Notes to Financial Statements

30 April 2005

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 (2004 Revision) of the Cayman Islands.

The principal place of business of the Company is located at Room 507, 113 Argyle Street, Mongkok, 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 in 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.

In the opinion of the Company's directors, Cambo Enterprises Limited ("Cambo"), a company incorporated in Hong Kong, is the Company's ultimate holding company. Subsequent to the completion of the subscription of 5,400 million shares in the Company on 29 August 2005 as detailed in note 29 to the financial statements, Vongroup Holdings Limited (the "Vongroup") became the single largest shareholders of the Company holding a 73.85% equity interest in the Company and became the Company's ultimate holding company.

2. CORPORATE UPDATE

The Group recorded net current liabilities of HK$7,453,000 (2004: HK$9,981,000) and net assets of HK$49,789,000 (2004: HK$70,768,000) as at 30 April 2005. As at 30 April 2005, the Group had nil bank loans subsequent to the disposal of its leasehold land and buildings and the settlement of the related bank loans (2004: HK$3,231,000). Further details of bank loans are included in note 25 to the financial statements.

Subsequent to the year ended on 29 August 2005, the remaining proceeds from the subscription of 5,400 million shares in the Company of approximately HK$49 million were received. Further details of the share subscription are included in note 29 to the financial statements.

After taking into account the remaining proceeds received from the subscription on 29 August 2005, the pro forma net current assets and pro forma net assets as at 30 April 2005 of the Group are HK$46,347,000 and HK$103,589,000, respectively. On this basis, the directors of the Company consider it appropriate to prepare the Group's financial statements for the year ended 30 April 2005 on a going concern basis.

3. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 April 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.

HKFRS 3 "Business Combinations" applies to accounting for business combinations for which the agreement date is on or after 1 January 2005. The Group did not have any business combination during the year and accordingly, this HKFRS has had no impact on these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with HKFRSs (which also include Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA, 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 short term investments, and in respect of the prior year also certain land and buildings, 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 2005. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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;

(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; and

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence 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 a jointly-controlled entity is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different from the Group's equity interest, the share of post-acquisition results of the jointly-controlled entity is determined based on the agreed profit sharing ratio. The Group's interest in a jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates 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.

Goodwill

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

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

On disposal of a subsidiary, 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and 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.

Fixed assets and depreciation

Fixed assets 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 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

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

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

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

Inventories

Inventories represent food, beverage and bakery products and 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 and unlisted 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 cakes 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 interests in subsidiaries, joint ventures and associates, 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 interests in subsidiaries, joint ventures and associates, 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 have been 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

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 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 33 to the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

On consolidation, the financial statements of subsidiaries 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 operating 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 operating 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, a jointly-controlled entity and associates operating 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 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 operations		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:								
Sales to external customers	238,373	242,941	13,228	77,113	(2,403)	(1,941)	249,198	318,113
Other revenue	2,884	606	813	290	–	–	3,697	896
Total	241,257	243,547	14,041	77,403	(2,403)	(1,941)	252,895	319,009
Segment results	(12,792)	2,449	(1,529)	(22,933)	–	–	(14,321)	(20,484)
Gain on deemed disposal of subsidiaries	–	–	10,346	–	–	–	10,346	–
Loss on disposal of a shareholder's loan	–	–	(6,859)	–	–	–	(6,859)	–
Unallocated other revenue							180	45
Unallocated expenses							(3,492)	(1,978)
Loss from operating activities							(14,146)	(22,417)
Finance costs							(77)	(269)
Share of profits and losses of:								
Jointly-controlled entity	1,088	(370)	–	–	–	–	1,088	(370)
Associates	–	–	(8,561)	–	–	–	(8,561)	–
Loss before tax							(21,696)	(23,056)
Tax							(3,218)	(3,785)
Net loss from ordinary activities attributable to shareholders							(24,914)	(26,841)

