



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 Institute of Certified Public Accountants (“HKICPA”). They are also prepared under the historical cost convention except that investment properties are stated at fair value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

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 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*)

(i) *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 Statement of Standard Accounting Practice ("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.



Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

(b) Intangible assets (*continued*)

(i) Goodwill (*continued*)

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.

(ii) Trademarks

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.



Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

(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, whichever is shorter. The expected useful life used for this purpose is 50 years.

(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%.



Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES (*continued*)

(d) Fixed assets (*continued*)

(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.

(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) Investments in securities

(i) *Investment securities*

Investment securities are stated at cost less accumulated impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline in fair value other than temporary has occurred, the carrying amounts of such securities will be reduced to their fair values. The impairment loss is recognized as an expense in the profit and loss account. This impairment loss is written back to profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) *Held-to-maturity securities*

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount/premium amortized to date. The discount or premium is amortized over the period to maturity and included as interest income/expense in the profit and loss account. Provision is made when a diminution in value other than temporary has occurred.



Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(f) Investments in securities *(continued)*

(i) *Held-to-maturity securities (continued)*

The carrying amounts of individual held-to-maturity securities or holdings of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognized in the profit and loss account as expenses immediately.

(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.

(m) **Revenue recognition**

Sales revenue from restaurant and fast food operations are recognized 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.

(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)*

(i) Pension obligations

The Group participates in 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 whose monthly contributions are calculated based on their actual salaries. The Group’s contributions are charged to the profit and loss account when incurred.

Schemes established under Occupational Retirement Schemes Ordinance (“ORSO Scheme”)

The Group has 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 the MPF Schemes, 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 contributions 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 revenues mainly represent rental income from properties and gain on disposal of investment properties 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 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 customers are 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	
	2005	2004
	HK\$	HK\$
Turnover		
Restaurant operation	417,259,612	406,936,493
Bakery operation	563,255,347	531,895,312
	980,514,959	938,831,805
Other revenues		
Interest income	1,841,767	1,782,826
Rental income from investment properties	640,364	4,058,877
Rental income from other properties	1,961,177	568,711
	4,443,308	6,410,414
Total revenues	984,958,267	945,242,219

Primary reporting format – business segments

For management purpose, the Group is currently organized into 2 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 cuisines
- Bakery operation – manufacturing and selling bakery products 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)

Primary reporting format – business segments (continued)

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

	Restaurant HK\$	2005 Bakery HK\$	Group HK\$	Restaurant HK\$	2004 Bakery HK\$	Group HK\$
Turnover	417,259,612	568,901,322	986,160,934	406,936,493	537,515,842	944,452,335
Inter-segment sales	–	(5,645,975)	(5,645,975)	–	(5,620,530)	(5,620,530)
Segment turnover	<u>417,259,612</u>	<u>563,255,347</u>	<u>980,514,959</u>	<u>406,936,493</u>	<u>531,895,312</u>	<u>938,831,805</u>
Segment results	<u>(3,737,923)</u>	<u>69,536,498</u>	<u>65,798,575</u>	<u>4,267,388</u>	<u>44,660,915</u>	<u>48,928,303</u>
Unallocated revenues			26,798,862			13,431,666
Unallocated expenses			(38,814)			(6,684,647)
Operating profit			92,558,623			55,675,322
Share of net profits of associated companies	1,640,770	–	1,640,770	487,402	–	487,402
Profit before taxation			94,199,393			56,162,724
Taxation			(13,610,187)			(8,604,194)
Profit after taxation			80,589,206			47,558,530
Minority interests			(25,430,189)			(19,199,256)
Profit attributable to shareholders			<u>55,159,017</u>			<u>28,359,274</u>
Segment assets	303,132,810	409,725,963	712,858,773	260,462,678	369,477,980	629,940,658
Interests in associated companies	2,385,411	–	2,385,411	1,888,057	–	1,888,057
Unallocated assets			4,191,913			77,678,001
Total assets			<u>719,436,097</u>			<u>709,506,716</u>
Segment liabilities	53,476,630	183,417,626	236,894,256	69,877,925	178,317,019	248,194,944
Unallocated liabilities			10,128,186			4,045,373
Total liabilities			<u>247,022,442</u>			<u>252,240,317</u>
Capital expenditure	9,138,072	70,554,579	79,692,651	31,850,427	37,135,523	68,985,950
Depreciation and impairment losses	20,251,925	28,923,228	49,175,153	16,746,645	29,823,206	46,569,851
Amortization charge	–	4,600,000	4,600,000	154,568	4,600,000	4,754,568

The gain on disposal of a self-occupied property amounting to HK\$26,112,921 was allocated to the segment results of bakery operation whereas gain on disposal of investment properties totalled HK\$24,197,320 was included as unallocation revenues (2004: the unallocated revenues included a gain on disposal of an investment property of HK\$7,159,160).



