Annual Report 2007/2008

HONG KONG CATERING MANAGEMENT LIMITED

Hong Kong Catering Management Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 668

Contents

Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Chan Wai Cheung, Glenn, *Chairman*
Mr. Chan Ka Lai, Joseph, *Managing Director*
Mr. Chan Ka Shun, Raymond
Mrs. Chan King Catherine
Mr. Chiu Wai
Mr. Lopez Moulet, Carmelo
Ms. Wong Tsui Yue, Lucy

Independent non-executive directors

Dr. Cheung Wai Lam, William
Mrs. Fung Yeh Yi Hao, Yvette
Mr. Chan Ip Sing, Evans
(Alternate to Mrs. Fung Yeh Yi Hao, Yvette)
Mr. Gooljarry, Cassam Soliman
Dr. Ho Sai Wah, David
Dr. Kwok Lok Wai, William

AUDIT COMMITTEE

Mr. Gooljarry, Cassam Soliman, *Committee Chairman*
Mrs. Fung Yeh Yi Hao, Yvette
Mr. Chan Ip Sing, Evans
(Alternate to Mrs. Fung Yeh Yi Hao, Yvette)
Dr. Kwok Lok Wai, William

REMUNERATION COMMITTEE

Dr. Cheung Wai Lam, William, *Committee Chairman*
Dr. Ho Sai Wah, David
Dr. Kwok Lok Wai, William

COMPANY SECRETARY

Ms. Wong Tsui Yue, Lucy

AUTHORIZED REPRESENTATIVES

Mr. Chan Wai Cheung, Glenn
Ms. Wong Tsui Yue, Lucy

REGISTERED OFFICE

27/F, World Trade Center
280 Gloucester Road
Causeway Bay, Hong Kong
Tel: (852) 2527 6311
Fax: (852) 2520 2119
E-mail: hkcm@hkcatering.com

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-6, 17/F, Hopewell Center
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Dah Sing Bank Limited
DBS Bank (Hong Kong) Limited

SOLICITORS

Iu, Lai & Li Solicitors & Notaries
Sidley Austin Brown & Wood

AUDITOR

PricewaterhouseCoopers

STOCK CODE

668

WEBSITE

http://www.hkcatering.com

Chairman's Statement

On behalf of the board of directors (the "Board"), I present the annual report of Hong Kong Catering Management Limited (the "Company") and its subsidiaries (collectively called the "Group") for the year ended 31 March 2008.

RESULTS

After the disposal of our listed subsidiary, Saint Honore Holdings Limited ("SHHL") on 22 February 2007, we refocused our resources to revive our restaurant business. The revenue of the continuing restaurant business decreased by approximately 13.5% to HK$352.2 million (2007: HK$407.0 million), the loss of sales due to closure of major shops outweighed the additional sales from 7 new shops opened during the year. The Group recorded a loss attributable to shareholders of approximately HK$6.5 million as compared to a profit of approximately HK$226.7 million in last year. The deterioration was due to the absence of the one-off gain of HK$211.2 million from disposal of bakery business previously run by SHHL and its subsidiaries and contribution of profit from this division.

DIVIDENDS

In April 2007, a special cash dividend of HK72.0 cents was paid to the shareholders, out of the proceeds from the disposal of SHHL. Then on 23 January 2008, the Company paid out an interim dividend of HK1.0 cent (2007: HK1.5 cents) per ordinary share to shareholders. The Board recommend a final dividend of HK4.0 cents (2007: HK3.0 cents) per ordinary share for the year ended 31 March 2008 to be payable to shareholders whose names appear in the register of members of the Company on 11 September 2008. The proposed final dividend will be payable on or about 18 September 2008 following approval at the forthcoming annual general meeting to be held on 11 September 2008.

BUSINESS REVIEW

We are repositioning ourselves in the restaurant business following the disposal of our bakery business in February 2007.

For the year under review, we focused our resources primarily on the strategic establishment of our own centralized logistic center ("CLC") in Hong Kong. We anticipate the return of the inflation spiral triggered by soaring retail rentals, surging food costs and rising wages. These cost issues have been the major restraining factors when contemplating our expansion plan. Our management believe in the setting up of a CLC will land us better control over costs and a more solid foundation to grow future expansion. With this mission in mind, we acquired in July 2007 close to 37,000 sq. ft. of industrial premises at Kwai Chung and have it progressively fitted out in two stages. Stage one was the construction of the food preparatory area and production lines for which we can benefit from the economy of scale in mass production. It has already commenced production since early 2008. At the time of our reporting, it is supplying approximately 15% of the food purchases of our shops. Stage two was to add ancillary support facilities such as warehouses and cold storages on the premises repossessed from third party tenant whose leases expired in June 2008. We expect to finish the fit-out work by end of the year. We have invested approximately HK$33 million in the CLC and we are targeting it to supply approximately 68% of the food purchases of our shops in 3 years.

We continue to revamp our restaurant portfolio by phasing out traditional stores with low margin. At Telford Plaza, we closed down the Cantonese and fast food outlets as well as downsized the western restaurant as the renewal rental proved too exorbitant. We have switched to boutique outlets with greater operational flexibility and open into high-end European/specialty restaurants which command better margins. Nevertheless, we have deliberately held back the expansion pace to synchronize with the development of CLC.

Our new shops were all opened in the later half of the fiscal year. We added 2 more shops to our EC Eatery chain. We opened a specialty Mediterranean restaurant and an up market Mexican restaurant at Lan Kwai Fong respectively, in September 2007 and March 2008. Our signature shop, Shanghai Lu Yang Cun Restaurant, was relocated in February 2008 within World Trade Center to oblige with the landlord's refurbishment plan. Businesses of the 5 shops at Lok Fu have also been adversely affected as a massive overhaul has just been started at this shopping center which is expected to span over 2 to 3 years. The shops are now being operated under temporary leases. For the aforesaid developments, we inevitably suffered a loss in both revenue and profits over this transitional period.

At the height of the bullish retail property market, we have exercised much cautiousness to date in committing our sites to ensure any negotiated rentals are within our means. With CLC started production in early 2008, we can launch more aggressive expansion and our plan is to open about 20 new shops in coming 3 years to utilize the production capacity on hand.

PROSPECTS

The Group is undergoing a transformation to phase out the traditional larger scale Chinese restaurant concept and bring in new dining concepts which are focused on ever changing customer tastes. As the new concept is still at its early development stage, the Board is cautious of any significant improvement on operating results in the coming year and we still have to put in resources to expand our network and to optimize our CLC facilities. This will take at least 12 months before we can realize benefits of the economies of scale from the CLC facilities.

The sub-prime mortgage crisis in the United States has instilled a large degree of instability and uncertainty to the global economy. The extent of its impact on domestic economy is still not yet fully surfaced and we expect retail rental has climaxed and is likely to come down in the second half of 2008. This will pave a smoother way for us to fulfill our new shop target. We have already set aside HK$17.7 million in the coming year on new shops and renovations.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express our sincere gratitude to the management and employees for their dedication and unfailing support which contributed to the Group's development. I also thank all our customers, business partners and shareholders for their invaluable support.

Chan Wai Cheung, Glenn
Chairman

Hong Kong, 14 July 2008

Attractive

Management Discussion and Analysis of the Operations

The results of the Group are summarized as follows:

	2008 HK$'000	2007 HK$'000	Changes +/(-)
CONTINUING OPERATION			
Revenue	**352,197**	407,025	(13.5%)
Other income	**13,097**	14,185	(7.7%)
Costs of inventories consumed	**(101,983)**	(116,140)	(12.2%)
Staff costs	**(127,330)**	(145,652)	(12.6%)
Operating lease rentals	**(47,151)**	(50,901)	(7.4%)
Depreciation and impairment losses of property, plant and equipment	**(14,154)**	(20,779)	(31.9%)
Net (losses)/gains on financial assets at fair value through profit or loss	**(2,674)**	704	(479.8%)
Other operating expenses	**(79,860)**	(86,983)	(8.2%)
Operating (loss)/profit	**(7,858)**	1,459	(638.6%)
Share of profit of an associated company	**2,056**	2,186	(5.9%)
(Loss)/profit before income tax	**(5,802)**	3,645	(259.2%)
DISCONTINUED OPERATION			
Profit for the period from discontinued operation	**–**	22,476	(100.0%)
Net gain on disposal of SHHL	**–**	211,216	(100.0%)
Total profit from discontinued operation	**–**	233,692	(100.0%)
Shop area – sq. ft. at the end of the year	**138,400**	127,800	
No. of outlets at the end of the year	**23**	17	

During the year, we closed 2 large restaurants in Telford Plaza. Another shop in Telford Plaza was also closed for renovation for two months. The revamp in Lok Fu Shopping Center adversely affected our sales. Though we opened 7 new shops in this year, they could only offset partially the loss of revenue caused by shop closures. As a result, the overall turnover has dropped by 13.5% to HK$352.2 million (2007: HK$407.0 million). With our effort of combating inflation through innovative mix of ingredients and flexible menu, we managed to maintain our gross profit at 71.0%, a slight decrease from last year's 71.5% only.

Management Discussion and Analysis of the Operations

We handed back the management of Bread Boutique to its controlling shareholder, our management fee income was reduced but which effect was only partially offset by an increase in interest income earned on higher cash balance. As a result, our other income decreased by 7.7% from HK$14.2 million to HK$13.1 million.

The closure of 2 large restaurants led to savings in various operating expenses. In the first half year, we wrote back long service payments provision of HK$1.8 million which was then offset by provision made in the second half year of HK$0.5 million. Overall, staff costs decreased by 12.6% to HK$127.3 million (2007: HK$145.7 million). The savings in rental and depreciation charge was also partially offset by additional rent arising from new shops, amortization of the CLC upon its production commencement and also an impairment loss of HK$0.4 million on the plant and equipment of 3 shops at Citigate due to its unsatisfactory performance as alleviated by the problematic suspension of Ngon Ping 360 Cable Car which put tourists off from visiting the place.

The highly volatile stock market triggered off by the sub-prime mortgage crisis added further pressure to our financial results. We have marked certain of our financial assets to their market value and recorded loss of HK$2.7 million as at year end.

Our high-end Japanese restaurant run by our associated company continued to contribute a stable return to our Group. The Group shared a profit of HK$2.1 million which is 5.9% lower than HK$2.2 million in last year.

After all, in this transitional year to have the benefit of CLC to realize, we recorded a loss attributable to the shareholders of the Company of HK$6.5 million as compared to a profit of HK$226.7 million (which was inclusive of a special gain on disposal of SHHL) in last year.

LIQUIDITY AND CAPITAL RESOURCES

At 31 March 2008, the Group had freely-held cash of about HK$229.8 million (2007: HK$549.5 million) with zero gearing. The Group's approved capital commitments in the next financial year is estimated to be about HK$17.7 million, which are mainly for new shops opening and renovation of existing shops. These projects will be financed internally and there is no immediate need for external fund raising.

EMPLOYEES AND REMUNERATION POLICIES

At 31 March 2008, the Group had a total of 907 (2007: 1,029) full time employees. Employees' remuneration package was determined with reference to prevailing market practices and individual performance. Remuneration package includes basic salaries, sales incentives (which are only payable to some operational staff), medical and retirement benefit schemes. Discretionary bonus may be granted to eligible employees based on the performance of the Group and individual employees. The Company also encouraged the employees to enhance their capability and provide trainings to improve staff development to assure opportunity for individual growth of employees.

