2004 are analysed as follows:

	Group		Company	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Reserves	324,682,127	276,597,728	284,849,518	278,195,464
Dividend reserve (Note 7)	11,513,551	4,695,429	11,513,551	4,695,429
Total reserves (Note 23(b) & (c))	336,195,678	281,293,157	296,363,069	282,890,893

Notes to the Accounts

23. RESERVES (continued)

(b) Group

	Share premium HK\$	Investment property revaluation reserve HK\$	Exchange fluctuation reserve HK\$	Retained earnings HK\$	Dividend reserve HK\$	Total HK\$
At 1 April 2002	119,138,694	-	69,124	210,103,614	10,948,126	340,259,558
Premium on issue of shares upon the exercise of share options	85,500	-	-	-	-	85,500
Write-back of unclaimed dividend	-	-	-	49,465	-	49,465
Write-back of impairment loss of goodwill previously charged against reserve	-	-	-	10,067,315	-	10,067,315
Loss for the year	-	-	-	(58,220,555)	-	(58,220,555)
2001/02 final dividend paid	-	-	-	-	(10,948,126)	(10,948,126)
2002/03 final dividend proposed	-	-	-	(4,695,429)	4,695,429	-
At 31 March 2003	119,224,194	-	69,124	157,304,410	4,695,429	281,293,157
Dealt with by:						
Company and subsidiaries	119,224,194	-	69,124	162,512,011	4,695,429	286,500,758
Associated companies	-	-	-	(5,207,601)	-	(5,207,601)
At 31 March 2003	119,224,194	-	69,124	157,304,410	4,695,429	281,293,157
At 1 April 2003	119,224,194	-	69,124	157,304,410	4,695,429	281,293,157
Write-back of attributable share of goodwill upon deemed disposal of a subsidiary which was previously charged against reserve	-	-	-	3,787,774	-	3,787,774
Premium on issue of shares upon the exercise of share options	6,053,400	-	-	-	-	6,053,400
Revaluation gain on investment properties	-	24,635,988	-	-	-	24,635,988
Profit for the year	-	-	-	28,359,274	-	28,359,274
2002/03 final dividend paid	-	-	-	-	(4,695,429)	(4,695,429)
2003/04 interim dividend proposed	-	-	-	(3,238,486)	3,238,486	-
2003/04 interim dividend paid	-	-	-	-	(3,238,486)	(3,238,486)
2003/04 final dividend proposed	-	-	-	(11,513,551)	11,513,551	-
At 31 March 2004	125,277,594	24,635,988	69,124	174,699,421	11,513,551	336,195,678
Dealt with by:						
Company and subsidiaries	125,277,594	24,635,988	69,124	181,507,914	11,513,551	343,004,171
Associated companies	-	-	-	(6,808,493)	-	(6,808,493)
At 31 March 2004	125,277,594	24,635,988	69,124	174,699,421	11,513,551	336,195,678

Notes to the Accounts

23. RESERVES (continued)

(c) Company

	Share premium <i>HK\$</i>	Retained earnings <i>HK\$</i>	Dividend reserve <i>HK\$</i>	Total <i>HK\$</i>
At 1 April 2002	119,138,694	231,001,031	10,948,126	361,087,851
Premium on issue of shares upon exercise of share options	85,500	–	–	85,500
Write-back of unclaimed dividend	–	49,465	–	49,465
Loss for the year	–	(67,383,797)	–	(67,383,797)
2001/2002 final dividend paid	–	–	(10,948,126)	(10,948,126)
2002/2003 final dividend proposed	–	(4,695,429)	4,695,429	–
At 31 March 2003	<u>119,224,194</u>	<u>158,971,270</u>	<u>4,695,429</u>	<u>282,890,893</u>
At 1 April 2003	119,224,194	158,971,270	4,695,429	282,890,893
Premium on issue of shares upon the exercise of share options	6,053,400	–	–	6,053,400
Profit for the year	–	15,352,691	–	15,352,691
2002/03 final dividend paid	–	–	(4,695,429)	(4,695,429)
2003/04 interim dividend proposed	–	(3,238,486)	3,238,486	–
2003/04 interim dividend paid	–	–	(3,238,486)	(3,238,486)
2003/04 final dividend proposed	–	(11,513,551)	11,513,551	–
At 31 March 2004	<u>125,277,594</u>	<u>159,571,924</u>	<u>11,513,551</u>	<u>296,363,069</u>

Notes to the Accounts

24. DEFERRED TAXATION

Deferred taxation is calculated on temporary differences under the liability method using a principal taxation rate of 17.5% (2003:16%).