Notes to the Accounts

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

Secondary reporting format – geographical segments

The geographical analysis is divided into two regions:

- Hong Kong and Macau
- The People's Republic of China ("PRC")

The geographical analysis of total assets value and capital expenditure is as follows:

	2005		2004	
	Total assets HK\$	Capital expenditure HK\$	Total assets HK\$	Capital expenditure HK\$
Hong Kong and Macau	644,320,207	61,701,451	671,245,136	66,730,066
PRC	75,115,890	17,991,200	38,261,580	2,255,884
	719,436,097	79,692,651	709,506,716	68,985,950

The capital expenditure for PRC was incurred for bakery operation of the Group.

No geographical analysis on segment results 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.

4. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Group	
	2005 HK\$	2004 HK\$
Wages and salaries, including directors' fees	290,240,483	287,137,584
Termination benefits	612,362	279,052
Provision for leave balance	2,272,516	968,425
Retirement benefit costs – defined contribution scheme (Note 10)	13,794,988	13,042,990
Provision for/(reversal of) long service payments (Note 24)	1,103,381	(2,870,858)
Other staff costs	14,630,815	12,841,920
	322,654,545	311,399,113



Notes to the Accounts

5. OPERATING PROFIT

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

	Group	
	2005 HK\$	2004 HK\$
Auditors' remuneration	1,399,986	1,330,597
Non-audit service fees paid to the Company's auditors	293,731	452,050
Depreciation and impairment losses of fixed assets		
Depreciation charge	45,107,153	46,569,851
Impairment losses of fixed assets	4,068,000	—
	49,175,153	46,569,851
Reversal of impairment losses, revaluation gain and gain on disposal of properties		
Reversal of impairment losses of other properties	—	(1,094,918)
Gain on revaluation of investment properties	—	(550,000)
Gain on disposal of investment properties	(24,197,320)	(7,159,160)
Gain on disposal of other property	(26,112,921)	—
	(50,310,241)	(8,804,078)
Loss/(gain) on disposal of other fixed assets	9,838	(935,575)
Net exchange (gain)/losses	(221,266)	289,961

6. TAXATION

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

	Group	
	2005 HK\$	2004 HK\$
Current taxation		
Hong Kong profits tax	7,746,288	7,105,799
Overseas taxation	6,453,284	2,422,127
Under/(over) provision in prior years	18,077	(70,503)
Deferred taxation credit (<i>Note 25</i>)	(881,727)	(1,111,523)
	13,335,922	8,345,900
Share of taxation attributable to associated company	274,265	258,294
Taxation charge	13,610,187	8,604,194

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year. 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

6. TAXATION (*continued*)

Overseas taxation included HK\$4,112,785 relating to the sale of Macau property (2004: Nil).

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

	Group	
	2005	2004
	HK\$	HK\$
Profit before taxation	94,199,393	56,162,724
Calculated at a taxation rate of 17.5% (2004: 17.5%)	16,484,894	9,828,477
Effect of different taxation rates in other countries	(16,437)	(350,539)
Income not subject to taxation	(4,697,484)	(1,928,332)
Expenses not deductible for taxation purposes	2,232,358	2,233,403
Under/(over) provision in prior year	18,077	(70,503)
Utilization of previously unrecognized tax losses	(519,661)	(10,594)
Unrecognized temporary differences	–	(3,429,423)
Tax losses not recognized	93,435	2,069,026
Increase in opening net deferred tax liabilities resulting from an increase in taxation rate	–	88,709
Others	15,005	173,970
Taxation charge	13,610,187	8,604,194

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$58,076,819 (2004: HK\$15,352,691).