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Restaurant operations		Bakery, and other food and beverage operations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**57,436**	73,528	**19,861**	48,215	**77,297**	121,743
Interest in a jointly-controlled entity	**3,073**	2,477	**–**	–	**3,073**	2,477
Unallocated assets					**12,515**	1,827
Total assets					**92,885**	126,047
Segment liabilities	**26,197**	36,320	**1,571**	18,314	**27,768**	54,634
Unallocated liabilities					**15,528**	645
Total liabilities					**43,296**	55,279
Other segment information:						
Depreciation and amortisation expenses	**11,697**	11,370	**4,700**	10,652	**16,397**	22,022
Unallocated amounts					**97**	508
					16,494	22,530
Write-off of fixed assets	**645**	6,175	**–**	3,346	**645**	9,521
Unallocated amounts					**236**	–
					881	9,521
Capital expenditure	**4,884**	19,252	**2,432**	6,658	**7,316**	25,910
Unallocated amounts					**–**	95
					7,316	26,005
Net realised (gains)/losses on disposal of short term investments – unallocated amount					**165**	(86)
Provision for and write-off of bad and doubtful debts	**635**	184	**–**	–	**635**	184
Provision against and write-off of inventories	**–**	–	**1,325**	294	**1,325**	294
Revaluation surplus on leasehold land and buildings	**–**	(18)	**–**	–	**–**	(18)
Gain on disposal of fixed assets	**(2,609)**	(144)	**–**	(353)	**(2,609)**	(497)
Write-off of staff advances	**424**	126	**–**	55	**424**	181

5. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**200,113**	288,546	**49,085**	29,567	**249,198**	318,113
Other segment information:						
Segment assets	**57,470**	89,563	**35,415**	36,484	**92,885**	126,047
Capital expenditure	**1,307**	18,692	**6,009**	7,313	**7,316**	26,005

6. TURNOVER

Turnover represents the receipts from restaurant business and the production, sale and distribution 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):

		Group	
		2005	2004
	Notes	**HK$'000**	HK$'000
Cost of inventories consumed		**91,506**	108,816
Staff costs (including directors' remuneration – note 8):			
Wages and salaries		**64,905**	81,298
Pension scheme contributions		**2,219**	3,198
		67,124	84,496
Minimum lease payments under operating leases in respect of land and buildings		**27,054**	41,353
Auditors' remuneration		**800**	450
Depreciation	*14*	**15,296**	21,332
Write-off of fixed assets	*14*	**881**	9,521
Amortisation of goodwill	*15*	**1,198**	1,198
Provision for and write-off of bad and doubtful debts		**635**	184
Provision for amounts due from associates		**474**	–
Provision against and write-off of inventories		**1,325**	294
Write-off of staff advances		**424**	181
Revaluation surplus on leasehold land and buildings		**–**	(18)
Gain on disposal of fixed assets	*14*	**(2,609)**	(497)
Net realised (gains)/losses on disposal of short term investments		**165**	(86)
Exchange gains, net		**(22)**	(44)
Bank interest income		**–**	(21)
Gross rental income		**–**	(197)
Less: Outgoings		**–**	1
Net rental income		**–**	(196)

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration for the year, disclosed pursuant to Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Fees:		
Executive directors	**–**	–
Non-executive directors	**–**	–
Independent non-executive directors	**70**	–
	70	–
Other emoluments of executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	**1,506**	2,021
Pension scheme contributions	**12**	24
	1,518	2,045
	1,588	2,045

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

	Number of directors	
	2005	2004
Nil – HK$1,000,000	**8**	8
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**–**	1
	9	9

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 two (2004: one) directors, details of whose remuneration have been disclosed above. Details of the remuneration of the remaining three (2004: four) non-director, highest paid individuals are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**1,569**	1,844
Pension scheme contributions	**24**	48
	1,593	1,892

