

## 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 Flats A-B, 10th Floor, Tai Ping Industrial Park, 51 Ting Kok Road, New Territories, 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 involved the operation of a chain of Chinese restaurants and the production, sale and distribution of bakery, and other food and beverage products. Further details of the principal activities of the principal subsidiaries are set in note 16 to the financial statements.

Subsequent to the balance sheet date on 28 May 2004, Kamboat Bakery Limited ("Kamboat Bakery"), a wholly-owned subsidiary of the Company engaged in the sale and distribution of bakery, and other food and beverage products, entered into a conditional subscription agreement (the "Conditional Subscription Agreement") with an independent third party (the "Subscriber"). Pursuant to the Conditional Subscription Agreement, the Subscriber was invited to subscribe for 1,040,000 new ordinary shares in Kamboat Bakery (the "Subscription"). The Subscription was completed on 16 June 2004, however the agreement remained conditional. Upon the Conditional Subscription Agreement becoming unconditional, the Group's equity interests in Kamboat Bakery would be diluted from 100% to 49% and it would then become an associate of the Group. Further details of the Subscription and the conditions for completion of the Conditional Subscription Agreement are set out in note 35(a) 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

For the year ended 30 April 2004, the Group recorded a net loss attributable to shareholders of HK\$26,841,000 (2003: HK\$7,959,000) and at 30 April 2004, the Group had consolidated net current liabilities of HK\$9,981,000 (2003: HK\$2,235,000) and consolidated net assets of HK\$70,768,000 (2003: HK\$100,012,000), respectively. During the year, the net loss for the year, net current liabilities and net assets of the Group deteriorated, largely due to poor business operations for the Group's sale and distribution of bakery, and other food and beverage products during the year. The bakery, and other food and beverage products' business segment of the Group operated at a loss of HK\$23 million for the year ended 30 April 2004, which, in the opinion of the Company's directors, was principally the result of the adverse impact of the outbreak of Severe Acute Respiratory Syndrome ("SARS") in mid-2003, and the effect of increasing competitiveness in this sector.

## 2. BASIS OF PRESENTATION (continued)

In view of the persistent difficult economic environment surrounding the bakery business, the directors are of the opinion that the operations and future development of the business of Kamboat Bakery may incur further losses and require additional working capital to finance its operations. This, in turn, will increase the gearing of the Group and will require additional working capital from internally generated resources or a capital injection from new investors to finance the operations of Kamboat Bakery. In order to improve the Group's operating results and its existing financial position, the Group has been actively seeking investors and business partners for a possible joint venture or co-operation by other means, so as to provide funding for the operation of its bakery business. As further detailed in note 35(a) to the financial statements, the Group entered into a Conditional Subscription Agreement and sale of the shareholder's loan agreement with the Subscriber on 28 May 2004 which when completed and become unconditional are expected to improve the financial position of the Group. At the date of approval of these financial statements, the completion of the Subscription and the sale of the shareholder's loan agreement remain conditional.

The directors of the Company therefore have initiated a number of other measures subsequent to the balance sheet date with a view to strengthening the working capital of the Group.

### (i) Advance from a shareholder

At the date of approval of these financial statements, Mr. Wong Chi Man ("Mr. Wong"), a director, a shareholder and a founder of the Company contributed a total of HK\$2.3 million to provide additional working capital to finance the operations of the Group in the form of a shareholder's loan (the "Loan"). The Loan is unsecured, interest-free and is not repayable within the next twelve months from the date of approval of these financial statements.

### (ii) Closure of under-performing bakery shops

Apart from the financial support from Mr. Wong, the directors have taken further steps to reduce the working capital burden from Kamboat Bakery's operations by closing some other under-performing bakery shops upon the expiry of the leases. At 30 April 2004, the Group closed a total number of 25 under-performing bakery shops, following which the total number of bakery shops operated by the Group was reduced from 42 to 17. In the opinion of the Company's directors, this measure will greatly reduce the operating costs and the financial burden of the Group for the coming year.

## 2. BASIS OF PRESENTATION (continued)

Having regard to the above measures, the directors of the Company are of the opinion that the restaurant operations of the Group would continue to generate profitable and positive cash flows and they are satisfied that the Group will be able to meet its financial obligations as and when they fall due in the foreseeable future, and be able to operate as a commercially viable concern. Accordingly, these financial statements have been prepared on a going concern basis.