8. DIVIDENDS

	Group	
	2005	2004
	HK\$	HK\$
Write-back of unclaimed dividend	(80,250)	–
Interim, paid, of HK1.0 cent (2004: HK1.0 cent) per ordinary share	3,289,586	3,238,486
Special, paid, of HK4.0 cents (2004: Nil) per ordinary share	13,158,344	–
Final, proposed, of HK5.0 cents (2004: HK3.5 cents) per ordinary share (<i>Note 23(a)</i>)	16,447,930	11,513,551
	32,815,610	14,752,037

At a meeting held on 13 July 2005, the directors declared a final dividend of HK5.0 cents per ordinary share for the year ended 31 March 2005. This proposed final 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

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	2005	2004
	HK\$	HK\$
Earnings		
Earnings for the purpose of the calculation of basic earnings per share	55,159,017	28,359,274
Adjustment to the share of results of a subsidiary based on the dilution of the subsidiary's earnings per share	(306,840)	(751,355)
Earnings for the purpose of the calculation of diluted earnings per share	54,852,177	27,607,919
	2005	2004
Number of shares		
Weighted average number of ordinary shares for the purpose of the calculation of basic earnings per share	328,958,609	316,954,073
Effect of dilutive potential ordinary shares	1,975,642	5,116,318
Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share	330,934,251	322,070,391

10. RETIREMENT BENEFIT COSTS

The Group participates in the 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 calculated based on their actual salaries. The Mandatory Contributions to the 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 the 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\$114,742 (2004: HK\$292,999). The aggregate amount of unvested benefits refunded to the Group was HK\$243,543 (2004: HK\$220,332). At 31 March 2005, the aggregate amount of unvested benefits not yet refunded was HK\$25,826 (2004: HK\$154,627).



Notes to the Accounts

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments were determined by the Board with reference to their qualifications and experience, responsibilities to be undertaken and the prevailing market level of remuneration of similar position.

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

	2005	2004
	HK\$	HK\$
Directors' fees	250,000	250,000
Other emoluments:		
Basic salaries and benefits in kind	7,019,150	7,701,182
Performance related bonuses	2,702,255	2,596,000
Pension contributions	181,587	203,227
	10,152,992	10,750,409

For both years, all of the above were paid to executive directors except for directors' fees amounting to HK\$150,000 (2004: HK\$150,000) which were paid to 3 (2004: 3) independent non-executive directors.

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2005	2004
Nil – HK\$1,000,000	6	8
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$5,000,001 – HK\$5,500,000	–	1
HK\$5,500,001 – HK\$6,000,000	1	–
	9	10

No directors have waived emoluments in respect of the two years ended 31 March 2005 and 2004 and no emoluments were paid or payable by the Group to any directors as an inducement to join the Group or as compensation for loss of office. No share options were granted to the directors during both years.



Notes to the Accounts

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

(b) Five highest paid individuals

The aggregate amounts of emoluments payable to the 5 highest paid individuals of the Group during the year, of whom 4 (2004: 4) are directors of the Company, were as follows:

	2005	2004
	HK\$	HK\$
Directors' fees	50,000	50,000
Basic salaries and benefits in kind	7,811,858	7,729,036
Performance related bonuses	2,591,855	2,526,000
Pension contributions	219,131	209,521
	10,672,844	10,514,557

The emoluments of the 5 highest paid individuals fell within the following bands:

Emolument bands	Number of individuals	
	2005	2004
Nil – HK\$1,000,000	1	2
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	2	–
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$5,000,001 – HK\$5,500,000	–	1
HK\$5,500,001 – HK\$6,000,000	1	–
	5	5

During the two years ended 31 March 2005 and 2004, no emoluments were paid or payable by the Group to the 5 highest paid individuals as an inducement to join the Group or as compensation for loss of office.



Notes to the Accounts

12. INTANGIBLE ASSETS

	Goodwill <i>HK\$</i>	Group Trademark <i>HK\$</i>	Total <i>HK\$</i>
Net book value, 1 April 2004	–	32,200,000	32,200,000
Amortization charge	–	(4,600,000)	(4,600,000)
Net book value, 31 March 2005	–	27,600,000	27,600,000
At 31 March 2005			
Cost	–	92,000,000	92,000,000
Accumulated amortization	–	(64,400,000)	(64,400,000)
Net book value	–	27,600,000	27,600,000
At 31 March 2004			
Cost	375,850	92,000,000	92,375,850
Accumulated amortization	(375,850)	(59,800,000)	(60,175,850)
Net book value	–	32,200,000	32,200,000