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

	Number of employees	
	2005	2004
Nil – HK$1,000,000	**3**	4

During the years ended 30 April 2004 and 2005, no emoluments were paid by the Group to any of the three (2004: four) 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	
	2005	2004
	HK$'000	HK$'000
Interest on bank loans	**57**	246
Interest on finance lease payables	**20**	23
	77	269

10. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. In the prior year, Hong Kong profits tax had been provided at the rate of 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 jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2005	2004
	HK$'000	HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**–**	1,461
Overprovision in prior years	**(870)**	–
Current – Elsewhere	**4,233**	3,004
Deferred *(note 28)*	**(504)**	(680)
	2,859	3,785
Share of tax attributable to:		
Jointly-controlled entity	**359**	–
Associates	**–**	–
	359	–
Total tax charge for the year	**3,218**	3,785

10. TAX (continued)

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

	Group	
	2005	2004
	HK$'000	HK$'000
Loss before tax	**(21,696)**	(23,056)
Tax at the applicable rates to profits in the jurisdictions concerned	**388#**	(1,557)#
Adjustments in respect of current tax of previous periods	**(870)**	–
Income not subject to tax	**(1,629)**	(99)
Expenses not deductible for tax	**4,419**	2,851
Tax losses not recognised as deferred tax assets	**910**	2,590
Total tax charge at the Group's effective rate	**3,218**	3,785

Amount included a deemed corporate income tax charge for the year on the deemed income generated from restaurant operations in Mainland China at a rate of 10%.

11. NET 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 2005 was HK$11,024,000 (2004: HK$40,450,000) (note 31(b)).

12. DIVIDEND

	2005	2004
	HK$'000	HK$'000
Interim dividend – HKNil cent (2004: HK1.5 cents) per ordinary share	**–**	1,365

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 2005 of HK$24,914,000 (2004: HK$26,841,000) and the weighted average of 96,327,448 (2004: 90,969,000) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 30 April 2005 and 2004 have not been disclosed as the Company's share options outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

14. FIXED ASSETS

Group

	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Utensils and supplies	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:						
At beginning of year	6,467	42,206	32,565	3,110	14,234	98,582
Additions	–	5,802	1,137	3	374	7,316
Disposals	(3,393)	–	–	–	–	(3,393)
Deemed disposal of subsidiaries *(note 32(a))*	(3,074)	(6,762)	(15,134)	(1,522)	(3,524)	(30,016)
Write-off	–	(1,323)	(481)	–	–	(1,804)
At 30 April 2005	–	39,923	18,087	1,591	11,084	70,685
Accumulated depreciation:						
At beginning of year	–	9,879	14,540	1,277	8,504	34,200
Provided during the year	72	7,870	3,862	349	3,143	15,296
Disposals	(64)	–	–	–	–	(64)
Deemed disposal of subsidiaries *(note 32(a))*	(8)	(5,139)	(7,749)	(781)	(2,337)	(16,014)
Write-off	–	(678)	(245)	–	–	(923)
At 30 April 2005	–	11,932	10,408	845	9,310	32,495
Net book value:						
At 30 April 2005	–	27,991	7,679	746	1,774	38,190
At 30 April 2004	6,467	32,327	18,025	1,833	5,730	64,382

14. FIXED ASSETS (continued)

On 29 December 2004, Kamboat Chinese Cuisine Company Limited ("KCCC"), a wholly-owned subsidiary of the Company, entered into an agreement to dispose of the Group's leasehold land and buildings to an independent third party for a consideration of approximately HK$5,938,000 (the "Disposal"). The Disposal constituted a discloseable transaction for the Company under the Listing Rules. Further details of the Disposal are set out in the Company's circular dated 25 January 2005. The Disposal was completed on 15 March 2005 and resulted in a gain of approximately HK$2,609,000 (note 7).

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

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

Had the Group's leasehold land and buildings been stated at cost less accumulated depreciation as at 30 April 2004, they would have been included in the financial statements at approximately HK$5,953,000.