## 3. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE (“SSAP”)

The revised SSAP 12 “Income taxes” is effective for the first time for the current year’s financial statements and has had a significant impact thereon. SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future;
- a deferred tax liability has been recognised on the revaluation of the Company’s/ Group’s land and buildings; and
- a deferred tax asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

### 3. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE (“SSAP”) (continued)

Disclosures:

- deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were presented on a net basis; and
- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 10 and 26 to the financial statements and include a reconciliation between the accounting loss and the tax expense for the year.

### 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.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 April 2004. 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 are eliminated on consolidation.

#### **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.

#### **Joint venture companies**

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **Joint venture companies (continued)**

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company; and
- (b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company.

##### **Jointly-controlled entities**

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of jointly-controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as long term assets and 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.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **Goodwill (continued)**

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.

##### **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.

##### **Impairment of assets**

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

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

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



#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Fixed assets and depreciation

Fixed assets and 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.

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 profits 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 $\frac{1}{3}$ %

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.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **Investment properties**

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated 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.

##### **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 completion and 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.



#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **Leased assets**

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

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

##### **Income tax**

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity, if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

##### 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 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.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **Dividends**

Final dividends proposed by the directors are classified as a separate allocation of distributable reserves within the capital and reserves section of 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.

##### **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.

##### **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.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Employee benefits (continued)

###### *Pension scheme*

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. 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 Company’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.

###### *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.

##### 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.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Foreign currencies (continued)

On consolidation, the financial statements of subsidiaries and a jointly-controlled entity outside Hong Kong are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of subsidiaries and a jointly-controlled entity 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.

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 ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries and a jointly-controlled entity outside Hong Kong which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

#### 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:

- 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 operations products segment is engaged in the production, sale and distribution of bakery, and other food and beverage products.

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, loss and certain asset, liability and expenditure information for the Group's business segments.

#### Group

	Restaurant operations		Bakery, and other food and beverage products operations		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	242,941	219,965	77,113	108,965	(1,941)	(4,024)	318,113	324,906
Other revenue	606	651	290	107	-	-	896	758
<b>Total</b>	<b>243,547</b>	<b>220,616</b>	<b>77,403</b>	<b>109,072</b>	<b>(1,941)</b>	<b>(4,024)</b>	<b>319,009</b>	<b>325,664</b>
<b>Segment results</b>	<b>2,449</b>	<b>11,729</b>	<b>(22,933)</b>	<b>(14,824)</b>	<b>-</b>	<b>-</b>	<b>(20,484)</b>	<b>(3,095)</b>
Unallocated other revenue							45	273
Unallocated expenses							(1,978)	(2,723)
Loss from operating activities							(22,417)	(5,545)
Finance costs							(269)	(364)
Share of loss of a jointly-controlled entity							(370)	-
Loss before tax							(23,056)	(5,909)
Tax							(3,785)	(2,050)
Net loss from ordinary activities attributable to shareholders							(26,841)	(7,959)



## 5. SEGMENT INFORMATION (continued)

## (a) Business segments (continued)

## Group

	Restaurant operations		Bakery, and other food and beverage products operations		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	73,528	81,842	48,215	66,714	121,743	148,556
Interest in a jointly-controlled entity	2,477	–	–	–	2,477	–
Unallocated assets					1,827	1,124
Total assets					126,047	149,680
Segment liabilities	36,320	26,009	18,314	23,265	54,634	49,274
Unallocated liabilities					645	394
Total liabilities					55,279	49,668
Other segment information:						
Depreciation and amortisation expenses	11,370	8,995	10,652	11,129	22,022	20,124
Unallocated amounts					508	387
					22,530	20,511
Write-off of fixed assets	6,175	–	3,346	–	9,521	–
Capital expenditure	19,252	9,351	6,658	13,983	25,910	23,334
Unallocated amounts					95	1,204
					26,005	24,538

## 5. SEGMENT INFORMATION (continued)

### (a) Business segments (continued)

#### Group

	Restaurant operations		Bakery, and other food and beverage products operations		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision for and write-off of bad and doubtful debts	184	67	–	100	184	167
Provision against and write-off of inventories	–	–	294	–	294	–
Revaluation deficit/(surplus) on leasehold land and buildings	(18)	49	–	–	(18)	49
Revaluation deficit on investment properties	–	36	–	–	–	36
Loss/(gain) on disposal of fixed assets	(144)	316	(353)	318	(497)	634
Write-off of staff advances	126	–	55	–	181	–
Net realised gains on disposal of short term listed debt securities investments	(86)	(181)	–	–	(86)	(181)
Unrealised holding gains on short term listed debt securities investments	–	(172)	–	–	–	(172)