At 31 March 2005, the remaining amortization period of trademark was 6 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 2005 <i>HK\$</i>	2004 <i>HK\$</i>
At the beginning of the year	34,030,315	37,818,089
Attributable share of goodwill written-back upon deemed disposal of a subsidiary	–	(3,787,774)
At the end of the year	34,030,315	34,030,315



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 2004	75,855,118	231,434,193	157,098,759	28,607,196	181,903,904	17,299,959	692,199,129
Additions	–	38,245,238	16,249,087	2,773,573	18,317,446	4,107,307	79,692,651
Disposals	(75,855,118)	(12,547,237)	(10,519,528)	(2,038,370)	(5,154,036)	(1,046,578)	(107,160,867)
At 31 March 2005	–	257,132,194	162,828,318	29,342,399	195,067,314	20,360,688	664,730,913
Accumulated depreciation and impairment							
At 1 April 2004	–	63,481,979	111,202,393	18,991,841	129,775,473	10,511,847	333,963,533
Charge for the year	–	4,398,416	19,551,347	2,362,161	16,555,928	2,239,301	45,107,153
Impairment losses	–	–	1,908,540	774,345	1,385,115	–	4,068,000
Disposals	–	(2,608,765)	(10,458,472)	(2,038,370)	(4,902,285)	(982,511)	(20,990,403)
At 31 March 2005	–	65,271,630	122,203,808	20,089,977	142,814,231	11,768,637	362,148,283
Net book value							
At 31 March 2005	–	191,860,564	40,624,510	9,252,422	52,253,083	8,592,051	302,582,630
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
The analysis of the cost or valuation of the above assets is as follows:							
At 31 March 2005, at cost	–	257,132,194	162,828,318	29,342,399	195,067,314	20,360,688	664,730,913
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



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 analyzed as follows:

	2005	2004
	HK\$	HK\$
In Hong Kong, held on:		
Leases of over 50 years	7,620,833	7,820,833
Leases of between 10 to 50 years	135,994,847	205,138,358
Outside Hong Kong, held on:		
Leases of over 50 years	16,905,927	19,609,190
Leases of between 10 to 50 years	31,338,957	11,238,951
	<u>191,860,564</u>	<u>243,807,332</u>

(b) Company

	Other properties HK\$	Leasehold improve- ments HK\$	Air- conditioning plant HK\$	Furniture, fixtures, and equipment HK\$	Motor vehicles HK\$	Total HK\$
Cost						
At 1 April 2004	1,665,685	20,647,182	9,355,909	26,551,580	4,577,602	62,797,958
Additions and adjustment	-	(344,420)	-	464,861	447,764	568,205
At 31 March 2005	<u>1,665,685</u>	<u>20,302,762</u>	<u>9,355,909</u>	<u>27,016,441</u>	<u>5,025,366</u>	<u>63,366,163</u>
Accumulated depreciation						
At 1 April 2004	340,408	14,624,609	6,634,769	19,377,322	2,843,627	43,820,735
Charge for the year	33,312	1,309,008	601,664	2,107,236	603,065	4,654,285
At 31 March 2005	<u>373,720</u>	<u>15,933,617</u>	<u>7,236,433</u>	<u>21,484,558</u>	<u>3,446,692</u>	<u>48,475,020</u>
Net book value						
At 31 March 2005	<u>1,291,965</u>	<u>4,369,145</u>	<u>2,119,476</u>	<u>5,531,883</u>	<u>1,578,674</u>	<u>14,891,143</u>
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>

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



Notes to the Accounts

14. INTERESTS IN SUBSIDIARIES

	Company	
	2005 HK\$	2004 HK\$
Unlisted shares, at cost	177,226,623	177,226,623
Loans to subsidiaries (<i>Note</i>)	60,060,482	114,060,482
	237,287,105	291,287,105
Provision for impairment losses	(31,805,143)	(47,205,143)
	205,481,962	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\$60,056,582 (2004: HK\$114,056,582) and the remaining balances are interest-free.

Details of the principal subsidiaries are set out in note 30.

15. INTERESTS IN ASSOCIATED COMPANIES

	Group		Company	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Unlisted shares, at cost	N/A	N/A	–	12,564,831
Provision for impairment losses	N/A	N/A	–	(12,564,831)
Share of net assets	2,385,411	1,888,057	N/A	N/A
	2,385,411	1,888,057	–	–

Details of the associated company are set out in note 30.