At 30 April 2004, the legal charges over the Group's leasehold land and buildings were pledged to secure banking facilities granted to the Group (note 25). Upon the completion of the Disposal, the outstanding loans were repaid and the banking facilities were cancelled.

The net book value of motor vehicles of the Group held under finance leases at 30 April 2005 amounted to HK$463,000 (2004: HK$595,000) (note 26).

15. GOODWILL

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

Group

	HK$'000
Cost:	
At beginning of year and at 30 April 2005	5,989
Accumulated amortisation:	
At beginning of year	2,396
Provided during the year (note 7)	1,198
At 30 April 2005	3,594
Net book value:	
At 30 April 2005	2,395
At 30 April 2004	3,593

16. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**82,072**	82,072
Provision for impairment	**(37,390)**	(37,390)
	44,682	44,682
Due from subsidiaries	**28,907**	26,651
Due to subsidiaries	**–**	(499)
Provision for impairment	**(11,240)**	(1,240)
	17,667	24,912
	62,349	69,594

16. INTERESTS IN SUBSIDIARIES (continued)

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 ordinary share/registered and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
E-Rapid Developments Limited ("E-Rapid")	The 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 Chinese restaurants
KCCC	BVI/ Hong Kong	Ordinary US$1 Non-voting deferred US$101 *Note (i)*	–	100	Operation of Chinese restaurants
東莞新聯食品有限公司 *Note (ii)*	People's Republic of China (the "PRC")/ Mainland China	HK$12,000,000	–	100	Bakery operations and manufacture of other food products

16. INTERESTS IN SUBSIDIARIES (continued)

Notes:

(i) 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 fully paid 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).

(ii) Registered as a wholly-foreign owned enterprise under the PRC law.

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.

On 28 May 2004, Kamboat Bakery Limited ("KBL"), a then wholly-owned subsidiary of the Group, entered into a conditional subscription agreement with an independent third party, Sincere Land Limited ("SLL"), and Mr. Wong Chi Man, a director of KBL, in relation to SLL's subscription for 1,040,000 new ordinary shares in KBL at a subscription price of HK$1 each, which represented 51% of the total enlarged issued share capital of KBL (the "KBL Subscription"). The KBL Subscription resulted in a deemed disposal of KBL and its subsidiaries (the "KBL Group") by the Group for the year. The resulting gain of HK$10,346,000 was credited to the consolidated profit and loss account. Further details of the deemed disposal are set out in note 32(a) to the financial statements.

On the same date, E-Rapid, the then immediate holding company of KBL, entered into another conditional agreement with SLL and Mr. Wong Chi Man in relation to the disposal of 51% of the shareholder's loan of HK$11,859,000 made by E-Rapid to KBL (the "E-Rapid's Loan") for a cash consideration of HK$5 million. The sale of E-Rapid's Loan resulted in a loss on disposal of HK$6,859,000.

The KBL Subscription and the disposal of the E-Rapid's Loan constituted discloseable transactions for the Company under the Listing Rules. Both transactions were completed on 16 June 2004. With effect from 16 June 2004, the KBL Group ceased to be subsidiaries and became associates of the Group.

17. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2005	2004
	HK$'000	HK$'000
Share of net assets	**2,303**	1,574
Amount due from a jointly-controlled entity	**770**	903
	3,073	2,477

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 Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
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.

上海金龍船餐飲有限公司is a Sino-foreign joint equity enterprise established in Mainland China.

18. INTERESTS IN ASSOCIATES

	Group 2005 HK$'000	Group 2004 HK$'000
Share of net liabilities	(17,644)	–
Amounts due from associates	18,118	–
Provision for amounts due from associates	(474)	–
	–	–

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

Particulars of the principal associate are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group	Principal activity
KBL*	Corporate	Hong Kong	49	Bakery operations

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The above table lists the associate of the Group 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 associates would, in the opinion of the directors, result in particulars of excessive length.