### (b) Geographical segments

Over 90% of the Group's revenue and assets are 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. LOSS FROM OPERATING ACTIVITIES**

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

	<i>Notes</i>	<b>Group</b>	
		<b>2004</b>	2003
		<b>HK\$'000</b>	HK\$'000
Cost of inventories consumed		<b>108,816</b>	111,605
Staff costs (including directors' remuneration – note 8):			
Wages and salaries		<b>81,298</b>	86,392
Pension scheme contributions		<b>3,198</b>	3,475
		<b>84,496</b>	89,867
Minimum lease payments under operating leases on land and buildings		<b>41,353</b>	42,045
Auditors' remuneration		<b>500</b>	600
Exchange gains, net		<b>(44)</b>	–
Depreciation	<i>14</i>	<b>21,332</b>	19,313
Amortisation of goodwill*	<i>15</i>	<b>1,198</b>	1,198
Provision for and write-off of bad and doubtful debts		<b>184</b>	167
Provision against and write-off of inventories		<b>294</b>	–
Revaluation deficit/(surplus) on leasehold land and buildings	<i>14</i>	<b>(18)</b>	49
Revaluation deficit on investment properties	<i>14</i>	<b>–</b>	36
Write-off of fixed assets	<i>14</i>	<b>9,521</b>	–
Loss/(gain) on disposal of fixed assets		<b>(497)</b>	634
Write-off of staff advances		<b>181</b>	–
Net realised gains on disposal of short term listed debt securities investments		<b>(86)</b>	(181)
Unrealised holding gains on short term listed debt securities investments		<b>–</b>	(172)
Bank interest income		<b>(21)</b>	(92)
Gross rental income		<b>(197)</b>	(146)
Less: Outgoings		<b>1</b>	–
<b>Net rental income</b>		<b>(196)</b>	(146)

At 30 April 2004, no inventories were stated at net realisable value (2003: 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.

## 8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration for the year, disclosed pursuant to Appendix 16 of the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2004 HK\$'000	2003 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	2,021	3,067
Pension scheme contributions	24	36
	2,045	3,103
	2,045	3,103

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

	Number of directors	
	2004	2003
Nil – HK\$1,000,000	8	10
HK\$1,500,001 – HK\$2,000,000	1	1
	9	11

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.

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

The five highest paid individuals during the year included one (2003: two) director, details of whose remuneration have been disclosed above. Details of the remuneration of the remaining four (2003: three) non-director, highest paid individuals are as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	1,844	1,639
Pension scheme contributions	48	36
	1,892	1,675

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

	Number of employees	
	2004	2003
Nil – HK\$1,000,000	4	3

During the years ended 30 April 2003 and 2004, 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.

## 9. FINANCE COSTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Interest on bank loans	246	216
Interest on finance leases	23	148
	269	364

## 10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2004 HK\$'000	2003 HK\$'000
Current year's provision:		
Hong Kong	1,461	975
Elsewhere	3,004	–
Deferred ( <i>note 26</i> )	(680)	1,075
<b>Total tax charge for the year</b>	<b>3,785</b>	<b>2,050</b>

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the countries in which the Company and its subsidiaries and a jointly-controlled entity are domiciled to the tax expense at the Group's effective tax rates, are as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Loss before tax	(23,056)	(5,909)
Tax at the applicable rates to profits in the countries concerned	(1,557) <sup>#</sup>	(1,034)
Income not subject to tax	(99)	(91)
Expenses not deductible for tax	2,851	1,694
Tax loss utilised from previous period	–	(1,418)
Tax loss not recognised as deferred tax assets	2,590	2,899
<b>Total tax charge at the Group's effective rate</b>	<b>3,785</b>	<b>2,050</b>

<sup>#</sup> Amount included a deemed corporate income tax charge for the year on income generated in Mainland China at a rate of 10%.



## 11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 30 April 2004 was HK\$40,450,000 (30 April 2003: net profit of HK\$220,000) (note 29).

## 12. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Interim dividend – HK1.5 cents (2003: HK3.0 cents) per ordinary share	1,365	2,760
Proposed final dividend – HK Nil cent (2003: HK1.5 cents) per ordinary share	–	1,365
	<b>1,365</b>	<b>4,125</b>

## 13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year ended 30 April 2004 of HK\$26,841,000 (2003: HK\$7,959,000) and the weighted average of 90,969,000 (2003: 91,766,000) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 30 April 2004 and 2003 have not been disclosed as the Company's share options outstanding during these years had an anti-dilutive on the basic loss per share for these years.