Management Discussion and Analysis of the Operations

PLEDGE OF ASSETS

No assets were pledged throughout the year.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group conducted its business transactions in Hong Kong dollars and there were no financial instruments held for hedging purposes.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 31 March 2008.

Stimulative

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chan Wai Cheung, Glenn *Chairman Aged 74*
Mr. Chan worked for the Hong Kong Government for more than 10 years in the then Urban Services Department. He left the public sector in 1972 and joined a catering group in Hong Kong. Approximately 2 years later, he co-founded the Group. He is the spouse of Mrs. Chan King Catherine, the father of Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond. Mr. Chan provides leadership to the Board and is responsible for overall strategic planning and corporate development.

Mr. Chan Ka Lai, Joseph *Managing Director Aged 42*
Mr. Chan graduated from the Mcgill University in Canada with a degree in chemical engineering. He joined the Group as deputy project manager in 1990 and was appointed a director in 1996. He was appointed the deputy managing director in January 2004 and then was appointed the managing director in June 2005. He is responsible for policy making and corporate management so as to implement the strategies approved by the Board. He also has a direct line of responsibility over project and purchasing department of the Group. Mr. Chan is a son of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine as well as a brother of Mr. Chan Ka Shun, Raymond.

Mr. Chan Ka Shun, Raymond *Aged 44*
Mr. Chan obtained his master degree in business administration from the University of South Australia and a Bachelor of Science degree from the University of Denver in the United States. He was an executive director of Saint Honore Holdings Limited ("SHHL"), which was a listed subsidiary of the Company, until its being disposed in February 2007. Mr. Chan is the son of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine as well as the brother of Mr. Chan Ka Lai, Joseph, all of them are executive directors of the Company. Mr. Chan was appointed as a non-executive director of the Company on 6 September 2007 and was redesignated as an executive director with effect from 7 January 2008. He is responsible for the operation of western restaurants and jointly works with Mr. Chiu Wai on new product development of the Group.

Mrs. Chan King Catherine *Aged 74*
Mrs. Chan is the co-founder of the Group and assists in the overall management and control of the Group. Mrs. Chan is the spouse of Mr. Chan Wai Cheung, Glenn, the mother of Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond.

Mr. Chiu Wai *Aged 55*
A native Shanghainese with extensive experience in Shanghainese/Peking cuisine, Mr. Chiu joined the Group in 1990 as the executive chef in charge of its Shanghainese restaurants. He was appointed directors of Shanghai Lu Yang Chun Restaurant (Hong Kong) Limited and Imperial Kitchen Company Limited respectively in 1996 and 1997. He was appointed a director of the Company in 1999 and is now responsible for the Central Logistic Center and jointly works with Mr. Chan Ka Shun, Raymond on new product development of the Group.

Mr. Lopez Moulet, Carmelo *Aged 58*
Mr. Lopez Moulet, joined Elegant Grand Limited, a wholly-owned subsidiary of the Company in 1998, and was responsible for developing the Mediterranean restaurant concept for the Group. Mr. Lopez worked as a marketing executive for a US company promoting a household brand in soft drinks worldwide up to early 1990s. He moved permanently to Hong Kong in 1991 and has since developed a few new restaurant concepts. Mr. Lopez Moulet joined the board of directors on 1 June 2007 as executive director and is in charge of specialty cuisines of the Group.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS *(continued)*

Ms. Wong Tsui Yue, Lucy *Aged 47*
Ms. Wong graduated from the Victoria University of Wellington in New Zealand with a bachelor degree in commerce and she is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Accountants in Australia. Ms. Wong joined the Company as the financial controller in 1991 and has become an executive director since 1997. She has a direct line of responsibility over the finance, marketing, administration, human resources and IT functions of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cheung Wai Lam, William *Aged 49*
Dr. Cheung is a medical professional and has worked in the public hospital for 7 years before he started his own practice specializing in surgery. He is involved in the active management of Perkins Clinical Center, a network of specialist doctors providing in hospital services. He was an independent non-executive director of SHHL until SHHL was disposed by the Company in February 2007. Dr. Cheung was appointed an independent non-executive director of the Company on 6 September 2007.

Mrs. Fung Yeh Yi Hao, Yvette *Aged 46*
Mrs. Fung was appointed an independent non-executive director in 1999. She is an executive director of Hsin Chong Holdings (HK) Limited and deputy chairman and executive director of Synergis Holdings Limited, a subsidiary of Hsin Chong Group listed on The Stock Exchange of Hong Kong Limited. Prior to joining Hsin Chong Group, Mrs. Fung practiced law for over 10 years in both international law firms and corporations. She holds a Bachelor of Arts in psychology from Stanford University, an M.B.A. from the University of California, Los Angeles, and a J.D. from Stanford Law School. Mrs. Fung is a member of the Court of The Hong Kong University of Science and Technology, the Board of Managers of Hong Kong International School and the Hong Kong Society for the Deaf. She is also a non-executive director of Fountain Set (Holdings) Limited and an independent non-executive director of Tai Ping Carpets International Limited, all of which are listed on The Stock Exchange of Hong Kong Limited.

Mr. Chan Ip Sing, Evans *Aged 54*
Mr. Chan was appointed an alternate director to Mrs. Fung Yeh Yi Hao, Yvette in 2001. Mr. Chan is the corporate strategy director of Synergis Holdings Limited and is responsible for corporate development, corporate secretarial services and risk management. Synergis Holdings Limited is a company listed on The Stock Exchange of Hong Kong Limited. He has over 34 years of auditing and accounting experience and is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute.

Mr. Gooljarry, Cassam Soliman *Aged 66*
Mr. Gooljarry was appointed a director in 1992. With 47 years of experience in the wine business, he was awarded by the French Government 3 of the highest awards: "Commandeur of the Order of Agricole Merite", "Knight of the Order of the Legion of Honour" and the first "Officer of the Order of Merite" national in the Far East. He was awarded with the "Five Stars Diamond Award" by the American Academy of Hospitality Science as gastronomy ambassador for Asia Pacific. He is the Honorary Consul for Gabon and was presented by the Gabonaise Government the "Order of the Gabonaise Merite".

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Dr. Ho Sai Wah, David *Aged 50*
Dr. Ho graduated from Sydney University with Honors in Medicine in 1984. After going through orthodox training in Internal Medicine and Cardiology, he went on and obtained a PhD (Medicine) degree from Sydney University and completed his Post Doc Fellowship at The University of Alabama in the United States. A renowned cardiologist, Dr. Ho has made numerous worldwide presentations and publications in the field of angioplasty and stenting for coronary and peripheral artery disease. He was an associate professor with the University of Hong Kong for 7 years before he started his own cardiology practice in 2000. He was an independent non-executive director of SHHL until SHHL was disposed by the Company in February 2007. Dr. Ho was appointed an independent non-executive director of the Company on 6 September 2007.

Dr. Kwok Lok Wai, William *Aged 79*
Dr. Kwok is a general practitioner with over 40 years of experience in his relevant field and he has been a director of the Company since 1992.

SENIOR MANAGEMENT

Ms. Kwok Choi Har, Catherine *Aged 42*
Ms. Kwok first joined the Group in 2001 as the financial controller and left in 2006. She then rejoined the Group as financial controller in August 2007. Prior to joining the Group, she worked in an international accounting firm and US multinational companies. Ms. Kwok obtained a professional diploma in accountancy from the then Hong Kong Polytechnic and has 20 years of experience in auditing and finance. She is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Ng Wai Lun, Hans *Aged 45*
Mr. Ng joined the Group in 1995 as a restaurant manager. He possesses more than 25 years experience in managing Cantonese restaurants and worked in another reputable catering group for 10 years before joining the Group. He was promoted in 2005 as the senior manager and is in charge of the Group's Cantonese and Chiu Chow restaurants.

Mr. Tsui Shiu Hung *Aged 53*
A native Shanghainese with extensive experience in Shanghainese/Peking cuisine, Mr. Tsui joined the Group in 1988 as a restaurant manager and was promoted in 1997 as the senior manager to be in charge of the Group's Shanghainese restaurants.

Ms. Wah On Ping, Joanne *Aged 36*
Ms. Wah holds a bachelor degree in commerce from the University of Toronto, a graduate diploma in marketing from the Chinese University of Hong Kong and a certificate in corporate communications from the University of Hong Kong. She has more than 10 years of experience in marketing and brand management. She joined the Group in 2005 and was promoted as the marketing manager in 2007.

Delightful

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The Company is engaged in investment holding as well as the operation and management of restaurants.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 25.

The directors recommend a final dividend of HK4.0 cents (2007: HK3.0 cents) per ordinary share, which together with interim dividend of HK1.0 cent (2007: HK1.5 cents plus a special dividend of HK72.0 cents) per ordinary share, make a total dividend of HK5.0 cents (2007: HK76.5 cents) per ordinary share for the financial year ended 31 March 2008. Subject to approval by the shareholders at the annual general meeting on 11 September 2008, the final dividend will be payable on or about 18 September 2008 to shareholders whose names appear in the register of members on 11 September 2008.

RESERVES

Movements in the reserves of the Company and of the Group during the year are set out in note 28 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 March 2008, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK$121,548,250 (2007: HK$144,897,325).

DONATIONS

Donations made for charitable purposes by the Group during the year amounted to HK$15,000 (2007: HK$269,800).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Company and of the Group are set out in note 14 to the financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2008 are set out in note 35 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 26 to the financial statements.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Neither the Company nor the Group had any outstanding bank loans, overdrafts or other borrowings subsisted at 31 March 2008 and 31 March 2007.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last 5 financial years is set out on page 72.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its shares during the year and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year.

Report of the Directors

DIRECTORS

The directors of the Company as at the date of this report and those who were in office during the year are:

Executive directors

Mr. Chan Wai Cheung, Glenn, *Chairman*	
Mr. Chan Ka Lai, Joseph, *Managing Director*	
Mr. Chan Ka Shun, Raymond	(Appointed as non-executive director on 6 September 2007 and redesignated to executive director on 7 January 2008)
Mrs. Chan King Catherine	
Mr. Chiu Wai	
Mr. Lopez Moulet, Carmelo	(Appointed on 1 June 2007)
Ms. Wong Tsui Yue, Lucy	

Independent non-executive directors

Dr. Cheung Wai Lam, William	(Appointed on 6 September 2007)
Mrs. Fung Yeh Yi Hao, Yvette	
Mr. Chan Ip Sing, Evans (Alternate to Mrs. Fung Yeh Yi Hao, Yvette)	
Mr. Gooljarry, Cassam Soliman	
Dr. Ho Sai Wah, David	(Appointed on 6 September 2007)
Dr. Kwok Lok Wai, William	

In accordance with Articles 77 to 79 of the Company's Articles of Association ("the Articles of Association"), Mr. Chan Wai Cheung, Glenn, Mrs. Chan King Catherine, Mr. Chiu Wai and Mrs. Fung Yeh Yi Hao, Yvette will retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

The service contracts entered into between the Company and the independent non-executive directors ("INEDs") continue annually unless they are terminated by either party with at least one month written notice in advance.