19. ACCOUNTS RECEIVABLE

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

	Group	
	2005	2004
	HK$'000	HK$'000
Within 30 days	**1,398**	1,331
31 – 90 days	**182**	240
91 – 180 days	**135**	107
Over 180 days	**71**	53
	1,786	1,731

20. STAFF ADVANCES

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 staff with the Company and the Group.

21. DUE FROM RELATED COMPANIES

Particulars of the amounts due from related companies of the Group, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

	30 April 2005	**Maximum amounts outstanding during the year**	**1 May 2004**
	HK$'000	HK$'000	HK$'000
Hong Thai Citizens Travel Services Limited ("Hong Thai")	5	247	247
East Ocean Teochew Restaurant Pte. Ltd. ("East Ocean")	78	78	–
	83		247

21. DUE FROM RELATED COMPANIES (continued)

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.

East Ocean 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.

The amounts due from related companies are unsecured, interest-free and are repayable within one month.

22. SHORT TERM INVESTMENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed debt security investments outside Hong Kong, at market value	**1,151**	1,622	**–**	–
Listed equity investments in Hong Kong, at market value	**1,213**	821	**1,213**	431
Unlisted equity investments in Hong Kong, at fair value	**1,173**	–	**–**	–
	3,537	2,443	**1,213**	431

23. CASH AND BANK BALANCES

At the balance sheet date, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$1,161,000 (2004: HK$815,000). 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.

24. ACCOUNTS PAYABLE

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

	Group	
	2005	2004
	HK$'000	HK$'000
Within 30 days	**7,514**	5,739
31 – 90 days	**3,623**	11,101
91 – 180 days	**160**	838
181 – 360 days	**–**	108
Over 360 days	**323**	438
	11,620	18,224

25. BANK LOANS, SECURED

	Group	
	2005	2004
	HK$'000	HK$'000
Bank loans wholly repayable:		
Within one year	**–**	834
In the second year	**–**	862
In the third to fifth years, inclusive	**–**	1,535
	–	3,231
Portion classified as current liabilities	**–**	(834)
Non-current portion	**–**	2,397

25. BANK LOANS, SECURED (continued)

During the year, all bank loans were fully repaid upon the disposal of leasehold land and buildings.

The Group's banking facilities as at 30 April 2004 were secured by:

(i) legal charges over leasehold land and buildings of the Group (note 14);

(ii) a corporate guarantee executed by the Company; and

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

26. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles (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 2005, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
Group	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**206**	205	**195**	186
In the second year	**92**	206	**91**	195
In the third to fifth years, inclusive	**–**	103	**–**	102
Total minimum finance lease payments	**298**	514	**286**	483
Future finance charges	**(12)**	(31)		
Total net finance lease payables	**286**	483		
Portion classified as current liabilities	**(195)**	(186)		
Non-current portion	**91**	297		

27. DUE TO A DIRECTOR

The amount due is unsecured, interest-free and has fixed terms of repayment.

28. DEFERRED TAX LIABILITIES

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

	Group Accelerated tax depreciation	
	2005	2004
	HK$'000	HK$'000
At beginning of year	**1,095**	1,775
Deferred tax credited to the profit and loss account during the year (note 10)	**(504)**	(680)
At 30 April	**591**	1,095

The Group has tax losses arising in Mainland China of HK$4,249,000 (2004: HK$879,000). According to the relevant tax regulations, tax losses incurred in a particular year can be carried forward for a period of five years to offset against future taxable profits.

In the prior year, the Group had tax losses arising in Hong Kong attributable to KBL of HK$14,800,000 that were available indefinitely for offsetting against future taxable profits 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 KBL.

At 30 April 2005, there was no recognised deferred tax liability (2004: 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.