## 14. 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	18,360	1,760	49,785	27,747	4,610	14,714	116,976
Additions	-	-	18,698	4,818	667	1,822	26,005
Disposals	(12,100)	(1,760)	-	-	(2,167)	(207)	(16,234)
Write-off	-	-	(26,277)	-	-	(2,095)	(28,372)
Revaluation	207	-	-	-	-	-	207
At 30 April 2004	6,467	-	42,206	32,565	3,110	14,234	98,582
Analysis of cost or valuation:							
At cost	-	-	42,206	32,565	3,110	14,234	92,115
At 2004 valuation	6,467	-	-	-	-	-	6,467
	6,467	-	42,206	32,565	3,110	14,234	98,582
Accumulated depreciation:							
At beginning of year	-	-	17,528	8,976	1,785	5,181	33,470
Provided during the year	271	-	10,504	5,564	765	4,228	21,332
Write-back on disposals	(133)	-	-	-	(1,273)	(207)	(1,613)
Write-off	-	-	(18,153)	-	-	(698)	(18,851)
Write-back on revaluation	(138)	-	-	-	-	-	(138)
At 30 April 2004	-	-	9,879	14,540	1,277	8,504	34,200
Net book value:							
At 30 April 2004	6,467	-	32,327	18,025	1,833	5,730	64,382
At 30 April 2003	18,360	1,760	32,257	18,771	2,825	9,533	83,506

At 30 April 2004, the Group's leasehold land and buildings are all held under medium term leases and are all situated in Hong Kong. In the prior year, leasehold land and buildings and investment properties were held under medium term leases and were all situated in Hong Kong.

**14. FIXED ASSETS (continued)**

The Group's leasehold land and buildings were revalued individually on an open market, existing use basis at 30 April 2004 by Castores Magi Surveyors Limited ("Castores Magi"), an independent firm of professional valuers, at HK\$6,467,000. A revaluation surplus aggregating HK\$327,000 therefrom, has been credited to the fixed asset revaluation reserve and the remaining balance of HK\$18,000 (note 7) was credited to the consolidated profit and loss account to offset against the revaluation deficit on a leasehold land and building previously charged to the consolidated profit and loss account.

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\$5,953,000 (2003: HK\$17,990,000).

At 30 April 2004, the Group's leasehold land and buildings were pledged to secure banking facilities granted to the Group (note 24). In the prior year, 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.

The net book values of the fixed assets of the Group held under finance leases included in the total amount of motor vehicles at 30 April 2004 amounted to HK\$595,000 (2003: HK\$1,384,000) (note 25).

The write-off of fixed assets arose from the closure of certain bakery shops and a restaurant during the year.

**15. GOODWILL**

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

<b>Group</b>	<b>HK\$'000</b>
Cost:	
At beginning of year and at 30 April 2004	5,989
Accumulated amortisation:	
At beginning of year	1,198
Provided during the year – note 7	1,198
At 30 April 2004	2,396
Net book value:	
At 30 April 2004	3,593
At 30 April 2003	4,791

## 16. INTERESTS IN SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	82,072	82,072
Provision for impairment	(37,390)	–
	<b>44,682</b>	82,072
Due from subsidiaries	26,651	31,709
Due to subsidiaries	(499)	(499)
Provision for impairment	(1,240)	–
	<b>24,912</b>	31,210
	<b>69,594</b>	113,282

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

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	
E-Rapid Developments Limited (“E-Rapid”)	British Virgin Islands (“BVI”)	Ordinary US\$4	100	–	Investment holding
Kamboat China Limited	BVI/ Mainland China	Ordinary US\$1	–	100	Investment holding and operation of a Chinese restaurant

## 16. INTERESTS IN SUBSIDIARIES (continued)

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 Bakery Limited (“Kamboat Bakery”)	Hong Kong	Ordinary HK\$1,000,000 <i>Note (i)</i>	–	100	Bakery operations
Kamboat Chinese Cuisine Company Limited (“KCC”)	BVI/ Hong Kong	Ordinary US\$1 Non-voting deferred US\$101 <i>Note (ii)</i>	–	100	Operation of Chinese restaurants
東莞新聯食品 有限公司 (“新聯”) <i>Note (iii)</i>	People’s Republic of China (the “PRC”)/ Mainland China	HK\$7,582,000	–	100	Bakery operations and manufacture of other food products
廣東金龍船飲食 顧問有限公司 <i>Note (iii)</i>	PRC	HK\$1,000,000	–	100	Yet to commence business

*Notes:* (i) Subsequent to the balance sheet date, Kamboat Bakery invited the Subscriber for the Subscription. The Subscription was completed on 16 June 2004. At the date of approval of these financial statements, the Subscription has not become unconditional. After the Subscription becoming unconditional, the Group’s equity interests in Kamboat Bakery would be diluted and reduced from 100% to 49% and it would then become an associate of the Group. Further details about the completion of the Subscription are set out in note 35(a) to the financial statements.