No director has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

Separate annual confirmations of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") have been received from all the INEDs.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company, its subsidiaries or its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 March 2008, the following directors and chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange:

Name of director	Number of ordinary shares held			Total number of shares interested or deemed to be interested (long position)	Percentage of shareholding in the Company
	Personal interest *(Note a)*	Family interest	Trust interest		%
Chan Wai Cheung, Glenn	–	–	213,430,089 *(Note b)*	213,430,089	61.79
Chan King Catherine	–	213,430,089 *(Note b)*	–	213,430,089	61.79
Chan Ka Lai, Joseph	4,271,096	16,000 *(Note c)*	213,430,089 *(Note d)*	217,717,185	63.03
Chan Ka Shun, Raymond	650,000	–	213,430,089 *(Note d)*	214,080,089	61.97
Chiu Wai	112,000	–	–	112,000	0.03
Wong Tsui Yue, Lucy	100,000	–	–	100,000	0.03

Notes:

a. These shares are held by the directors as beneficial owners.

b. These shares are directly held by Well-Positioned Corporation ("Well-Positioned"), a company beneficially owned by a trust established for the benefit of the family members of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine. Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine are interested in these shares in the capacity of the founder of the trust and the spouse of founder respectively.

c. These shares are held by the spouse of Mr. Chan Ka Lai, Joseph who is deemed to be interested in these shares.

d. Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond, being the eligible beneficiaries of the family trust established by Mr. Chan Wai Cheung, Glenn, are also deemed to be interested in these shares held by Well-Positioned.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Save as disclosed above, at 31 March 2008, none of the directors or chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2008, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the directors or chief executives of the Company, the following persons, other than directors or chief executives of the Company, had an interest or short position in the shares or underlying shares which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

Name of substantial shareholder	Capacity	Number of ordinary shares held	Percentage of shareholding in the Company %
Well-Positioned *(Note a)*	Beneficial owner	213,430,089	61.79
DJE Investment S.A. *(Note b)*	Beneficial owner	27,738,715	8.03

Notes:

a. Well-Positioned is a wholly owned subsidiary held by a trust established by Mr. Chan Wai Cheung, Glenn for the benefit of the family members of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine.

b. DJE Investment S.A. is 81% controlled by Dr. Jens Ehrhardt Kapital AG which in turn is 68.5% controlled by Dr. Jens Alfred Karl Ehrhardt.

Save as disclosed above, at 31 March 2008, the directors and the chief executives of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares which would require to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Board, there was 25% or more of the listed issued share capital of the Company being held in public hands at 16 July 2008, being the latest practicable date prior to printing of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retires and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chan Wai Cheung, Glenn
Chairman

Hong Kong, 14 July 2008

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Company acknowledges the importance of good corporate governance practices and believes that they are essential to the development of the Group and safeguard the interests of shareholders.

Throughout the year ended 31 March 2008, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for code provisions A.4.1 and B.1.1.

(1) The independent non-executive directors ("INEDs") are not appointed with specific term as required by code provision A.4.1, but their appointments are determinable by either party with at least one month written notice in advance. The Board considers the one-month notice period for termination of INEDs' contracts provided adequate protection to either party and would not impose undue pressure of possible compensation liable by the Group for the termination. Besides, INEDs are also subject to retirement by rotation and re-election in accordance with the Articles of Association.

(2) Since October 2007, the Board has approved the establishment of a remuneration committee as required by code provision B.1.1. All committee members are INEDs with Dr. Cheung Wai Lam, William as chairman of the committee.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the directors. Having made specific enquiry of the directors, the Company confirmed that they all have complied with the required standard as set out in the Model Code during the year ended 31 March 2008.

THE BOARD

The Board comprises the Chairman, the Managing Director, 5 executive directors and 5 INEDs. The Managing Director of the Company serves the same capacity as the chief executive officer.

The Board is collectively accountable to the shareholders and is responsible for the leadership and control of the Group including overseeing the Group's businesses, formulating strategic directions, setting objectives and business development plans, and monitoring the performance of both the financial results and the senior management.

The INEDs serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Each of the INED has confirmed in his/her annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and on this basis, the Company considers such directors to be independent. The INEDs are explicitly identified in all corporate communications.

THE BOARD *(continued)*

All directors have distinguished themselves in their field of expertise so as to give a balance of skills, knowledge and experience required for the running of an effective board. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operation of its businesses to its executive directors and senior management. Biographical details and responsibilities of each board member and senior management are set out in pages 9 to 11 of this report. Except for the family relationship of Mr. Chan Wai Cheung, Glenn, Mr. Chan Ka Lai, Joseph, Mr. Chan Ka Shun, Raymond and Mrs. Chan King Catherine, there is no other relationship (including financial, business, family or other material relationship) among members of the Board.

Regular board meetings are held at approximately quarterly intervals and involve the active participation of Directors, either in person or through other electronic means of communications. The individual attendance of each director during the year is set out below:

	Number of meetings attended
Executive directors	
Mr. Chan Wai Cheung, Glenn, *Chairman*	4/4
Mr. Chan Ka Lai, Joseph, *Managing Director*	4/4
Mr. Chan Ka Shun, Raymond (Appointed on 6 September 2007 as non-executive director and redesignated as executive director on 7 January 2008)	3/3
Mrs. Chan King Catherine	4/4
Mr. Chiu Wai	4/4
Mr. Lopez Moulet, Carmelo (Appointed on 1 June 2007)	4/4
Ms. Wong Tsui Yue, Lucy	4/4
Independent non-executive directors	
Dr. Cheung Wai Lam, William (Appointed on 6 September 2007)	3/3
Mrs. Fung Yeh Yi Hao, Yvette	2/4
Mr. Chan Ip Sing, Evans (Alternate to Mrs. Fung Yeh Yi Hao, Yvette)	4/4
Mr. Gooljarry, Cassam Soliman	2/4
Dr. Ho Sai Wah, David (Appointed on 6 September 2007)	2/3
Dr. Kwok Lok Wai, William	3/4

NOMINATION OF DIRECTORS

According to the Articles of Association, the Board has the power to appoint any person as a director either to fill a causal vacancy or as an addition to the Board. The nomination should be taken into consideration of the nominee's qualification, ability and potential contributions to the Company. Since the full Board is involved in the appointment of new directors, the Company has not established a Nomination Committee.

TERMS OF APPOINTMENTS AND RE-ELECTION OF DIRECTORS

According to the Articles of Association, one-third of the directors for the time being (or, if their number is not a multiple of 3, the number nearest to but not less than one-third) should retire from office by rotation at each annual general meeting of the Company provided that every director shall be subject to retirement by rotation at least once every 3 years. Furthermore, any director appointed to fill a casual vacancy or as an addition to the existing Board should hold office only until the next following annual general meeting and would then be eligible for re-election at that meeting. The INEDs of the Company have no fixed term of office but their appointment are determinable by either party with at least one month written notice in advance, as well as subject to the aforesaid retirement from office on a rotational basis.

AUDIT COMMITTEE

The Audit Committee has been established since 1999 with written terms of reference pursuant to all the duties set out in code provision C.3.3 of the CG Code. Currently, there are 3 INEDs, namely Mr. Gooljarry, Cassam Soliman (Committee Chairman), Mrs. Fung Yeh Yi Hao, Yvette, Mr. Chan Ip Sing, Evans (alternate to Mrs. Fung Yeh Yi Hao, Yvette) and Dr. Kwok Lok Wai, William as committee members. Mrs. Fung Yeh Yi Hao, Yvette and Mr. Chan Ip Sing, Evans possess extensive experience in accounting and financial matters.

The Audit Committee is accountable to the Board and its principal duties include the review and supervision of the financial reporting process and internal control system of the Group.

During the year ended 31 March 2008, the Audit Committee held 2 meetings. The Audit Committee reviewed the accounting policies and practices adopted by the Group and discussed auditing, internal controls system and financial reporting matters. It also reviewed the financial statements of the Company, the Company's annual and interim reports and the management letter from the auditor of the Company.

The individual attendance of each committee member is set out below:

	Number of meetings attended
Independent non-executive directors	
Mr. Gooljarry, Cassam Soliman, *Committee Chairman*	2/2
Mrs. Fung Yeh Yi Hao, Yvette	1/2
Mr. Chan Ip Sing, Evans (Alternate to Mrs. Fung Yeh Yi Hao, Yvette)	2/2
Dr. Kwok Lok Wai, William	1/2

REMUNERATION COMMITTEE

The Remuneration Committee was established in October 2007 with written terms of reference pursuant to all the duties set out in code provision B.1.1 of the CG Code. Currently, there are 3 committee members, all of whom are INEDs, namely Dr. Cheung Wai Lam, William (Committee Chairman), Dr. Ho Sai Wah, David and Dr. Kwok Lok Wai, William.

The Remuneration Committee is accountable to the Board and its principal duties include review and determination of the Board policy for the remuneration of senior management and make recommendation to the chairman and the executive members of the Board on non-executive directors remuneration.

Since its establishment, the Remuneration Committee held one meeting. The Remuneration Committee reviewed the framework of remuneration policy, considered discretionary bonus to staff, remuneration packages of executives and provided the guideline of annual salary review.

The individual attendance of each committee member is set out below:

	Number of meeting attended
Independent non-executive directors	
Dr. Cheung Wai Lam, William, *Committee Chairman*	1/1
Dr. Ho Sai Wah, David	1/1
Dr. Kwok Lok Wai, William	1/1

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility to prepare financial statements that give a true and fair view of the state of affairs of the Group and of the results and cash flows for each financial period. The statement of the Company's auditor about their reporting responsibilities on financial statements is set out in the Independent Auditor's Report on page 24.