29. SHARE CAPITAL

Shares

	2005 HK$'000	2004 HK$'000
Authorised:		
800,000,000 (2004: 800,000,000) ordinary shares of HK$0.25 each	**200,000**	200,000
Issued and fully paid:		
100,065,900 (2004: 90,969,000) ordinary shares of HK$0.25 each	**25,016**	22,742

The First Subscription

On 27 September 2004, the Company entered into a subscription agreement with Peaksmart Limited ("Peaksmart"), which is incorporated in the British Virgin Islands ("BVI") and is beneficially owned by an independent third party, Mr. Tam Shong-Tak, David, for the subscription of 9,096,900 new ordinary shares of the Company at an issue price of HK$0.44 per share (the "First Subscription"). Immediately after the completion of the First Subscription, Peaksmart held a 9.09% equity interest of the enlarged issued share capital in the Company. The First Subscription brought in net proceeds of approximately HK$3,867,000 (net of issue expenses of HK$135,000 (note 31)) to the Group as its working capital, and resulted in an increase in share premium of HK$1,728,000 (note 31).

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

	Number of authorised shares '000	**Number of shares issued** '000	**Nominal value of shares issued** HK$'000
At 1 May 2003, at 30 April 2004 and at 1 May 2004 at HK$0.25 each	800,000	90,969	22,742
First Subscription	–	9,097	2,274
At 30 April 2005, at HK$0.25 each	800,000	100,066	25,016

29. SHARE CAPITAL (continued)

The Second Subscription

On 28 February 2005, the Company entered into another subscription agreement with two independent third parties, the Vongroup, which is incorporated in the BVI and is beneficially owned by Mr. Vong Tat Ieong, David, and Capital Beijing Holdings Limited ("Capital Beijing"), which is also incorporated in the BVI and is beneficially owned by Ms. Zeng Shuying, in relation to the subscription of 5,400 million shares (the "Subscription Shares") of the Company at a subscription price of HK$0.01 per share (the "Second Subscription"). A cash deposit of HK$5 million was paid by the Vongroup to the Company upon entering into the agreement for the Second Subscription which was classified as a deposit received in the balance sheet as at 30 April 2005.

Whitewash Waiver

An application has been made by Vongroup for a waiver from the Securities and Futures Commission to make a general offer to the public resulting from the Second Subscription (the "Whitewash Waiver").

The Capital Reorganisation

In order to facilitate the Second Subscription, the directors of the Company also proposed that the nominal value of all the existing issued and unissued shares be reduced from HK$0.25 to HK$0.001 each, respectively, by the cancellation of HK$0.249 per share of the Company's paid-up capital (the "Capital Reduction"). Each share of HK$0.25 in the authorised and unissued share capital of the Company has been subdivided into 250 ordinary shares such that the nominal value of the authorised share capital of the Company remains unchanged but has been divided into 200,000,000,000 new ordinary share (collectively known as the "Capital Reorganisation").

On 26 May 2005, the Second Subscription, the Whitewash Waiver, the Capital Reduction and the Subdivision were approved by the independent shareholders of the Company at an extraordinary general meeting.

Further details of the Second Subscription, the Whitewash Waiver and the Capital Reorganisation are set out in the Company's circular dated 3 May 2005.

On 29 July 2005, the Capital Reorganisation was approved by the Grand Court in the Cayman Islands. A credit balance of HK$24,916,000 arises as a result of the Capital Reorganisation and will be transferred to the share premium account of the Company. On completion of the Capital Reorganisation, the directors of the Company intend to utilise a portion of such amount to offset the accumulated losses of the Company.

29. SHARE CAPITAL (continued)

The Capital Reorganisation (continued)

On 29 August 2005, the Second Subscription was completed after the fulfilment of the remaining conditions as set out in the subscription agreement dated 28 February 2005. Pursuant to the Second Subscription, the Vongroup should subscribe for 5,130 million shares in the Company. In order to fulfill the public float maintenance requirement, the Vongroup had procured other subscribers to subscribe for an aggregate of 1,068 million shares at the same subscription price. Upon completion, the Vongroup is interested in 4,062 million shares in the Company, representing approximately 73.85% of the issued share capital of the Company as enlarged by the Second Subscription's shares. Capital Beijing is interested in 270 million shares in the Company, representing approximately 4.91% of the enlarged issued share capital of the Company. Further details of the completion of the Second Subscription are set out in the Company's announcement dated 29 August 2005.