(ii) 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).

(iii) They are registered as wholly foreign-owned enterprises under the PRC law.

## 16. INTERESTS IN SUBSIDIARIES (continued)

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

## 17. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	1,944	–
Share of net liabilities	(370)	–
	<b>1,574</b>	–
Amount due from a jointly-controlled entity	903	–
	<b>2,477</b>	–

The amount due from the jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of			Principal activity
			Ownership interest	Voting power	Profit sharing	
上海金龍船餐飲有限公司 #	Corporate	PRC/ Mainland China	50	50	50	Operation of a Chinese restaurant

The Group's jointly-controlled entity is indirectly held by the Company.

# Established during the year and is a Sino-foreign joint equity enterprise incorporated in Mainland China.



**18. ACCOUNTS RECEIVABLE**

The general credit terms granted by the Group range from 30 - 90 days. An aged analysis of the Group's accounts receivable as at balance sheet date, based on invoice date, is as follows:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>1,331</b>	764
31 – 90 days	<b>240</b>	376
91 – 180 days	<b>107</b>	35
Over 180 days	<b>53</b>	–
	<b>1,731</b>	1,175

**19. STAFF ADVANCES**

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

**20. DUE FROM A RELATED COMPANY**

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

	<b>30 April</b>	<b>Maximum amount</b>	<b>1 May</b>
	<b>2004</b>	<b>outstanding</b>	<b>2003</b>
	HK\$'000	during the year	HK\$'000
		HK\$'000	HK\$'000
Hong Thai Citizens Travel Services Limited (“Hong Thai”)	247	394	287

Hong Thai is a company of 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.

## 21. SHORT TERM INVESTMENTS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Listed debt securities investments outside Hong Kong, at market value	1,622	4,779	–	–
Listed equity investments in Hong Kong, at market value	821	–	431	–
	<b>2,443</b>	<b>4,779</b>	<b>431</b>	<b>–</b>

## 22. CASH AND BANK BALANCES

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to HK\$815,000 (2003: HK\$1,704,000). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

## 23. ACCOUNTS PAYABLE

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Within 30 days	5,739	6,910
31 – 90 days	11,101	7,933
91 – 180 days	838	446
181 – 360 days	108	479
Over 360 days	438	446
	<b>18,224</b>	<b>16,214</b>

## 24. BANK LOANS, SECURED

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Bank loans wholly repayable:		
Within one year	834	3,226
In the second year	862	1,894
In the third to fifth years, inclusive	1,535	3,499
	<b>3,231</b>	8,619
Portion classified as current liabilities	<b>(834)</b>	(3,226)
Non-current portion	<b>2,397</b>	5,393

The Group's banking facilities were secured by:

- (i) legal charges over leasehold land and buildings (2003: certain of the leasehold land and buildings and investment properties) of the Group (note 14);
- (ii) a corporate guarantee executed by the Company; and
- (iii) corporate guarantees executed by certain subsidiaries of the Company.

## 25. FINANCE LEASE PAYABLES

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

At 30 April 2004, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Amounts payable:				
Within one year	205	429	483	330
In the second year	206	–		
In the third to fifth years, inclusive	103	–		
Total minimum finance lease payments	514	429		
Future finance charges	(31)	(99)		
Total net finance lease payables	483	330		
Portion classified as current liabilities	(186)	(330)		
Non-current portion	297	–		

## 26. DEFERRED TAX

The movement in deferred tax liability during the year is as follows:

	Group Accelerated tax depreciation	
	2004 HK\$'000	2003 HK\$'000
At beginning of year	1,775	700
Deferred tax charged/(credited) to the consolidated profit and loss account during the year (note 10)	(680)	1,075
At 30 April	1,095	1,775

**26. DEFERRED TAX (continued)**

The Group has tax losses arising in Hong Kong of HK\$14,800,000 (2003: HK\$16,566,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as the directors considered it not probable that sufficient taxable profit will be available against which the unused tax losses can be utilised by the respective group companies.