AUDITOR'S REMUNERATION

The remuneration for the Group's principal auditor, PricewaterhouseCoopers, and its affiliated firms, for services rendered is as follows:

	2008	2007
	HK$	HK$
Continuing operation		
Audit fees	**1,009,000**	719,540
Non-audit service fees	**70,293**	324,225
	1,079,293	1,043,765

		For the period ended 22 February
	2008	2007
	HK$	HK$
Discontinued operation		
Audit fees	**–**	964,621
Non-audit service fees	**–**	502,690
	–	1,467,311
	1,079,293	2,511,076

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective system of internal controls and for reviewing its effectiveness through the Audit Committee. The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group achieve its business objectives, safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

During the year, the Board has reviewed the effectiveness of the system of internal control of the Group through the Audit Committee and the internal audit team of the Company.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Independent Auditor's Report to the Shareholders of
HONG KONG CATERING MANAGEMENT LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Hong Kong Catering Management Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 25 to 71, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14 July 2008

Consolidated Income Statement

For the year ended 31 March 2008

	Note	2008 HK$	2007 HK$
CONTINUING OPERATION			
Revenue	5	**352,196,836**	407,024,673
Other income	6	**13,097,493**	14,185,033
Cost of inventories consumed		**(101,982,816)**	(116,140,159)
Staff costs	7	**(127,330,446)**	(145,652,136)
Operating lease rentals		**(47,151,202)**	(50,900,803)
Depreciation and impairment losses of property, plant and equipment	8	**(14,153,788)**	(20,779,016)
Net (losses)/gains on financial assets at fair value through profit or loss	8	**(2,674,235)**	704,206
Other operating expenses		**(79,859,798)**	(86,982,846)
Operating (loss)/profit	8	**(7,857,956)**	1,458,952
Share of profit of an associated company		**2,055,940**	2,186,256
(Loss)/profit before income tax		**(5,802,016)**	3,645,208
Income tax expense	9	**(1,021,775)**	(546,221)
(Loss)/profit for the year from continuing operation		**(6,823,791)**	3,098,987
DISCONTINUED OPERATION	10		
Profit for the period from discontinued operation		**–**	22,476,393
Net gain on disposal of Saint Honore Holdings Limited ("SHHL")		**–**	211,215,542
Total profit from discontinued operation		**–**	233,691,935
(Loss)/profit for the year		**(6,823,791)**	236,790,922
Attributable to:			
Shareholders of the Company	11	**(6,463,168)**	226,683,219
Minority interests		**(360,623)**	10,107,703
		(6,823,791)	236,790,922
Dividends	12	**17,271,928**	264,173,281
BASIC (LOSSES)/EARNINGS PER SHARE FOR (LOSS)/PROFIT FROM CONTINUING OPERATION ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	13	**(1.9 cents)**	0.9 cents
BASIC EARNINGS PER SHARE FOR PROFIT FROM DISCONTINUED OPERATION ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	13	**–**	66.6 cents

The notes on pages 30 to 71 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

At 31 March 2008

	Note	2008 HK$	2007 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	14	**59,472,502**	29,182,486
Leasehold land and land use rights	15	**24,650,210**	12,695,245
Interest in an associated company	17	**3,396,857**	3,351,766
Held-to-maturity financial assets – non-current portion	18	**–**	27,300,000
Available-for-sale financial assets – non-current portion	19	**24,482,528**	6,900,000
Rental deposits paid – non-current portion		**6,208,495**	9,861,879
Deferred income tax assets	30	**250,000**	1,000,000
Total non-current assets		**118,460,592**	90,291,376
Current assets			
Inventories	20	**11,091,987**	13,542,626
Trade receivables	22	**1,147,316**	1,590,191
Deposits, prepayments and other receivables		**6,081,750**	13,423,229
Held-to-maturity financial assets – current portion	18	**–**	1,000,000
Available-for-sale financial assets – current portion	19	**8,438,430**	–
Financial assets at fair value through profit or loss	23	**15,672,555**	1,806,998
Rental deposits paid – current portion		**7,771,867**	–
Tax recoverable		**412,259**	347,790
Cash and cash equivalents	24	**229,755,995**	549,495,834
Total current assets		**280,372,159**	581,206,668
Total assets		**398,832,751**	671,498,044
LIABILITIES			
Current liabilities			
Trade payables	25	**14,038,531**	14,795,284
Other payables and accrued charges		**41,612,160**	44,652,038
Tax payable		**11,016**	2,987
Provision for long service payments – current portion	29	**1,180,821**	–
Dividend payable		**–**	248,715,756
Total current liabilities		**56,842,528**	308,166,065
Non-current liabilities			
Rental deposits received		**74,155**	5,000
Provision for long service payments – non-current portion	29	**1,263,896**	4,117,152
Deferred income tax liabilities	30	**374,000**	362,000
Total non-current liabilities		**1,712,051**	4,484,152
Total liabilities		**58,554,579**	312,650,217
Total assets less current liabilities		**341,990,223**	363,331,979
Net current assets		**223,529,631**	273,040,603
Net assets		**340,278,172**	358,847,827
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	26	**34,543,855**	34,543,855
Reserves	28	**287,126,865**	308,790,282
Dividend reserve	28	**13,817,542**	10,363,157
		335,488,262	353,697,294
Minority interests		**4,789,910**	5,150,533
Total equity		**340,278,172**	358,847,827

On behalf of the Board

Chan Wai Cheung, Glenn
Chairman

Chan Ka Lai, Joseph
Managing Director

The notes on pages 30 to 71 are an integral part of these consolidated financial statements.

Balance Sheet

At 31 March 2008

	Note	2008 HK$	2007 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	14	**7,710,544**	11,422,388
Leasehold land	15	**921,376**	945,004
Interests in subsidiaries	16	**151,196,000**	162,201,082
Held-to-maturity financial assets – non-current portion	18	**–**	27,300,000
Available-for-sale financial assets – non-current portion	19	**24,482,528**	6,900,000
Rental deposits paid – non-current portion		**–**	3,735,899
Total non-current assets		**184,310,448**	212,504,373
Current assets			
Inventories	20	**1,980,732**	2,041,734
Amounts due from subsidiaries	21	**70,826,219**	23,794,254
Trade receivables	22	**255,130**	330,287
Deposits, prepayments and other receivables		**1,760,512**	8,481,251
Held-to-maturity financial assets – current portion	18	**–**	1,000,000
Available-for-sale financial assets – current position	19	**8,438,430**	–
Financial assets at fair value through profit or loss	23	**15,176,095**	1,377,578
Rental deposits paid – current portion		**3,735,899**	–
Cash and cash equivalents	24	**215,333,188**	528,307,553
Total current assets		**317,506,205**	565,332,657
Total assets		**501,816,653**	777,837,030
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	21	**177,943,020**	174,087,218
Trade payables	25	**14,038,531**	14,795,284
Other payables and accrued charges		**6,360,593**	15,179,201
Dividend payable		**–**	248,715,756
Total current liabilities		**198,342,144**	452,777,459
Non-current liabilities			
Rental deposits received		**3,000**	3,000
Provision for long service payments	29	**793,334**	1,011,849
Total non-current liabilities		**796,334**	1,014,849
Total liabilities		**199,138,478**	453,792,308
Total assets less current liabilities		**303,474,509**	325,059,571
Net current assets		**119,164,061**	112,555,198
Net assets		**302,678,175**	324,044,722
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	26	**34,543,855**	34,543,855
Reserves	28	**254,316,778**	279,137,710
Dividend reserve	28	**13,817,542**	10,363,157
Total equity		**302,678,175**	324,044,722

On behalf of the Board

Chan Wai Cheung, Glenn
Chairman

Chan Ka Lai, Joseph
Managing Director

The notes on pages 30 to 71 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	Note	2008 HK$	2007 HK$
Cash flows from operating activities			
Cash used in operations	*31*	**(14,586,283)**	(9,956,131)
Hong Kong profits tax paid		**(316,215)**	(8,203,039)
Income tax paid to other jurisdictions		**–**	(1,763,702)
Net cash used in operating activities		**(14,902,498)**	(19,922,872)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(44,443,804)**	(26,262,922)
Purchase of leasehold land		**(12,518,892)**	–
Proceeds from disposal of property, plant and equipment		**111,000**	521,542
Net proceeds from disposal of SHHL	*32*	**–**	269,463,607
Purchase of held-to-maturity financial assets		**–**	(27,300,000)
Purchase of available-for-sale financial assets		**(7,800,000)**	–
Proceeds from redemption of held-to-maturity financial assets		**4,900,000**	7,800,000
Proceeds from redemption of available-for-sale financial assets		**3,900,000**	–
Interest received		**11,447,654**	14,229,015
Dividends received from an associated company		**2,100,000**	2,730,000
Net cash (used in)/generated from investing activities		**(42,304,042)**	241,181,242
Cash flows from financing activities			
Contribution from minority shareholders		**–**	430,000
Issue of shares upon exercise of share options		**–**	1,608,000
Dividends paid to minority shareholders		**–**	(9,556,890)
Unclaimed dividend written-back		**–**	84,960
Dividends paid		**(262,533,299)**	(14,033,184)
Net cash used in financing activities		**(262,533,299)**	(21,467,114)
Net (decrease)/increase in cash and cash equivalents		**(319,739,839)**	199,791,256
Cash and cash equivalents at the beginning of the year		**549,495,834**	349,704,578
Cash and cash equivalents at the end of the year	*24*	**229,755,995**	549,495,834

The notes on pages 30 to 71 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

	Attributable to shareholders of the Company								
	Share capital HK$	Share premium HK$	Exchange fluctuation reserve HK$	Investment revaluation reserve HK$	Retained earnings HK$	Dividend reserve HK$	Total HK$	Minority interests HK$	Total equity HK$
At 1 April 2006	32,895,861	125,277,594	69,124	2,175,870	201,564,325	26,316,689	388,299,463	108,941,354	497,240,817
Share of reserves of an associated company	–	–	–	(160,273)	–	–	(160,273)	–	(160,273)
Contributions from minority shareholders upon exercise of a subsidiary's share options	–	–	–	–	–	–	–	430,000	430,000
Loss on deemed disposal of a subsidiary	–	–	–	–	–	–	–	223,694	223,694
Profit for the year	–	–	–	–	226,683,219	–	226,683,219	10,107,703	236,790,922
Disposal of SHHL	–	–	(69,124)	–	–	–	(69,124)	(104,995,328)	(105,064,452)
Write-back of unclaimed dividend	–	–	–	–	84,960	–	84,960	–	84,960
Issue of shares upon exercise of share options	335,000	1,273,000	–	–	–	–	1,608,000	–	1,608,000
Issue of shares upon election for scrip in lieu of cash for 2005/06 final dividend	1,312,994	16,149,828	–	–	–	–	17,462,822	–	17,462,822
2005/06 final dividend paid	–	–	–	–	–	(26,316,689)	(26,316,689)	(6,673,023)	(32,989,712)
2006/07 interim dividend proposed	–	–	–	–	(5,179,328)	5,179,328	–	–	–
2006/07 interim dividend paid	–	–	–	–	–	(5,179,328)	(5,179,328)	(2,883,867)	(8,063,195)
2006/07 special dividend declared	–	–	–	–	(248,715,756)	–	(248,715,756)	–	(248,715,756)
2006/07 final dividend proposed	–	–	–	–	(10,363,157)	10,363,157	–	–	–
At 31 March 2007	34,543,855	142,700,422	–	2,015,597	164,074,263	10,363,157	353,697,294	5,150,533	358,847,827
At 1 April 2007 as per above	**34,543,855**	**142,700,422**	**–**	**2,015,597**	**164,074,263**	**10,363,157**	**353,697,294**	**5,150,533**	**358,847,827**
Share of reserves of an associated company	**–**	**–**	**–**	**89,151**	**–**	**–**	**89,151**	**–**	**89,151**
Revaluation surplus of available-for-sale financial assets	**–**	**–**	**–**	**1,982,528**	**–**	**–**	**1,982,528**	**–**	**1,982,528**
Loss for the year	**–**	**–**	**–**	**–**	**(6,463,168)**	**–**	**(6,463,168)**	**(360,623)**	**(6,823,791)**
2006/07 final dividend paid	**–**	**–**	**–**	**–**	**–**	**(10,363,157)**	**(10,363,157)**	**–**	**(10,363,157)**
2007/08 interim dividend proposed	**–**	**–**	**–**	**–**	**(3,454,386)**	**3,454,386**	**–**	**–**	**–**
2007/08 interim dividend paid	**–**	**–**	**–**	**–**	**–**	**(3,454,386)**	**(3,454,386)**	**–**	**(3,454,386)**
2007/08 final dividend proposed	**–**	**–**	**–**	**–**	**(13,817,542)**	**13,817,542**	**–**	**–**	**–**
At 31 March 2008	**34,543,855**	**142,700,422**	**–**	**4,087,276**	**140,339,167**	**13,817,542**	**335,488,262**	**4,789,910**	**340,278,172**

The notes on pages 30 to 71 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1. GENERAL INFORMATION

Hong Kong Catering Management Limited (the "Company") is a limited liability company incorporated in Hong Kong. The address of its registered office is 27/F, World Trade Center, 280 Gloucester Road, Causeway Bay, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company remains an investment company during the year which together with its subsidiaries (collectively referred to as the "Group") are principally engaged in the operation of restaurants.