The movements in the net deferred tax liabilities are as follows:

	Group	
	2004 HK\$	2003 HK\$
At 1 April 2003/2002	1,350,530	1,565,472
Deferred taxation charged to equity	539,000	–
Credited to profit and loss account (<i>Note 5</i>)	(1,111,523)	(214,942)
	778,007	1,350,530
At 31 March 2004/2003		
It was analysed as:		
Deferred tax assets	(1,469,639)	–
Deferred tax liabilities	2,247,646	1,350,530
	778,007	1,350,530
Net deferred tax liabilities		
Provided for in respect of:		
Accelerated depreciation allowances	790,874	1,369,530
Other temporary differences	(12,867)	(19,000)
	778,007	1,350,530

The potential deferred taxation assets not recognized are as follow:

	Group		Company	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Excess of depreciation over tax allowances	443,271	8,886,945	332,598	1,031,167
Tax losses	6,852,067	4,179,281	2,144,844	1,495,671
	7,295,338	13,066,226	2,477,442	2,526,838

Notes to the Accounts

25. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit/(loss) to net cash inflow from operating activities:

	2004 HK\$	2003 HK\$
Operating profit/(loss)	55,675,322	(41,193,542)
Amortization of intangible assets	4,754,568	4,795,466
Impairment loss of goodwill	–	10,067,315
Loss on deemed disposal of a subsidiary	6,684,647	–
(Gain)/loss on disposal of fixed assets	(8,094,735)	12,864,489
Depreciation of fixed assets	46,569,851	50,910,780
(Reversal of)/provision for impairment losses of other properties	(1,094,918)	33,900,000
(Gain)/loss on revaluation of investment properties	(550,000)	7,405,970
Interest income	(1,782,826)	(2,640,494)
Operating profit before working capital changes	102,161,909	76,109,984
Cash inflow from sales of cake coupons	41,355,062	56,763,738
Cake coupons redeemed as sales	(49,461,351)	(64,567,675)
Decrease in rental deposits paid	2,344,468	3,878,318
(Increase)/decrease in inventories	(3,983,591)	29,110
Decrease in amount due from an associated company	2,975	917,426
Decrease in trade receivables, deposits, prepayments and other receivables	2,006,927	4,071,014
Increase/(decrease) in trade payables, other payables and accrued charges	15,567,646	(8,062,082)
Decrease in provision for long service payments	(5,082,030)	(2,442,170)
Increase/(decrease) in rental deposits received	1,070,183	(8,475)
Net cash inflow generated from operations	105,982,198	66,689,188
Hong Kong profits tax paid	(9,727,319)	(5,791,511)
Overseas taxation paid	(1,019,557)	(643,359)
Net cash inflow from operating activities	95,235,322	60,254,318

Notes to the Accounts

26. COMMITMENTS

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

	Group		Company	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Contracted but not provided for	1,286,850	10,318,488	–	5,699,689
Approved but not contracted for	50,052,800	30,239,943	–	4,298,237
	51,339,650	40,558,431	–	9,997,926

(b) Commitments under operating leases

At 31 March 2004, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group		Company	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Within one year	72,401,882	84,493,822	31,599,686	45,320,837
In the second to fifth year inclusive	47,379,602	80,478,869	15,901,547	40,085,743
After the fifth year	2,335,174	2,387,576	–	–
	122,116,658	167,360,267	47,501,233	85,406,580

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

(c) At 31 March 2004, the Group had commitment in respect of Renminbi forward exchange contracts amounting to HK\$23,000,000 expiring within the next financial year (2003: Nil).

Notes to the Accounts

27. FUTURE OPERATING LEASE ARRANGEMENTS

At 31 March 2004, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2004 HK\$	2003 HK\$
Within one year	5,416,494	1,066,832
In the second to fifth year inclusive	7,966,500	31,200
	13,382,994	1,098,032

28. BANKING FACILITIES

At 31 March 2004, the Group had aggregate banking facilities of HK\$20,000,000 (2003: HK\$20,000,000) for overdrafts and bank guarantees. These facilities were secured by cross corporate guarantees given by the Company and certain of its subsidiaries.

At 31 March 2004, the facilities were utilized by the Group to the extent of HK\$12,258,231 (2003: HK\$10,502,856) primarily for bank guarantees granted to third parties in lieu of rental and utility deposits.