At 30 April 2004, there was no recognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted based on existing legislation, interpretations and practices.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

**27. SHARE CAPITAL****Shares**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Authorised:		
800,000,000 (2003: 800,000,000) ordinary shares of HK\$0.25 each	<b>200,000</b>	200,000
Issued and fully paid:		
90,969,000 (2003: 90,969,000) ordinary shares of HK\$0.25 each	<b>22,742</b>	22,742

## 27. SHARE CAPITAL (continued)

There were no movements in the authorised and issued share capital during the year. Details of the movements in the authorised and issued share capital of the Company during the prior year are as follows:

- (a) The Company repurchased 5,155,000 shares 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		Total price paid HK\$'000
		Highest HK\$	Lowest HK\$	
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
	<u>5,155,000</u>			<u>595</u>

The repurchased shares were cancelled during the prior 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 prior year were effected by the directors, pursuant to the mandate from shareholders received at the 2002 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.

- (b) 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.



**27. SHARE CAPITAL (continued)**

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

	<i>Notes</i>	<b>Number of authorised shares ‘000</b>	<b>Number of shares issued ‘000</b>	<b>Nominal value of shares issued HK\$’000</b>
At 1 May 2002				
at HK\$0.05 each		4,000,000	460,000	23,000
Repurchase of shares	<i>(a)</i>	–	(5,155)	(258)
Consolidation of shares	<i>(b)</i>	(3,200,000)	(363,876)	–
At 30 April 2003, 1 May 2003 and 30 April 2004, at HK\$0.25 each #		800,000	90,969	22,742

# The nominal value per share was adjusted for the effect of the share consolidation set out in note (b) above.

**28. SHARE OPTION SCHEME**

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, any other groups or classes of suppliers, customers, sub-contractors or agents of the Group and the Company’s shareholders at any 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 10% 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.

## 28. SHARE OPTION SCHEME (continued)

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.

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 OPTION SCHEME (continued)

The following share options were outstanding during the year:

Name or category of participant	Number of share options			At 30 April 2004	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\$
	Granted At 1 May 2003	Lapsed during the year	At 30 April 2004					
<b>Directors</b>								
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
	520,000	-	(520,000)	-				
Sub-total	1,420,000	-	(520,000)	900,000				

## 28. SHARE OPTION SCHEME (continued)

The following share options were outstanding during the year:

Name or category of participant	Number of share options			At 30 April 2004	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\$
	At 1 May 2003	Granted during the year	Lapsed during the year					
<b>Non-director employees</b>								
In aggregate	760,000	–	(120,000)	640,000	4 December 2001	11 December 2001 to 10 December 2004	1.950	1.900
	1,400,000	–	–	1,400,000	14 June 2002	14 June 2002 to 13 June 2005	1.575	1.575
	300,000	–	(100,000)	200,000	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	–	(440,000)	1,260,000	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	4,540,000	–	(780,000)	3,760,000				
Total	5,960,000	–	(1,300,000)	4,660,000				

## 28. SHARE OPTION SCHEME (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.
- \*\*\* 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 prior year.
- # Mr. Chang Kai Mo resigned as an executive director of the Company during the year.

### *Note:*

At the balance sheet date, the Company had 4,660,000 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 the issue of 4,660,000 additional ordinary shares of the Company and additional share capital of HK\$1,165,000 and share premium of HK\$4,127,000 (before issue expenses).

During the year ended 30 April 2004, 520,000 share options lapsed after Mr. Chang Kai Mo resigned as a director of the Company. In addition, a total of 780,000 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 on page 22 of the financial statements.

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 operations transferred from Cambo to KCC pursuant to the Group reorganisation completed on 16 August 2001 prior to the listing of the Company's shares, over the nominal value of the share capital of the Company issued in exchange therefor.

## 29. RESERVES (continued)

## Company

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 May 2002	92,910	–	171	93,081
Repurchase of shares – <i>note 27</i>	(337)	258	(258)	(337)
Interim 2003 dividend – <i>note 12</i>	(2,760)	–	–	(2,760)
Net profit for the year	–	–	220	220
Proposed final 2003 dividend – <i>note 12</i>	(1,365)	–	–	(1,365)
At 30 April 2003 and 1 May 2003	88,448	258	133	88,839
Net loss for the year	–	–	(40,450)	(40,450)
Interim 2004 dividend – <i>note 12</i>	(1,365)	–	–	(1,365)
At 30 April 2004	87,083	258	(40,317)	47,024

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's reorganisation completed on 16 August 2001. 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

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Net assets acquired:		
Fixed assets	–	1,908
Rental and utility deposits	–	8,545
Inventories	–	200
Deposits, prepayments and other receivables	–	160
Staff advances	–	19
Cash and bank balances	–	1,004
Accounts payable	–	(223)
Accrual	–	(107)
<b>Total net assets acquired</b>	<b>–</b>	<b>11,506</b>
Goodwill on acquisition – <i>note 15</i>	–	5,989
	–	17,495

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary in the prior year was as follows:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Cash and bank balances acquired	–	1,004

The subsidiary acquired during the prior year made no significant contribution to the Group's turnover and consolidated loss from operating activities in that year.