These consolidated financial statements are presented in Hong Kong dollars (HK$), unless otherwise stated.

These consolidated financial statements were approved for issue by the board of directors (the "Board") on 14 July 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention except that financial assets and financial liabilities at fair value through profit or loss and available-for-sale financial assets are stated at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

(a) Standards and interpretations effective in 2007

- HKFRS 7, "Financial Instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of Financial Statements – Capital Disclosures", introduce new disclosures relating to financial instruments and do not have any impact on the classification and valuation of the Group's financial instruments;

- HK(IFRIC) - Int 9, "Re-assessment of Embedded Derivatives", requires an equity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. This standard does not have any material impact on the Group's financial statements; and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) Standards and interpretations effective in 2007 (Continued)

- HK(IFRIC) – Int 10, "Interim Financial Reporting and Impairment", prohibits the impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(b) Interpretations effective in 2007 but not relevant for the Group's operation

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 May 2006 but they are not relevant to the Group's operations:

- HK(IFRIC) – Int 8, "Scope of HKFRS 2"; and

- HK(IFRIC) – Int 11, "HKFRS 2 – Group and Treasury Share Transactions".

(c) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 but the Group has not early adopted them:

- HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRS. The Group will apply HKAS 1 (Revised) from 1 April 2009;

- HKAS 23 (Revised), "Borrowing Costs" (effective from 1 January 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 April 2009, but it is not expected to have any impact on the Group's consolidated financial statements;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) *Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group (Continued)*

- HKAS 27 (Revised), "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognized. Any gain or loss is recognized in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 April 2010;

- HKAS 32 and HKAS 1 Amendments, "Puttable Financial Instruments and Obligations Arising on Liquidation" (effective from 1 January 2009). The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The Group will apply HKAS 32 and HKAS 1 Amendments from 1 April 2009, but it is not expected to have any impact on the Group's consolidated financial statements;

- HKFRS 3 (Revised), "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than "are conducted and managed". It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRS. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 April 2010; and

- HKFRS 8, "Operating Segments" (effective from 1 January 2009). The Group will apply HKFRS 8 from 1 April 2009, but it is not expected to have any significant impact on the Group's consolidated financial statements other than presentation changes and additional disclosures in respect of segment information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(d) Amendment and interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following amendment and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 but are not relevant for the Group's operations:

- HK(IFRIC) – Int 12, "Service Concession Arrangements", effective for annual periods beginning on or after 1 January 2008;

- HK(IFRIC) – Int 13, "Customer Loyalty Programmes", effective for annual periods beginning on or after 1 July 2008;

- HK(IFRIC) – Int 14, "HKAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", effective for annual periods beginning on or after 1 January 2008; and

- HKFRS 2 Amendment, "Share-based Payment Vesting Conditions and Cancellations", effective for annual periods beginning on or after 1 January 2009.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March 2008.

(a) Subsidiaries

Subsidiaries are all entities (including special purposes entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transactions provide evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements, to ensure consistency with the policies adopted by the Group.

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

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(c) Associates *(Continued)*

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

In the Company's balance sheet the interest in an associated company is stated at cost less provision for impairment losses. The result of an associated company is accounted for by the Company on the basis of dividend received and receivable.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in the profit or loss, and other changes in the carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in the profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the investment revaluation reserve in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

2.4 Property, plant and equipment

Freehold land is stated at cost and is not amortized.

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Property, plant and equipment *(Continued)*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives and the annual rates of depreciation are as follows:

• Buildings:	over the unexpired periods of the leases or their estimated useful lives, whichever is shorter.
• Leasehold improvements:	Over the unexpired periods of the leases or their expected useful lives.
• Air-conditioning plant:	15% or over the unexpired periods of the leases.
• Furniture, fixtures and equipment:	10-25%
• Motor vehicles:	15%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the income statement.

2.5 Impairment of investments in subsidiaries, an associate and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Financial assets *(Continued)*

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated as at fair value through profit or loss at inception if the designation relates to financial instruments containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, these are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group changes its intention or ability to hold to maturity or sells other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturity less than 12 months from the balance sheet date, these are classified as current assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognized on trade-date, being the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortized cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Financial assets *(Continued)*

Gains and losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the income statement in the period in which they arise. Dividend income from financial assets of fair value through profit or loss is recognized in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on amortized cost are recognized in profit or loss; translation differences on other changes in the carrying amount of the securities are recognized in equity. Changes in the fair value of non-monetary securities classified as available for sale are recognized in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. Impairment testing on trade receivables is described in Note 2.8.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within other operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the income statement.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.10 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax 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 consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Current and deferred income tax *(Continued)*

Deferred income 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.11 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.12 Share capital

Ordinary shares are classified as equity.

2.13 Employee benefits

(a) Pension obligations

The Group participates in a number of defined contribution plans in Hong Kong, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and the relevant group companies. The Group pays contributions to the pension plans on a mandatory, contractual or voluntary basis which are calculated as a percentage of the employees' salaries.

The Group has no legal or constructive obligations to make further payments once the required contributions have been paid, even if the plans do not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior years.

The contributions are recognized as employee benefit expenses when they are due and prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Employee benefits *(Continued)*

(b) Employee leave entitlements

Employee entitlement to annual leave or other statutory leave is recognized when they are accrued to employees. A provision is made for the estimated liability for paid 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.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(d) Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that may create a constructive obligation.

2.14 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow of resources will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of rebates, credit card fees and discounts and after eliminating sales within the Group. Revenue is recognized as follows:

Sales of services

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

Sales of goods – bakery wholesale

Sales of goods are recognized when the Group has delivered products to the customer, the customer has accepted the products and the collectability of the related receivables is reasonably assured.

Sales of goods – bakery retail

Sales of goods are recognized when the Group sells a product to the customer. Retail sales are usually in cash.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Rental income

Rental income is recognized on straight-line basis over the lease periods.

Management fee income

Management fee income is recognized when services are rendered.

2.16 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land and land use rights, are charged in the income statement on a straight-line basis over the period of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.18 Discontinued operation

A discontinued operation is a component of the Group's business that has been disposed of and represents a separate major line of business with its operations and cash flow can be clearly distinguished.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, foreign exchange risk, cash flow and fair value interest rate risk, price risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Credit risk

The carrying amounts of cash and cash equivalents, trade receivables and other current assets except for prepayments, represent the Group's maximum exposure to credit risk in relation to financial assets.

The majority of the Group's turnover is on cash basis therefore there is no significant concentration of credit risk.

The credit risk for bank deposits and bank balances exposed is considered minimal as such amounts are placed with banks with good credit ratings.

(b) Foreign exchange risk

The Group operates in Hong Kong with most of the transactions denominated and settled in local currencies. The Group is exposed to foreign exchange risk arising primarily from short-term bank deposits denominated in United States dollars ("US$"). As HK$ is pegged to US$, the Company believes the foreign exchange risk exposure of transactions denominated in US$ to be insignificant.

The Company does not use any derivative financial instruments to hedge its exposure to foreign exchange risk.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates, as the Group has no significant interest-bearing assets and liabilities except for the Group's bank deposits.

As at 31 March 2008, if the HKD interest rates on bank deposits had been 50 basis points higher/lower with all other variables were held constant, the Group's net loss for the year would decrease/increase by approximately HK$1,054,000 (2007: HK$2,602,000), mainly as a result of higher/lower interest income on bank balances.

As at 31 March 2008, if the USD interest rates on bank deposits had been 50 basis points higher/lower with all other variables were held constant, the Group's net loss for the year would decrease/increase by approximately HK$91,000 (2007: HK$134,000), mainly as a result of higher/lower interest income on bank balances.

(d) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments in financial instruments are primarily quoted or publicly traded in Hong Kong, the United States and Japan.

As at 31 March 2008, if the listed or quoted price of each equity investment classified as financial assets at fair value through profit or loss and available-for-sale financial assets had appreciated/depreciated by 5% (2007: 5%) with all other variables held constant, the Group's net loss for the year would have been approximately HK$784,000 (2007: HK$90,000) lower/higher as a result of gains/losses on equity securities classified as at fair value through profit or loss. Equity would have been HK$1,646,000 (2007: HK$345,000) higher/lower as a result of gains/losses on equity securities classified as available for sale.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(e) Liquidity risk

The Group's primary cash requirements have been for the payments for purchases and operating expenses. The Group finances its working capital requirements mainly through funds generated from operations.

The liquidity risk of the Group is managed by maintaining sufficient banking facilities and cash and cash equivalents generated from operating cash flow.

All the Group's and Company's contractual financial liabilities will mature within one year at the balance sheet date.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio, which is calculated as total borrowings divided by total shareholders' fund.

The Group's strategy was to maintain a minimal gearing ratio. The Group had no outstanding bank loans, overdrafts or other borrowings subsisted with zero gearing at 31 March 2007 and 2008.

3.3 Fair value estimation

The fair value of financial instruments traded in the active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying amounts of the Group's financial assets including cash and cash equivalents, trade and other receivables, and financial liabilities including trade and other payables are assumed to approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of financial assets and financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Impairment of assets

The Group conducts impairment reviews of assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable or tests for impairment annually in accordance with the relevant accounting standards. Determining whether an asset is impaired requires an estimation of the value in use, which requires the Group to estimate the future cash flow and suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

4.2 Income taxes

The Group is subject to income taxes in certain jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense and deferred income tax provisions in the year in which such determination is made.

4.3 Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of renovation and relocation. Management will increase the depreciation where useful lives are less than previously estimated lives.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

4.4 Provision for long service payments

This applies where the Group's accounting policy is to recognize any actuarial gains or losses immediately through the income statement.

The present value of the provision for long service payments depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for the provision for long service payments include the discount rate. Any changes in these assumptions will impact the carrying amount of provision for long service payments.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the provision for long service payments. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability.

5. REVENUE AND SEGMENT INFORMATION

Revenue comprises takings and service charges less discounts and credit card commission from the continuing restaurant operation. Since the disposal of SHHL on 22 February 2007, the Group discontinued the bakery operation in the year ended 31 March 2007.

	2008 **HK$**	2007 HK$
Continuing operation	**352,196,836**	407,024,673

	2008 **HK$**	For the period ended 22 February 2007 HK$
Discontinued operation	**–**	547,799,104
	352,196,836	954,823,777

Subsequent to the disposal of SHHL, the Group's principal activity is the operation of restaurants and has only one major business segment. All the Group's assets, liabilities and capital expenditure are located and utilized in Hong Kong. Accordingly, no segment information is provided.