29. SUBSIDIARIES AND ASSOCIATED COMPANIES

The following is the particulars of the principal subsidiaries and associated companies as at 31 March 2004:

Name of principal subsidiaries	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective percentage holding attributable to the Group %	Principal activities
<i>Interests held directly:</i>				
Albion Agents Limited	British Virgin Island	10 ordinary share of US\$1 each	100	Investment holding
Banqueting Caterers Limited	Hong Kong	80 ordinary shares of HK\$1 each 10,000,020 non-voting deferred shares of HK\$1 each	100	Restaurant operator

Notes to the Accounts

29. SUBSIDIARIES AND ASSOCIATED COMPANIES *(continued)*

Name of principal subsidiaries	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective percentage holding attributable to the Group %	Principal activities
<i>Interests held directly: (continued)</i>				
High Value Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Investment holding
Tin Fook Caterers Limited	Hong Kong	100 ordinary shares of HK\$100 each 120,100 non-voting deferred shares of HK\$100 each	100	Restaurant operator
<i>Interests held indirectly:</i>				
Advance HR Management Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Management service
Bliset Investment Limited	Hong Kong	100 ordinary shares of HK\$1 each 102 non-voting deferred shares of HK\$1 each	55.85	Property holding
Bodega Limited	British Virgin Islands	1 ordinary share of US\$1 each	55.85	Investment holding
Bread Boutique Limited	Hong Kong	3,000,000 ordinary shares of HK\$1 each	55.85	Bakery operator
Criscane Limited	Hong Kong	2 ordinary shares of HK\$10 each	100	Property holding
Easywin Limited	British Virgin Islands	1 ordinary shares of US\$1 each	55.85	Holding of trademarks

Notes to the Accounts

29. SUBSIDIARIES AND ASSOCIATED COMPANIES (continued)

Name of principal subsidiaries	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective percentage holding attributable to the Group %	Principal activities
<i>Interests held indirectly: (continued)</i>				
Elegant Grand Limited	Hong Kong	400 ordinary shares of HK\$1 each	100	Restaurant operator
Eltham Agents Limited	British Virgin Islands	10 ordinary share of US\$1 each	55.85	Investment holding
Evergain Consultants Limited	British Virgin Islands	1 ordinary share of US\$1 each	55.85	Investment holding
Kingdom Wise Limited	Hong Kong	2 ordinary shares of HK\$1 each	55.85	Property holding
@ Saint Anna Cake Shop (Macau) Limited	Macau	MOP100,000	55.85	Bakery operator
Saint Honore Cake Shop Limited	Hong Kong	5 ordinary shares of HK\$10 each 345,005 non-voting deferred shares of HK\$10 each	55.85	Bakery operator
@# Saint Honore Cake Shop (Shenzhen) Limited	People's Republic of China	HK\$17,200,000	55.85	Manufacturing of bakery products
Saint Honore Holdings Limited	Bermuda	211,317,000 ordinary shares of HK\$0.10 each	55.85	Investment holding
Shanghai Lu Yang Chun Restaurant (Hong Kong) Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	45	Restaurant operator
Sincere United Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property holding

Notes to the Accounts

29. SUBSIDIARIES AND ASSOCIATED COMPANIES *(continued)*

Name of principal subsidiaries	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective percentage holding attributable to the Group %	Principal activities
<i>Interests held indirectly: (continued)</i>				
Strong Glory Limited	Hong Kong	2 ordinary shares of HK\$1 each	55.85	Investment holding
Uni-Leptics Limited	Hong Kong	2 ordinary shares of HK\$1 each	55.85	Property holding
Winwell (Hong Kong) Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property holding
Zillion Will Limited	Hong Kong	2 ordinary shares of HK\$1 each	55.85	Eatery operator
@# 夢工場美食(廣州)有限公司	People's Republic of China	US\$400,000	55.85	Manufacturing of bakery products
Name of principal associated companies	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective percentage holding attributable to the Group %	Principal activities
Arges Limited	Hong Kong	4 ordinary share of HK\$1 each	50	Under liquidation
Wellcon Limited	Hong Kong	10,000 ordinary of HK\$1 each	21	Investment holding and management consulting

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

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

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

Notes to the Accounts

30. SUBSEQUENT EVENTS

Subsequent to 31 March 2004, the Group entered into separate sale and purchase agreements to dispose all its investment properties and a property in Macau. The sale proceeds on completion which amounted to HK\$112,080,000 will all be received by 16 August 2004 giving rise to an estimated gain of approximately HK\$50,000,000.

31. ULTIMATE HOLDING COMPANY

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

32. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 8 July 2004.