16. INVESTMENTS IN SECURITIES

	Group		Company	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Club debentures, at cost	4,996,880	4,996,880	4,996,880	4,996,880
Held-to-maturity unlisted debt securities, at cost	8,800,000	–	8,800,000	–
	13,796,880	4,996,880	13,796,880	4,996,880



Notes to the Accounts

17. INVENTORIES

	Group		Company	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Raw materials	19,517,635	15,004,319	1,745,580	1,614,512
Packing materials	3,562,681	3,240,926	–	–
Work in progress	529,657	459,387	–	–
Finished goods	760,489	453,522	–	–
	<u>24,370,462</u>	<u>19,158,154</u>	<u>1,745,580</u>	<u>1,614,512</u>

At 31 March 2005 and 2004, all inventories were stated at cost.

18. 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\$4,543,952 (2004: HK\$1,516,632) and the remaining balances are interest-free.

19. TRADE RECEIVABLES

At 31 March 2005, the ageing analysis of the trade receivables was as follows:

	Group		Company	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Current to 30 days	3,974,232	3,005,450	238,056	191,302
31 to 60 days	252,833	190,511	16,436	10,235
Over 60 days	1,178,132	123,279	1,434	–
	<u>5,405,197</u>	<u>3,319,240</u>	<u>255,926</u>	<u>201,537</u>

The majority of the Group's sales are conducted by cash, credit cards or through redemption of cake coupons. Credit sales are made mainly to certain 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 generally required to pay a deposit in the amount of 20% to 30% of their estimated purchase values.



Notes to the Accounts

20. TRADE PAYABLES

At 31 March 2005, the ageing analysis of the trade payables was as follows:

	Group		Company	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Current to 30 days	26,589,586	6,409,102	15,451,950	–
31 to 60 days	2,335,764	19,415,878	663,215	15,894,551
Over 60 days	1,982,320	398,431	242,891	–
	<u>30,907,670</u>	<u>26,223,411</u>	<u>16,358,056</u>	<u>15,894,551</u>

21. SHARE CAPITAL

	2005 HK\$	2004 HK\$
Authorized 400,000,000 ordinary shares of HK\$0.10 each	<u>40,000,000</u>	<u>40,000,000</u>
Issued and fully paid 328,958,609 ordinary shares of HK\$0.10 each	<u>32,895,861</u>	<u>32,895,861</u>

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

	Number of shares	
	2005	2004
Ordinary shares of HK\$0.10 each		
At the beginning of the year	328,958,609	313,028,609
Issue of shares upon exercise of share options	–	15,930,000
At the end of the year	<u>328,958,609</u>	<u>328,958,609</u>

22. SHARE OPTIONS

The share option scheme respectively adopted by the Company (“HKCM Scheme”) and SHHL (“SHHL Scheme”) do not fulfil certain requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which have become effective since 1 September 2001, both schemes are invalid and no further share option can be granted under the schemes.



Notes to the Accounts

22. SHARE OPTIONS (*continued*)

(1) HKCM Scheme

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

	Number of HKCM Options	
	2005	2004
At the beginning of the year	3,350,000	23,980,000
Exercised	—	(15,930,000)
Lapsed	—	(2,220,000)
Cancelled	—	(2,480,000)
At the end of the year (<i>note a</i>)	3,350,000	3,350,000

(a) 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		2005	2004
Directors of the Company					
30 August 2001	1 October 2001	30 September 2011	0.48	1,000,000	1,000,000
30 August 2001	1 March 2002	30 September 2011	0.48	1,000,000	1,000,000
30 August 2001	1 September 2002	30 September 2011	0.48	1,000,000	1,000,000
		Total		3,000,000	3,000,000
Other employees					
30 August 2001	1 March 2002	30 September 2011	0.48	175,000	175,000
30 August 2001	1 September 2002	30 September 2011	0.48	175,000	175,000
		Total		350,000	350,000
		Grand total		3,350,000	3,350,000



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	
	2005	2004
At the beginning of the year	2,840,000	18,650,000
Exercised (<i>Note a</i>)	(240,000)	(15,088,000)
Lapsed	–	(532,000)
Cancelled	–	(190,000)
At the end of the year (<i>Note b</i>)	2,600,000	2,840,000