6. OTHER INCOME

	2008 HK$	2007 HK$
Continuing operation		
Management fee income	**1,147,464**	4,663,644
Interest income	**11,447,654**	9,297,240
Rental income from other properties	**444,738**	214,689
Dividend income	**57,637**	9,460
	13,097,493	14,185,033

	2008 HK$	For the period ended 22 February 2007 HK$
Discontinued operation		
Interest income	**–**	4,931,775
Rental income from other properties	**–**	437,851
	–	5,369,626
	13,097,493	19,554,659

7. STAFF COSTS

	2008 HK$	2007 HK$
Continuing operation		
Wages and salaries, including directors' fees	**117,124,140**	131,208,357
Provision for termination benefits	**110,009**	1,350,100
Provision for leave balance	**1,044,402**	1,146,749
Retirement benefit costs – defined contribution schemes	**5,653,223**	6,245,371
(Reversal of)/provision for long service payments *(Note 29)*	**(1,317,471)**	1,484,467
Other staff costs	**4,716,143**	4,217,092
	127,330,446	145,652,136

7. STAFF COSTS *(Continued)*

	2008 HK$	For the period ended 22 February 2007 HK$
Discontinued operation		
Wages and salaries, including directors' fees	–	158,405,731
Provision for termination benefits	–	209,499
Provision for leave balance	–	449,421
Retirement benefit costs – defined contribution schemes	–	6,870,801
Provision for long service payments *(Note 29)*	–	341,119
Other staff costs	–	6,332,368
	–	172,608,939
	127,330,446	318,261,075

(a) Directors' and senior management's emoluments

	2008 HK$	2007 HK$
Continuing operation		
Fees	**225,001**	150,000
Other emoluments:		
Salary, housing and other allowances and benefits in kind	**5,178,667**	4,411,283
Employer's contribution to pension scheme	**173,027**	129,293
Discretionary bonus and profit sharing	**368,216**	286,271
	5,944,911	4,976,847

	2008 HK$	For the period ended 22 February 2007 HK$
Discontinued operation		
Fees	–	100,000
Other emoluments:		
Salary, housing and other allowances and benefits in kind	–	2,591,212
Employer's contribution to pension scheme	–	63,380
Discretionary bonus and profit sharing	–	7,225,200
	–	9,979,792
	5,944,911	14,956,639

7. STAFF COSTS *(Continued)*

(a) Directors' and senior management's emoluments *(Continued)*

The remuneration of every director for continuing operation for the year ended 31 March 2008 is set out below:

Name of director	Fees HK$	Salary, housing and other allowances and benefits in kind HK$	Employer's contribution to pension scheme HK$	Discretionary bonus and profit sharing HK$	Total HK$
Executive directors					
Mr. Chan Wai Cheung, Glenn	–	1,685,000	–	–	1,685,000
Mr. Chan Ka Lai, Joseph	–	1,149,300	57,465	95,050	1,301,815
Mr. Chan Ka Shun, Raymond	16,667	140,323	7,500	–	164,490
Mrs. Chan King Catherine	–	30,000	–	–	30,000
Mr. Chiu Wai	–	740,130	37,007	97,598	874,735
Mr. Lopez Moulet, Carmelo	–	646,010	31,660	80,000	757,670
Ms. Wong Tsui Yue, Lucy	–	787,904	39,395	95,568	922,867
Independent non-executive directors					
Dr. Cheung Wai Lam, William	29,167	–	–	–	29,167
Mrs. Fung Yeh Yi Hao, Yvette	50,000	–	–	–	50,000
Mr. Gooljarry, Cassam Soliman	50,000	–	–	–	50,000
Dr. Ho Sai Wah, David	29,167	–	–	–	29,167
Dr. Kwok Lok Wai, William	50,000	–	–	–	50,000
	225,001	5,178,667	173,027	368,216	5,944,911

7. STAFF COSTS *(Continued)*

(a) Directors' and senior management's emoluments *(Continued)*

The remuneration of every director subsisted as at 31 March 2007 for continuing operation for the year ended 31 March 2007 and for discontinued operation for the period from 1 April 2006 to 22 February 2007 is set out below:

Name of director	Fees HK$	Salary, housing and other allowances and benefits in kind HK$	Employer's contribution to pension scheme HK$	Discretionary bonus and profit sharing HK$	Total HK$
Continuing operation					
Executive directors					
Mr. Chan Wai Cheung, Glenn	–	1,685,000	–	100,000	1,785,000
Mr. Chan Ka Lai, Joseph	–	1,123,200	56,160	50,209	1,229,569
Mrs. Chan King Catherine	–	30,000	–	–	30,000
Mr. Chiu Wai	–	804,267	36,192	102,693	943,152
Mr. Shum Wing Hon	–	30,000	–	–	30,000
Ms. Wong Tsui Yue, Lucy	–	738,816	36,941	33,369	809,126
Independent non-executive directors					
Mrs. Fung Yeh Yi Hao, Yvette	50,000	–	–	–	50,000
Mr. Gooljarry, Cassam Soliman	50,000	–	–	–	50,000
Dr. Kwok Lok Wai, William	50,000	–	–	–	50,000
	150,000	4,411,283	129,293	286,271	4,976,847
Discontinued operation					
Executive directors					
Mr. Chan Wai Cheung, Glenn	–	1,114,520	–	7,225,200	8,339,720
Mr. Shum Wing Hon	–	1,476,692	63,380	–	1,540,072
Non-executive directors					
Mrs. Chan King Catherine	50,000	–	–	–	50,000
Mr. Chan Ka Lai, Joseph	50,000	–	–	–	50,000
	100,000	2,591,212	63,380	7,225,200	9,979,792
	250,000	7,002,495	192,673	7,511,471	14,956,639

No director of the Company waived any emoluments and no emolument was paid by the Group to any director of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

7. STAFF COSTS *(Continued)*

(b) Five highest paid individuals

The 5 individuals whose emoluments were the highest in the Group for the year are all directors of the Company (2007: 4) and whose emoluments are reflected in the analysis presented in note (a) above. The emoluments payable to the remaining one in 2007 are as follows:

	2008 **HK$**	For the period ended 22 February 2007 HK$
Discontinued operation		
Basic salaries and benefits in kind	**–**	1,328,522
Employer's contribution to pension scheme	**–**	63,102
	–	1,391,624

The emoluments of the individual fell within the band of HK$1,000,001 – HK$1,500,000.

None of the 5 highest paid individuals of the Group waived any emoluments and no emolument was paid by the Group to any of such individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8. OPERATING (LOSS)/PROFIT

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

	2008 **HK$**	2007 HK$
Continuing operation		
Auditor's remuneration	**1,079,293**	1,043,765
Amortization of prepaid operating lease payments	**563,927**	317,376
Depreciation and impairment losses of property, plant and equipment		
Depreciation charge	**13,717,788**	20,779,016
Impairment losses	**436,000**	–
	14,153,788	20,779,016
Net losses/(gains) on financial assets at fair value through profit or loss		
Listed equity securities	**464,495**	(704,206)
Derivative financial instruments	**(496,470)**	–
Financial assets designated as at fair value through profit or loss	**2,706,210**	–
	2,674,235	(704,206)
Gain on disposal of other plant and equipment	**(111,000)**	(194,714)
Net exchange (gain)/loss	**(4,755)**	8,421

8. OPERATING (LOSS)/PROFIT *(Continued)*

	2008 HK$	For the period ended 22 February 2007 HK$
Discontinued operation		
Auditor's remuneration	–	1,467,311
Amortization of prepaid operating lease payments	–	1,570,331
Depreciation of property, plant and equipment	–	24,234,346
Realized gains on financial assets at fair value through profit or loss	–	(114,915)
Unrealized gains on financial assets at fair value through profit or loss	–	(228,000)
Loss on disposal of other plant and equipment	–	1,001,713
Net exchange gain	–	(928,020)

9. INCOME TAX EXPENSE

The amount of income tax charged to the consolidated income statement represents:

	2008 HK$	2007 HK$
Continuing operation		
Current income tax		
Hong Kong profits tax	**260,327**	650,223
Over provision in prior years	**(552)**	(2)
Deferred income tax charge/(credit) *(Note 30)*	**762,000**	(104,000)
	1,021,775	546,221

	2008 HK$	For the period ended 22 February 2007 HK$
Discontinued operation		
Current income tax		
Hong Kong profits tax	–	4,011,473
Income tax arising from other jurisdictions	–	2,449,269
Under provision in prior years	–	2,747
Deferred income tax charge *(Note 30)*	–	294,432
	–	6,757,921
	1,021,775	7,304,142

9. INCOME TAX EXPENSE *(Continued)*

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits for the year. Taxation on profits arising from other jurisdictions has been calculated on the estimated assessable profits for the year at the rates prevailing in the relevant jurisdictions.

The income tax expense on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2008 **HK$**	2007 HK$
(Loss)/profit before income tax		
Continuing operation	**(5,802,016)**	3,645,208
Discontinued operation	**–**	240,449,856
	(5,802,016)	244,095,064
Calculated at a taxation rate of 17.5% (2007: 17.5%)	**(1,015,353)**	42,716,636
Effect of different taxation rates in other jurisdictions	**–**	14,476
Income not subject to taxation	**(2,373,214)**	(40,970,775)
Expenses not deductible for taxation purposes	**142,874**	1,659,388
(Over)/under provision in prior years	**(552)**	2,745
Utilization of previously unrecognized temporary differences	**(671,401)**	(300,300)
Temporary differences not recognized	**3,939,421**	3,594,524
Deferred tax assets written off	**1,000,000**	–
Others	**–**	587,448
Income tax expense	**1,021,775**	7,304,142

10. DISCONTINUED OPERATION

In February 2007, the Group disposed of its entire interest in SHHL. Since then, it has ceased business of bakery operation. The consolidated operating results associated with the bakery operation for the period from 1 April 2006 to 22 February 2007 and the net gain on disposal of SHHL are presented below:

	Note	For the period ended 22 February 2007 HK$
Revenue	*5*	547,799,104
Other income	*6*	5,369,626
Cost of inventories consumed		(175,670,830)
Staff costs	*7*	(172,608,939)
Operating lease rentals		(50,557,721)
Depreciation of property, plant and equipment		(24,234,346)
Other operating expenses		(100,862,580)
Operating profit	*8*	29,234,314
Income tax expense	*9*	(6,757,921)
Profit for the period		22,476,393
Net gain on disposal of SHHL	*32*	211,215,542
Total profit from discontinued operation		233,691,935
Attributable to:		
Shareholders of the Company		223,532,954
Minority interests		10,158,981
		233,691,935

11. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The loss attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$9,531,532 (2007: profit of HK$233,850,575) *(Note 28(b))*.