Total proceeds of approximately HK$54 million (including the deposit received of HK$5 million mentioned above) from the Second Subscription will be used principally for the existing consumer food and beverage business of the Group and will be used to expand and strengthen the Group's business lines including other high-growth consumption businesses.

30. 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, employees of the Group, any other groups or classes of suppliers, customers, subcontractors or agents of the Group and the Company's shareholders 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.

30. 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 of the Company. 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 the 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.

30. SHARE OPTION SCHEME (continued)

The following share options were outstanding during the year:

Name or category of participant	At 1 May 2004	Granted during the year	Cancelled during the year	At 30 April 2005	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$	Price of the Company's shares at grant date of options HK$
	Number of share options							
Directors								
Mr. Wong Chi Man	800,000	–	(800,000)	–	17 September 2002	17 September 2002 to 16 September 2007	0.660	0.660
Mr. Wong Chi Wing, Tenny	100,000	–	(100,000)	–	14 June 2002	14 June 2002 to 13 June 2005	1.575	1.575
Subtotal	900,000	–	(900,000)	–				
Non-director employees								
In aggregate	640,000	–	(640,000)	–	4 December 2001	11 December 2001 to 10 December 2005	1.950	1.900
	1,400,000	–	(1,400,000)	–	14 June 2002	14 June 2002 to 13 June 2005	1.575	1.575
	200,000	–	(200,000)	–	10 July 2002	10 July 2002 to 9 July 2005	1.500	1.500
	1,260,000	–	(1,260,000)	–	17 January 2004	17 January 2004 to 16 January 2006	0.565	0.565
	260,000	–	(260,000)	–	30 January 2004	30 January 2004 to 29 January 2006	0.546	0.540
Subtotal	3,760,000	–	(3,760,000)	–				
Total	4,660,000	–	(4,660,000)	–				

* 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 the case of rights or bonus issues, or other similar changes in the Company's share capital.

31. RESERVES

(a) 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 from Cambo by KCCC 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.

(b) Company

	Notes	**Share premium account**	**Capital redemption reserve**	**Retained profits/ (accumulated losses)**	**Total**
		HK$'000	HK$'000	HK$'000	HK$'000
At 1 May 2003		88,448	258	133	88,839
Net loss for the year		–	–	(40,450)	(40,450)
Interim 2004 dividend	12	(1,365)	–	–	(1,365)
At 30 April 2004 and 1 May 2004		87,083	258	(40,317)	47,024
Net loss for the year		–	–	(11,024)	(11,024)
Issue of shares	29	1,728	–	–	1,728
Share issue expenses	29	(135)	–	–	(135)
At 30 April 2005		88,676	258	(51,341)	37,593

31. RESERVES (continued)

(b) Company (continued)

The share premium account of the Company includes (i) shares issued at a premium; and (ii) the difference between the nominal value of the shares of the Company issued in exchange for the issued share capital of the subsidiaries and the value of the underlying net assets of the subsidiaries pursuant to the Group reorganisation completed on 16 August 2001. Under the Companies Law (2004 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

The capital redemption reserve represents the amount by which the Company's issued share capital has been diminished on the cancellation of the shares repurchased. Under the Companies Law (2004 Revision) 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.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Deemed disposal of subsidiaries