## (b) Major non-cash transaction

During the year, the Company entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the lease of HK\$572,000.



### 31. CONTINGENT LIABILITIES

At 30 April 2004, 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\$4.1 million (2003: HK\$3.7 million) as at 30 April 2004.

At 30 April 2004 and 2003, 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

At 30 April 2004, the Group had no future lease rental receivables under non-cancellable operating leases with its tenants falling due as the Group disposed of its investment properties (note 14) during the year. At 30 April 2003, the Group had future lease rental receivables under non-cancellable operating leases with its tenants falling due within one year amounting to HK\$121,000.

#### (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 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>34,348</b>	37,257
In the second to fifth years, inclusive	<b>92,931</b>	63,178
After five years	<b>36,802</b>	34,476
	<b>164,081</b>	134,911

At 30 April 2004, 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:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
<u>Capital commitments contracted for</u>		
Commitments in respect of investments in subsidiaries	<b>2,468</b>	1,414
Commitments in respect of leasehold improvements	<b>352</b>	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 and balances detailed elsewhere in these financial statements, the Group had the following transactions with a related party during the year:

	<i>Note</i>	<b>2004</b>	2003
		<b>HK\$'000</b>	HK\$'000
Sales of food to a related company	<i>(i)</i>	<b>399</b>	713

*Note:*

- (i) The Group made sales to Hong Thai (as defined in note 20 above). The directors considered that the sales were based on the published sales prices of the Group, less discounts ranging from 30% to 50%.

### 35. POST BALANCE SHEET EVENTS

(a) **Conditional subscription and sale of shareholder's loan agreements with Kamboat Bakery, E-Rapid and the Subscriber**

On 28 May 2004, Kamboat Bakery entered into a Conditional Subscription Agreement with the Subscriber in relation to the subscription of 1,040,000 new ordinary shares in Kamboat Bakery (the "Bakery Shares") at a subscription price of HK\$1.00 per share (par value of Bakery Shares), which represented 51% of the total issued share capital of Kamboat Bakery as enlarged by the allotment and issue of Bakery Shares upon completion. The Bakery Shares were issued and allotted to the Subscriber on 16 June 2004. Upon the Conditional Subscription Agreement becoming unconditional, the Group's equity interests in Kamboat Bakery would be diluted from 100% to 49% and it would then become an associate of the Group. Pursuant to the Conditional Subscription Agreement, the Subscriber also agreed to contribute an additional amount of HK\$1,000,000 as a shareholder's loan to Kamboat Bakery as working capital upon completion of the Subscription.

At the date of approval of these financial statements, the Group received a total sum of HK\$2,040,000, which included the subscription money and the shareholder's loan contribution.

On the same date, E-Rapid entered into a conditional agreement (the "Conditional Sale Loan Agreement") with the Subscriber for the sale of 51% of the amount due from Kamboat Bakery of HK\$24 million to E-Rapid (the "Shareholder's Loan") for a consideration of HK\$5 million. The consideration for the Shareholder's Loan was arrived at after arm's length negotiation between E-Rapid and the Subscriber. The completion of the sale of the Shareholder's Loan is conditional upon the completion of the Subscription Agreement and vice versa.

At the date of approval of these financial statements, the Group received the consideration for the Shareholder's Loan, but, as further explained below, the Conditional Sale Loan Agreement remains conditional.