12. DIVIDENDS

	2008 HK$	2007 HK$
Write-back of unclaimed dividend	–	(84,960)
Interim, paid, of HK1.0 cent (2007: HK1.5 cents) per ordinary share	**3,454,386**	5,179,328
Special of nil (2007: HK72.0 cents) per ordinary share	–	248,715,756
Final, proposed, of HK4.0 cents (2007: HK3.0 cents) per ordinary share	**13,817,542**	10,363,157
	17,271,928	264,173,281

The proposed final dividend for the year ended 31 March 2008 was declared at the meeting of the Board held on 14 July 2008. This proposed final dividend is not reflected as a dividend payable in these financial statements. It is reflected as an appropriation of retained earnings and is presented as dividend reserve in the balance sheet.

13. (LOSSES)/EARNINGS PER SHARE

The calculations of basic (losses)/earnings per share are based on the following:

	2008 HK$	2007 HK$
(Losses)/earnings		
Continuing operation		
(Loss)/profit from continuing operation for the year attributable to shareholders of the Company as used in the calculation of basic (losses)/earnings per share	**(6,463,168)**	3,150,265
Discontinued operation		
Profit from discontinued operation for the period attributable to shareholders of the Company as used in the calculation of basic earnings per share	–	223,532,954

	2008	2007
Number of shares		
Weighted average number of ordinary shares in issue for basic (losses)/earnings per share	**345,438,550**	335,866,885

14. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Freehold land HK$	Buildings HK$	Leasehold improvements HK$	Air-conditioning plant HK$	Furniture, fixtures, and equipment HK$	Motor vehicles HK$	Total HK$
Year ended 31 March 2007							
Opening net book value	8,752,467	71,011,136	37,551,726	8,293,481	51,446,642	8,191,573	185,247,025
Additions	–	–	11,485,889	1,527,095	10,639,199	2,610,739	26,262,922
Disposals	–	–	(258,676)	(78,536)	(725,918)	(265,410)	(1,328,540)
Disposal of SHHL	(8,752,467)	(61,070,546)	(24,295,214)	(1,746,236)	(34,387,895)	(5,733,201)	(135,985,559)
Depreciation	–	(1,747,410)	(18,576,948)	(4,230,369)	(18,042,418)	(2,416,217)	(45,013,362)
Closing net book value	–	8,193,180	5,906,777	3,765,435	8,929,610	2,387,484	29,182,486
At 31 March 2007							
Cost	–	20,254,431	48,485,846	22,068,082	60,133,784	4,840,685	155,782,828
Accumulated depreciation and impairment losses	–	(12,061,251)	(42,579,069)	(18,302,647)	(51,204,174)	(2,453,201)	(126,600,342)
Net book value	–	8,193,180	5,906,777	3,765,435	8,929,610	2,387,484	29,182,486
Year ended 31 March 2008							
Opening net book value	**–**	**8,193,180**	**5,906,777**	**3,765,435**	**8,929,610**	**2,387,484**	**29,182,486**
Additions	**–**	**11,896,515**	**16,306,030**	**4,281,639**	**11,421,549**	**538,071**	**44,443,804**
Depreciation	**–**	**(445,640)**	**(4,819,832)**	**(2,275,475)**	**(5,683,562)**	**(493,279)**	**(13,717,788)**
Impairment losses	**–**	**–**	**–**	**–**	**(436,000)**	**–**	**(436,000)**
Closing net book value	**–**	**19,644,055**	**17,392,975**	**5,771,599**	**14,231,597**	**2,432,276**	**59,472,502**
At 31 March 2008							
Cost	**–**	**32,150,946**	**45,764,528**	**16,211,709**	**51,869,873**	**4,647,423**	**150,644,479**
Accumulated depreciation and impairment losses	**–**	**(12,506,891)**	**(28,371,553)**	**(10,440,110)**	**(37,638,276)**	**(2,215,147)**	**(91,171,977)**
Net book value	**–**	**19,644,055**	**17,392,975**	**5,771,599**	**14,231,597**	**2,432,276**	**59,472,502**

The Group's interests in buildings at their net book values are analyzed as follows:

	2008 HK$	2007 HK$
In Hong Kong, held on:		
Leases of between 10 to 50 years	**19,644,055**	8,193,180

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Company

	Buildings	Leasehold improvements	Air-conditioning plant	Furniture, fixtures, and equipment	Motor vehicles	Total
	HK$	HK$	HK$	HK$	HK$	HK$
Year ended 31 March 2007						
Opening net book value	291,606	4,827,457	2,098,022	5,292,397	954,262	13,463,744
Additions	–	101,220	88,500	491,529	1,997,526	2,678,775
Disposals	–	–	–	(34,677)	(14,286)	(48,963)
Depreciation	(8,100)	(1,895,431)	(556,669)	(1,660,950)	(550,018)	(4,671,168)
Closing net book value	283,506	3,033,246	1,629,853	4,088,299	2,387,484	11,422,388
At 31 March 2007						
Cost	386,400	18,291,873	7,049,787	24,630,725	4,840,685	55,199,470
Accumulated depreciation	(102,894)	(15,258,627)	(5,419,934)	(20,542,426)	(2,453,201)	(43,777,082)
Net book value	283,506	3,033,246	1,629,853	4,088,299	2,387,484	11,422,388
Year ended 31 March 2008						
Opening net book value	**283,506**	**3,033,246**	**1,629,853**	**4,088,299**	**2,387,484**	**11,422,388**
Additions	**–**	**–**	**48,050**	**127,027**	**538,072**	**713,149**
Depreciation	**(8,100)**	**(1,885,440)**	**(544,485)**	**(1,493,689)**	**(493,279)**	**(4,424,993)**
Closing net book value	**275,406**	**1,147,806**	**1,133,418**	**2,721,637**	**2,432,277**	**7,710,544**
At 31 March 2008						
Cost	**386,400**	**10,954,801**	**4,020,028**	**19,247,756**	**4,647,423**	**39,256,408**
Accumulated depreciation	**(110,994)**	**(9,806,995)**	**(2,886,610)**	**(16,526,119)**	**(2,215,146)**	**(31,545,864)**
Net book value	**275,406**	**1,147,806**	**1,133,418**	**2,721,637**	**2,432,277**	**7,710,544**

The Company's interests in buildings at their net book values are analyzed as follows:

	2008	2007
	HK$	HK$
In Hong Kong, held on:		
Leases of between 10 to 50 years	**275,406**	283,506

15. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's and the Company's interest in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analyzed as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
In Hong Kong, held on:				
Leases of between 10 to 50 years	**24,650,210**	12,695,245	**921,376**	945,004

The movements of net book value of leasehold land and land use rights are analyzed as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Opening net book value	**12,695,245**	87,166,415	**945,004**	968,632
Additions	**12,518,892**	–	**–**	–
Disposal of SHHL	**–**	(72,583,463)	**–**	–
Amortization of prepaid operating lease payments	**(563,927)**	(1,887,707)	**(23,628)**	(23,628)
Closing net book value	**24,650,210**	12,695,245	**921,376**	945,004

16. INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$	HK$
Unlisted shares, at cost	**173,272,029**	177,526,623
Loans to subsidiaries *(Note)*	**2,049,605**	2,049,605
	175,321,634	179,576,228
Provision for impairment losses	**(24,125,634)**	(17,375,146)
	151,196,000	162,201,082

Note:

The loans to subsidiaries are unsecured, interest bearing at agreed interest rates and not expected to be repaid within the next 12 months.

Details of the principal subsidiaries as at 31 March 2008 are set out in note 35.

17. INTEREST IN AN ASSOCIATED COMPANY

	Group	
	2008	2007
	HK$	HK$
At the beginning of the year	**3,351,766**	4,055,783
Share of an associate's result	**2,055,940**	2,186,256
Dividends received from an associated company	**(2,100,000)**	(2,730,000)
Other equity movements	**89,151**	(160,273)
At the end of the year	**3,396,857**	3,351,766

17. INTEREST IN AN ASSOCIATED COMPANY *(continued)*

The Group's interest in its unlisted associated company is as follows:

Name	Place of incorporation and operation	Particulars of issued share capital	Assets HK$	Liabilities HK$	Revenues HK$	Profit HK$	Effective interest held by the Group	Principal activity
2007								
Wellcon Limited	Hong Kong	10,000 ordinary shares of HK$1 each	4,458,849	1,107,083	7,239,003	2,186,256	21%	Restaurant operator
2008								
Wellcon Limited	**Hong Kong**	**10,000 ordinary shares of HK$1 each**	**4,333,740**	**936,883**	**7,870,342**	**2,055,940**	**21%**	**Restaurant operator**

18. HELD-TO-MATURITY FINANCIAL ASSETS

	Group		Company	
	2008 HK$	2007 HK$	**2008 HK$**	2007 HK$
Held-to-maturity financial assets – non-current portion				
At the beginning of the year	**27,300,000**	12,675,000	**27,300,000**	8,800,000
Additions	**–**	27,300,000	**–**	27,300,000
Redemption	**(3,900,000)**	(7,800,000)	**(3,900,000)**	(7,800,000)
Disposal of SHHL	**–**	(3,875,000)	**–**	–
Transfer to current portion	**–**	(1,000,000)	**–**	(1,000,000)
Transfer to available-for-sale financial assets	**(23,400,000)**	–	**(23,400,000)**	–
At the end of the year	**–**	27,300,000	**–**	27,300,000
Held-to-maturity financial assets – current portion				
At the beginning of the year	**1,000,000**	–	**1,000,000**	–
Transfer from non-current portion	**–**	1,000,000	**–**	1,000,000
Redemption	**(1,000,000)**	–	**(1,000,000)**	–
At the end of the year	**–**	1,000,000	**–**	1,000,000

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Available-for-sales financial assets				
– Non-current portion	**24,482,528**	6,900,000	**24,482,528**	6,900,000
– Current portion	**8,438,430**	–	**8,438,430**	–
	32,920,958	6,900,000	**32,920,958**	6,900,000

There was no impairment provision on available-for-sale financial assets for the year ended 31 March 2007 and 2008.

All available-for-sale financial assets are unlisted debt securities. The fair value of unlisted securities is determined by reference to published price quotations in an open market.

Available-for-sale financial assets are denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
HK$	**9,100,000**	6,900,000	**9,100,000**	6,900,000
US$	**23,820,958**	–	**23,820,958**	–
	32,920,958	6,900,000	**32,920,958**	6,900,000

The maximum exposure to credit risk at the reporting date is the fair value of the debt securities classified as available for sale.

None of the financial assets is either past due or impaired.

20. INVENTORIES

	Group		Company	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Raw materials	**11,091,987**	13,542,626	**1,980,732**	2,041,734

21. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts are unsecured, interest free and repayable on demand except for an amount due from a subsidiary of HK$9,340,495 (2007: HK$9,340,495) which bears interest at 6% per annum.

22. TRADE RECEIVABLES

The ageing analysis of the trade receivables is as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Current to 30 days	**1,115,553**	1,544,895	**248,109**	310,296
31 to 60 days	**30,740**	–	**6,506**	–
Over 60 days	**1,023**	45,296	**515**	19,991
	1,147,316	1,590,191	**255,130**	330,287

The Group's sales are mainly conducted in cash or by credit cards. The Group's trade receivables are either repayable within one month or on demand and denominated in HK$. The fair value of the Group's trade receivables is approximately the same as the carrying value. The trade receivables included in the above ageing are considered not impaired as they are aged within the credit period granted and there is no recent history of default.