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

Month	Number of SHHL Options exercised			Proceeds from exercise of SHHL Options HK\$
	exercisable at HK\$0.50	exercisable at HK\$0.55	Total	
April 2004	–	140,000	140,000	77,000
July 2004	30,000	70,000	100,000	53,500
Total	30,000	210,000	240,000	130,500

(b) 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		2005	2004
Directors and employees of SHHL group					
15 January 2001	1 May 2001	31 May 2010	0.50	1,000,000	1,030,000
15 January 2001	1 May 2002	31 May 2010	0.50	1,000,000	1,000,000
31 August 2001	1 March 2002	30 September 2011	0.55	300,000	405,000
31 August 2001	1 September 2002	30 September 2011	0.55	300,000	405,000
			Total	2,600,000	2,840,000



Notes to the Accounts

23. RESERVES

- (a) The reserves of the Group and of the Company at 31 March 2005 are analyzed as follows:

	Group		Company	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Reserves	322,389,546	324,682,127	310,110,727	284,849,518
Dividend reserve (<i>Note 8</i>)	16,447,930	11,513,551	16,447,930	11,513,551
Total reserves (<i>Note (b) & (c)</i>)	<u>338,837,476</u>	<u>336,195,678</u>	<u>326,558,657</u>	<u>296,363,069</u>



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 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	<u>125,277,594</u>	<u>24,635,988</u>	<u>69,124</u>	<u>174,699,421</u>	<u>11,513,551</u>	<u>336,195,678</u>
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	<u>125,277,594</u>	<u>24,635,988</u>	<u>69,124</u>	<u>174,699,421</u>	<u>11,513,551</u>	<u>336,195,678</u>
At 1 April 2004	125,277,594	24,635,988	69,124	174,699,421	11,513,551	336,195,678
Reserve transferred to profit and loss account upon disposal of investment properties	-	(24,635,988)	-	-	-	(24,635,988)
Profit for the year	-	-	-	55,159,017	-	55,159,017
Write-back of unclaimed dividend	-	-	-	80,250	-	80,250
2003/04 final dividend paid	-	-	-	-	(11,513,551)	(11,513,551)
2004/05 interim dividend proposed	-	-	-	(3,289,586)	3,289,586	-
2004/05 special dividend proposed	-	-	-	(13,158,344)	13,158,344	-
2004/05 interim dividend paid	-	-	-	-	(3,289,586)	(3,289,586)
2004/05 special dividend paid	-	-	-	-	(13,158,344)	(13,158,344)
2004/05 final dividend proposed	-	-	-	(16,447,930)	16,447,930	-
At 31 March 2005	<u>125,277,594</u>	<u>-</u>	<u>69,124</u>	<u>197,042,828</u>	<u>16,447,930</u>	<u>338,837,476</u>
Dealt with by:						
Company and subsidiaries	125,277,594	-	69,124	202,513,968	16,447,930	344,308,616
Associated companies	-	-	-	(5,471,140)	-	(5,471,140)
At 31 March 2005	<u>125,277,594</u>	<u>-</u>	<u>69,124</u>	<u>197,042,828</u>	<u>16,447,930</u>	<u>338,837,476</u>



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 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>
At 1 April 2004	125,277,594	159,571,924	11,513,551	296,363,069
Profit for the year	–	58,076,819	–	58,076,819
Write-back of unclaimed dividend	–	80,250	–	80,250
2003/04 final dividend paid	–	–	(11,513,551)	(11,513,551)
2004/05 interim dividend proposed	–	(3,289,586)	3,289,586	–
2004/05 special dividend proposed	–	(13,158,344)	13,158,344	–
2004/05 interim dividend paid	–	–	(3,289,586)	(3,289,586)
2004/05 special dividend paid	–	–	(13,158,344)	(13,158,344)
2004/05 final dividend proposed	–	(16,447,930)	16,447,930	–
At 31 March 2005	<u>125,277,594</u>	<u>184,833,133</u>	<u>16,447,930</u>	<u>326,558,657</u>

24. 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 <i>HK\$</i>	Company <i>HK\$</i>
At 1 April 2004	11,456,800	2,032,779
Provision for the year (Note 4)	1,103,381	190,944
Less: Amounts utilized	(1,522,573)	(330,151)
At 31 March 2005	<u>11,037,608</u>	<u>1,893,572</u>

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.