	Group 2005 HK$'000	Group 2004 HK$'000
Net liabilities disposed of:		
Fixed assets *(note 14)*	14,002	–
Rental and utility deposits	3,424	–
Inventories	1,096	–
Accounts receivable	1,144	–
Deposits, prepayments and other receivables	365	–
Staff advances	132	–
Due from a related company	100	–
Cash and bank balances	406	–
Bank overdraft	(114)	–
Accounts payable	(3,042)	–
Accruals and deposits received	(3,095)	–
Due to group companies	(24,102)	–
Coupon liabilities	(6,524)	–
Bank loans	(3,040)	–
Other payables	(44)	–
	(19,292)	–
Gain on deemed disposal of subsidiaries	10,346	–
Release of fixed asset revaluation reserve	(132)	–
	(9,078)	–
Satisfied by:		
Reclassification to interests in associates	(9,078)	–

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

(a) Deemed disposal of subsidiaries (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the deemed disposal of subsidiaries is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Cash consideration	**–**	–
Cash and bank balances, and bank overdraft disposed of	**(292)**	–
Net outflow of cash and cash equivalents in respect of the deemed disposal of subsidiaries	**(292)**	–

(b) Major non-cash transactions

During the prior year, the Group entered into finance lease arrangements in respect of certain of its motor vehicles with a total capital value at the inception of the leases of HK$572,000.

33. CONTINGENT LIABILITIES

At 30 April 2005, a number of current employees 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$1.8 million (2004: HK$4.1 million) as at 30 April 2005.

At 30 April 2005 and 2004, the Company provided corporate guarantees to (i) landlords in respect of the operating lease payments of its subsidiaries; and (ii) banks in respect of the banking facilities granted to its subsidiaries.

34. OPERATING LEASE ARRANGEMENTS

The Group leases a factory and its restaurant premises, staff quarters, offices and warehouses under non-cancellable operating lease arrangements with lease terms ranging from two to twenty years.

At 30 April 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**27,445**	34,348
In the second to fifth years, inclusive	**73,133**	92,931
After five years	**26,088**	36,802
	126,666	164,081

At the balance sheet date, the Company did not have any operating lease arrangements.

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following commitments at the balance sheet date:

	Group	
	2005	2004
	HK$'000	HK$'000
Capital commitments contracted for		
Commitments in respect of interests in subsidiaries	**–**	2,468
Commitments in respect of leasehold improvements	**–**	352

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

36. RELATED PARTY TRANSACTIONS

(a) In addition to the balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	Notes	2005 HK$'000	2004 HK$'000
Sales of food to related companies	(i)	355	399
Sales of bakery products and wine to associates	(ii)	7,026	–
Sales of wine to a jointly-controlled entity	(iii)	574	–
Purchases of bakery products from associates	(iv)	2,874	–
Management fee income from an associate	(v)	709	–
Management fee paid to an associate	(v)	520	–

Notes:

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

(ii) The Group made sales to its associates. The directors consider that selling prices were determined through negotiations with its associates on a case-by-case basis.

(iii) The Group made sales to a jointly-controlled entity. The directors consider that sales were based on the original costs of wine, plus a mark-up of approximately 40%.

(iv) The Group purchased bakery products from its associates. The directors consider that the purchase prices were determined through negotiations with its associates on a case-by-case basis.

(v) The management fees charged and paid were determined in accordance with an agreement entered into between the Group and its associate.

36. RELATED PARTY TRANSACTIONS (continued)

(b) During the year, a bank loan granted to KBL was secured by corporate guarantees executed by the Company and a subsidiary of the Group. The corporate guarantees were released upon the repayment of the bank loan by KBL to the bank during the year.

37. POST BALANCE SHEET EVENTS

Other than matters disclosed elsewhere in the financial statements, the Group has the following post balance sheet event.

Pursuant to the approval by the independent shareholders of the Company obtained on 26 May 2005, the Company's name will be changed from "Kamboat Group Company Limited" to "Vongroup Limited", and the Chinese name, for reference purposes was also changed from "金龍船集團有限公司" to "黃河實業有限公司". The effective date for the change of the Company's name will be announced at a later date by the Company.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 August 2005.