### 35. POST BALANCE SHEET EVENTS (continued)

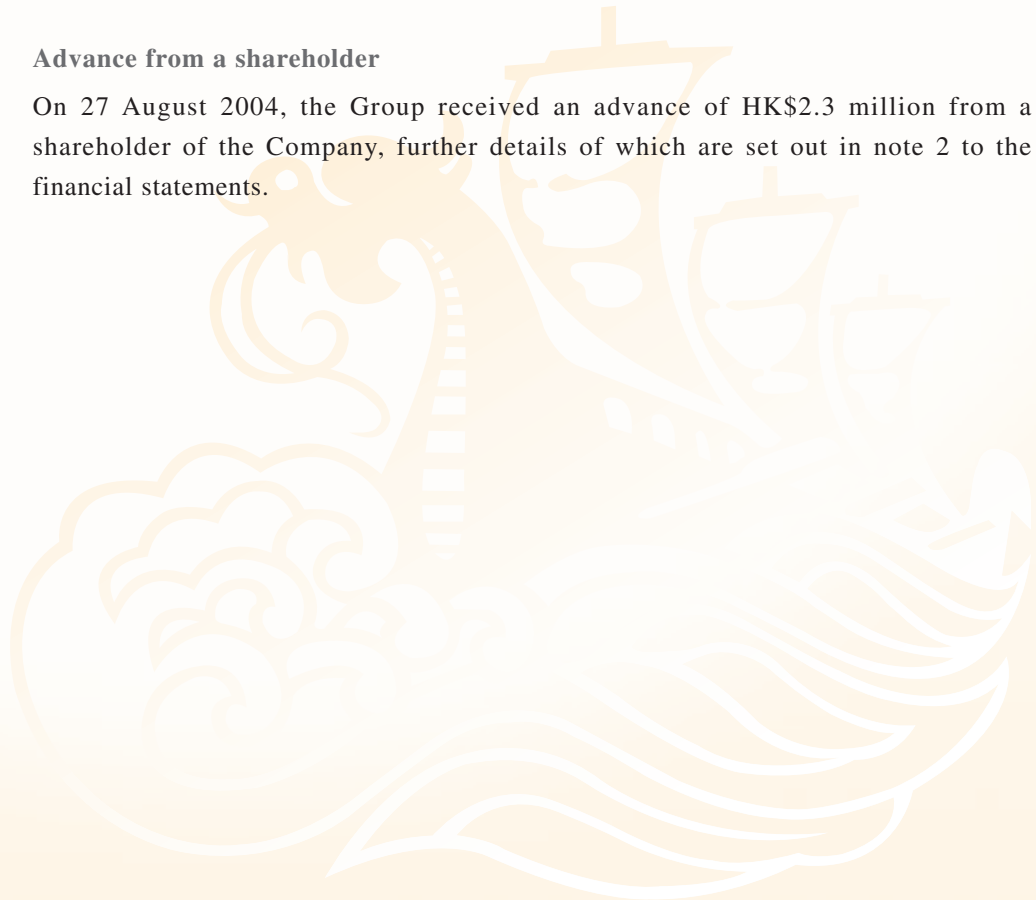
(a) **Conditional subscription and sale of shareholder's loan agreements with Kamboat Bakery, E-Rapid and the Subscriber (continued)**

On 5 August 2004, Kamboat Bakery, E-Rapid and the Subscriber agreed in writing that, if a general meeting is required by the holding company of the Subscriber to approve the Conditional Subscription Agreement and the Conditional Sale Loan Agreement (the "Conditional Agreements") and the shareholders of the holding company of the Subscriber fail to approve them (the "Approval"), the Conditional Agreements will become void and the completion of which will lapse. At the date of approval of these financial statements, the Conditional Agreements remain conditional upon completion of the Approval.

Upon the Conditional Agreements becoming unconditional, an estimated loss of approximately HK\$1.4 million would result (subject to further adjustments after taking into consideration the operating results of Kamboat Bakery from 1 May 2004 up to the date on which the above agreements become unconditional).

(b) **Advance from a shareholder**

On 27 August 2004, the Group received an advance of HK\$2.3 million from a shareholder of the Company, further details of which are set out in note 2 to the financial statements.



### 35. POST BALANCE SHEET EVENTS (continued)

#### (b) Advance from a shareholder (continued)

Set out below is a summary of the condensed pro forma adjusted consolidated net assets statement of the Group as at 30 April 2004, which is prepared based on the audited consolidated net assets of the Group as at 30 April 2004, taking into account the effects of (a) and (b) mentioned above, as if both had been taken place as at 30 April 2004.

	Audited consolidated net assets as at 30 April 2004 HK\$'000	Pro forma adjustments		Pro forma unaudited adjusted consolidated net assets as at 30 April 2004 HK\$'000
		Advance from a shareholder HK\$'000	Deemed disposal of a subsidiary HK\$'000	
Non-current assets	86,731	–	(15,930)	70,801
Current assets	39,316	2,300	(1,396)	40,220
Current liabilities	(49,297)	–	14,653	(34,644)
Net current assets/(liabilities)	(9,981)	2,300	13,257	5,576
Total assets less current liabilities	76,750	2,300	(2,673)	76,377
Non-current liabilities	(5,982)	(2,300)	1,205	(7,077)
Net assets	70,768	–	(1,468)	69,300

### 36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 August 2004.