Notes to the Accounts

25. DEFERRED TAXATION

Deferred taxation is calculated on temporary differences under the liability method using a principal taxation rate of 17.5% (2004:17.5%).

The movements in the net deferred tax (assets)/liabilities are as follows:

	Group	
	2005	2004
	HK\$	HK\$
At the beginning of the year	778,007	1,350,530
Deferred taxation (credit)/charged to equity	(539,000)	539,000
Credited to profit and loss account (<i>Note 6</i>)	(881,727)	(1,111,523)
	<hr/>	<hr/>
At the end of the year	(642,720)	778,007
	<hr/>	<hr/>
It is analyzed as follows:		
Deferred tax assets	(3,192,640)	(1,469,639)
Deferred tax liabilities	2,549,920	2,247,646
	<hr/>	<hr/>
Net deferred tax (assets)/liabilities	(642,720)	778,007
	<hr/>	<hr/>
Provided for in respect of:		
Accelerated depreciation allowances	418,280	790,874
Tax losses	(1,061,000)	–
Other temporary difference	–	(12,867)
	<hr/>	<hr/>
Net deferred tax (assets)/liabilities	(642,720)	778,007
	<hr/>	<hr/>

The potential deferred taxation assets not recognized are as follow:

	Group		Company	
	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$
Excess of depreciation over tax allowances	1,561,165	443,271	695,532	332,598
Tax losses	6,541,471	6,852,067	1,744,251	2,144,844
	<hr/>	<hr/>	<hr/>	<hr/>
	8,102,636	7,295,338	2,439,783	2,477,442
	<hr/>	<hr/>	<hr/>	<hr/>



Notes to the Accounts

26. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit to net cash inflow generated from operating activities is as follows:

	2005	2004
	HK\$	HK\$
Operating profit	92,558,623	55,675,322
Amortization of intangible assets	4,600,000	4,754,568
Loss on deemed disposal of a subsidiary	38,814	6,684,647
Gain on disposal of fixed assets	(50,300,403)	(8,094,735)
Depreciation and impairment losses of fixed assets	49,175,153	46,569,851
Reversal of impairment losses of other properties	–	(1,094,918)
Gain on revaluation of investment properties	–	(550,000)
Interest income	(1,841,767)	(1,782,826)
Operating profit before working capital changes	94,230,420	102,161,909
Cash inflow from sales of cake coupons	45,041,222	41,355,062
Cake coupons redeemed as sales	(47,809,688)	(49,461,351)
(Increase)/decrease in rental deposits paid	(1,545,648)	2,344,468
Increase in inventories	(5,212,308)	(3,983,591)
Decrease in amount due from an associated company	–	2,975
Increase in trade receivables	(2,085,957)	(590,687)
(Increase)/decrease in deposits, prepayments and other receivables	(4,302,695)	2,597,614
Increase in trade payables	4,684,259	160,272
(Decrease)/increase in other payables and accrued charges	(11,460,151)	15,407,374
(Decrease)/increase in rental deposits received	(1,337,138)	1,070,183
Decrease in provision for long service payments	(419,192)	(5,082,030)
Net cash inflow generated from operations	69,783,124	105,982,198
Hong Kong profits tax paid	(6,414,822)	(9,727,319)
Overseas taxation paid	(2,668,317)	(1,019,557)
Net cash inflow generated from operating activities	60,699,985	95,235,322



Notes to the Accounts

27. COMMITMENTS

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

	Group		Company	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Contracted but not provided for	4,387,000	1,286,850	–	–
Approved but not contracted for	31,480,000	50,052,800	3,580,000	–
	35,867,000	51,339,650	3,580,000	–

(b) Commitments under operating leases

At 31 March 2005, 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	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Within one year	85,127,451	72,401,882	39,384,187	31,599,686
In the second to fifth year inclusive	85,765,257	47,379,602	42,466,551	15,901,547
After the fifth year	2,289,163	2,335,174	–	–
	173,181,871	122,116,658	81,850,738	47,501,233

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.



Notes to the Accounts

28. FUTURE OPERATING LEASE ARRANGEMENTS

At 31 March 2005, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2005 HK\$	2004 HK\$
Within one year	1,034,561	5,416,494
In the second to fifth year inclusive	791,773	7,966,500
	<u>1,826,334</u>	<u>13,382,994</u>

29. BANKING FACILITIES

At 31 March 2005, the Group had aggregate banking facilities of HK\$17,000,000 (2004 HK\$20,000,000) for overdrafts and bank guarantees. Some of the banking facilities were secured by corporate guarantees given by the Company.

At 31 March 2005, the facilities were utilized by the Group to the extent of HK\$10,027,946 (2004: HK\$12,258,231) primarily for bank guarantees granted to third parties in lieu of rental and utility deposits.

30. SUBSIDIARIES AND ASSOCIATED COMPANY

The following is the particulars of the principal subsidiaries and associated company at 31 March 2005:

Name of principal subsidiaries	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective percentage of holding attributable to the Group %	Principal activities
<i>Interests held directly:</i>				
Advance HR Management Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Management service
Albion Agents Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100	Investment holding
Banqueting Caterers Limited	Hong Kong	80 ordinary shares of HK\$1 each 10,000,020 non-voting deferred shares of HK\$1 each	100	Restaurant operator
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



Notes to the Accounts

30. SUBSIDIARIES AND ASSOCIATED COMPANY (*continued*)

Name of principal subsidiaries	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective percentage of holding attributable to the Group %	Principal activities
<i>Interests held indirectly:</i>				
Bliset Investment Limited	Hong Kong	100 ordinary shares of HK\$1 each 102 non-voting deferred shares of HK\$1 each	55.79	Property holding
Bodega Limited	British Virgin Islands	1 ordinary share of US\$1 each	55.79	Investment holding
Bread Boutique Limited	Hong Kong	3,000,000 ordinary shares of HK\$1 each	55.79	Bakery operator
Criscane Limited	Hong Kong	2 ordinary shares of HK\$10 each	100	Property Holding
Easywin Limited	British Virgin Islands	1 ordinary share of US\$1 each	55.79	Holding of trademarks
Elegant Grand Limited	Hong Kong	400 ordinary shares of HK\$1 each	100	Restaurant operator
Eltham Agents Limited	British Virgin Islands	10 ordinary shares of US\$1 each	55.79	Investment holding
Evergain Consultants Limited	British Virgin Islands	1 ordinary share of US\$1 each	55.79	Investment holding
Great Moment Investment Limited	Hong Kong	2 ordinary shares of HK\$1 each	55.79	Property holding
Kingdom Wise Limited	Hong Kong	2 ordinary shares of HK\$1 each	55.79	Property holding
@ Saint Anna Cake Shop (Macau) Limited	Macau	MOP100,000	55.79	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	55.79	Bakery operator
@# Saint Honore Cake Shop (Shenzhen) Limited	People's Republic of China	HK\$17,200,000	55.79	Manufacturing of bakery products
Saint Honore Holdings Limited	Bermuda	211,557,000 ordinary shares of HK\$0.10 each	55.79	Investment holding



Notes to the Accounts

30. SUBSIDIARIES AND ASSOCIATED COMPANY (continued)

Name of principal subsidiaries	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective percentage of holding attributable to the Group %	Principal activities
<i>Interests held indirectly: (continued)</i>				
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
Strong Glory Limited	Hong Kong	2 ordinary shares of HK\$1 each	55.79	Investment holding
Uni-Leptics Limited	Hong Kong	2 ordinary shares of HK\$1 each	55.79	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	55.79	Eatery operator
@# 夢工場美食(廣州)有限公司	People's Republic of China	US\$400,000	55.79	Manufacturing of bakery products
Name of associated company	Place of incorporation and operation	Particulars of issued share capital	Effective percentage of holding attributable to the Group %	Principal activities
Wellcon Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	21	Investment holding and management consulting

The above list includes the subsidiaries and associated company 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 would, in the opinion of the directors, result in particulars of excessive length.

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

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



Notes to the Accounts



31. SUBSEQUENT EVENT

Subsequent to 31 March 2005, the Group sold a self-occupied property located at Sceneway Plaza for a cash consideration of HK\$39 million. The disposal was completed on 20 May 2005 resulting in a gain of approximately HK\$10 million. The Group had leased back the premises at a monthly rental of HK\$250,000 for a year and the lease is extendable for a further year at the option of the Group.

32. ULTIMATE HOLDING COMPANY

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

33. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 13 July 2005.