The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above. The Group does not hold any collateral as security.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Listed equity securities, Hong Kong	**2,920,725**	1,806,998	**2,424,265**	1,377,578
Derivative financial instruments	**3,758,040**	–	**3,758,040**	–
Financial assets designated as at fair value through profit or loss	**8,993,790**	–	**8,993,790**	–
	15,672,555	1,806,998	**15,176,095**	1,377,578
Market value of listed equity securities	**2,920,725**	1,806,998	**2,424,265**	1,377,578

The movements of financial assets designated as at fair value through profit or loss are analyzed as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
At the beginning of the year	**–**	–	**–**	–
Additions	**11,700,000**	–	**11,700,000**	–
Fair value losses charged to consolidated income statement *(Note 8)*	**(2,706,210)**	–	**(2,706,210)**	–
At the end of the year	**8,993,790**	–	**8,993,790**	–

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

The maximum exposure to credit risk at the reporting date is the fair value of the financial assets designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are presented within "Operating activities" as part of changes in working capital in the cash flow statement *(Note 31)*.

Changes in fair values of financial assets at fair value through profit or loss are recorded in "Net (losses)/ gains on financial assets at fair value through profit or loss" in the income statement.

The fair values of all financial assets at fair value through profit or loss are based on their current bid prices in an open market.

24. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Cash at bank and on hand	**35,600,472**	48,331,670	**23,226,109**	35,872,100
Short-term bank deposits	**182,521,875**	499,286,170	**180,473,431**	490,557,459
Other short-term highly liquid investments	**11,633,648**	1,877,994	**11,633,648**	1,877,994
	229,755,995	549,495,834	**215,333,188**	528,307,553

The effective interest rate on the Group's short-term bank deposits was 3.66% (2007: 4.27%); these deposits have an average maturity of less than 90 days.

At 31 March 2008, the carrying amounts of the cash and cash equivalents were denominated in the following currencies:

	Group		**Company**	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
HK$	**211,647,928**	521,603,501	**197,225,121**	500,415,220
US$	**18,106,897**	27,891,026	**18,106,897**	27,891,026
Others	**1,170**	1,307	**1,170**	1,307
	229,755,995	549,495,834	**215,333,188**	528,307,553

25. TRADE PAYABLES

The ageing analysis of the trade payables is as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Current to 30 days	**12,950,965**	12,807,021	**12,950,965**	12,807,021
31 to 60 days	**563,980**	1,610,749	**563,980**	1,610,749
Over 60 days	**523,586**	377,514	**523,586**	377,514
	14,038,531	14,795,284	**14,038,531**	14,795,284

The Group's trade payables are denominated in HK$.

26. SHARE CAPITAL

	2008	2007
	HK$	HK$
Authorized		
400,000,000 ordinary shares of HK$0.10 each	**40,000,000**	40,000,000
Issued and fully paid		
345,438,550 ordinary shares of HK$0.10 each	**34,543,855**	34,543,855

27. RELATED-PARTY TRANSACTIONS

The Group is controlled by Well-Positioned Corporation, a company incorporated in British Virgin Islands, which owns 61.79% of the Company's shares at 31 March 2008. The remaining 38.21% of the shares are widely held.

The directors are in the opinion that the Company's key management are the executive directors and their remuneration is disclosed in note 7 to the financial statements.

28. RESERVES

The movements of the reserves of the Group and of the Company during the year are analyzed as follows:

(a) Group

	Share premium HK$	Exchange fluctuation reserve HK$	Investment revaluation reserve HK$	Retained earnings HK$	Dividend reserve HK$	Total HK$
At 1 April 2006	125,277,594	69,124	2,175,870	201,564,325	26,316,689	355,403,602
Share of reserves of an associated company	–	–	(160,273)	–	–	(160,273)
Profit for the year	–	–	–	226,683,219	–	226,683,219
Disposal of SHHL	–	(69,124)	–	–	–	(69,124)
Write-back of unclaimed dividend	–	–	–	84,960	–	84,960
Issue of shares upon exercise of share options	1,273,000	–	–	–	–	1,273,000
Issue of shares upon election for scrip in lieu of cash for 2005/06 final dividend	16,149,828	–	–	–	–	16,149,828
2005/06 final dividend paid	–	–	–	–	(26,316,689)	(26,316,689)
2006/07 interim dividend proposed	–	–	–	(5,179,328)	5,179,328	–
2006/07 interim dividend paid	–	–	–	–	(5,179,328)	(5,179,328)
2006/07 special dividend declared	–	–	–	(248,715,756)	–	(248,715,756)
2006/07 final dividend proposed	–	–	–	(10,363,157)	10,363,157	–
At 31 March 2007	142,700,422	–	2,015,597	164,074,263	10,363,157	319,153,439
At 1 April 2007 as per above	**142,700,422**	**–**	**2,015,597**	**164,074,263**	**10,363,157**	**319,153,439**
Share of reserves of an associated company	**–**	**–**	**89,151**	**–**	**–**	**89,151**
Revaluation surplus of available-for-sale financial assets	**–**	**–**	**1,982,528**	**–**	**–**	**1,982,528**
Loss for the year	**–**	**–**	**–**	**(6,463,168)**	**–**	**(6,463,168)**
2006/07 final dividend paid	**–**	**–**	**–**	**–**	**(10,363,157)**	**(10,363,157)**
2007/08 interim dividend proposed	**–**	**–**	**–**	**(3,454,386)**	**3,454,386**	**–**
2007/08 interim dividend paid	**–**	**–**	**–**	**–**	**(3,454,386)**	**(3,454,386)**
2007/08 final dividend proposed	**–**	**–**	**–**	**(13,817,542)**	**13,817,542**	**–**
At 31 March 2008	**142,700,422**	**–**	**4,087,276**	**140,339,167**	**13,817,542**	**300,944,407**

28. RESERVES *(continued)*

(b) Company

	Share premium HK$	Investment revaluation reserve HK$	Retained earnings HK$	Dividend reserve HK$	Total HK$
At 1 April 2006	125,277,594	1,903,120	164,856,874	26,316,689	318,354,277
Profit for the year	–	–	233,850,575	–	233,850,575
Write-back of unclaimed dividend	–	–	84,960	–	84,960
Issue of shares upon exercise of share options	1,273,000	–	–	–	1,273,000
Issue of shares upon election for scrip in lieu of cash for 2005/06 final dividend	16,149,828	–	–	–	16,149,828
2005/06 final dividend paid	–	–	–	(26,316,689)	(26,316,689)
2006/07 interim dividend proposed	–	–	(5,179,328)	5,179,328	–
2006/07 interim dividend paid	–	–	–	(5,179,328)	(5,179,328)
2006/07 special dividend declared	–	–	(248,715,756)	–	(248,715,756)
2006/07 final dividend proposed	–	–	(10,363,157)	10,363,157	–
At 31 March 2007	142,700,422	1,903,120	134,534,168	10,363,157	289,500,867
At 1 April 2007 as per above	**142,700,422**	**1,903,120**	**134,534,168**	**10,363,157**	**289,500,867**
Revaluation surplus of available-for-sale financial assets	**–**	**1,982,528**	**–**	**–**	**1,982,528**
Loss for the year	**–**	**–**	**(9,531,532)**	**–**	**(9,531,532)**
2006/07 final dividend paid	**–**	**–**	**–**	**(10,363,157)**	**(10,363,157)**
2007/08 interim dividend proposed	**–**	**–**	**(3,454,386)**	**3,454,386**	**–**
2007/08 interim dividend paid	**–**	**–**	**–**	**(3,454,386)**	**(3,454,386)**
2007/08 final dividend proposed	**–**	**–**	**(13,817,542)**	**13,817,542**	**–**
At 31 March 2008	**142,700,422**	**3,885,648**	**107,730,708**	**13,817,542**	**268,134,320**

29. 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		Company	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Provision for long service payments – non-current portion				
At the beginning of the year	**4,117,152**	9,216,973	**1,011,849**	1,325,815
(Reversal of)/provision for the year *(Note 7)*	**(1,317,471)**	1,825,586	**(164,962)**	136,386
Amounts utilized	**(354,964)**	(677,455)	**(53,553)**	(450,352)
Disposal of SHHL	**–**	(6,247,952)	**–**	–
Transfer to current portion	**(1,180,821)**	–	**–**	–
At the end of the year	**1,263,896**	4,117,152	**793,334**	1,011,849
Provision for long service payments – current portion				
At the beginning of the year	**–**	–	**–**	–
Transfer from non-current portion	**1,180,821**	–	**–**	–
At the end of the year	**1,180,821**	–	**–**	–

The Group's provision for long service payments is determined with reference to the actuarial valuation as at 31 March 2008 prepared by Hewitt Associates LLC, a qualified actuary.

30. DEFERRED INCOME TAX

Deferred income tax is calculated on temporary differences under the liability method.

The movement on the net deferred income tax liabilities/(assets) is as follows:

	Group	
	2008	2007
	HK$	HK$
At the beginning of the year	**(638,000)**	2,861
Charged to consolidated income statement *(Note 9)*	**762,000**	190,432
Disposal of SHHL	**–**	(831,293)
At the end of the year	**124,000**	(638,000)
It was analyzed as follows:		
Deferred income tax assets	**(250,000)**	(1,000,000)
Deferred income tax liabilities	**374,000**	362,000
Net deferred income tax liabilities/(assets)	**124,000**	(638,000)
Provided for in respect of:		
Accelerated depreciation allowances	**124,000**	59,000
Tax losses	**–**	(697,000)
Net deferred income tax liabilities/(assets)	**124,000**	(638,000)

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profit is probable.

30. DEFERRED INCOME TAX *(continued)*

The deferred income tax assets not recognized by the Group and the Company are summarized as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Excess of depreciation over tax allowances	**(819,700)**	1,482,132	**407,762**	639,963
Tax losses that can be carried forward indefinitely	**16,748,600**	9,603,141	**6,936,259**	5,148,809
	15,928,900	11,085,273	**7,344,021**	5,788,772

31. CASH USED IN OPERATIONS

Reconciliation of (loss)/profit before income tax to cash used in operations is as follows:

	Note	**2008** **HK$**	2007 HK$
(Loss)/profit before income tax		**(5,802,016)**	244,095,064
Adjustments for:			
Depreciation and impairment losses of property, plant and equipment		**14,153,788**	45,013,362
Amortization of prepaid operating lease payments		**563,927**	1,887,707
(Gain)/loss on disposal of other plant and equipment		**(111,000)**	806,999
Gain on disposal of SHHL	*32*	**–**	(219,282,147)
Net losses/(gains) on financial assets at fair value through profit or loss		**2,674,235**	(704,206)
Share of profit of an associated company		**(2,055,940)**	(2,186,256)
Interest income		**(11,447,654)**	(14,229,015)
Operating (loss)/profit before working capital changes		**(2,024,660)**	55,401,508
(Increase)/decrease in rental deposits paid		**(4,118,483)**	2,476,929
Decrease in inventories		**2,450,639**	188,839
Decrease/(increase) in trade receivables		**442,875**	(893,800)
Decrease/(increase) in deposits, prepayments and other receivables		**7,341,479**	(75,847,912)
Increase in financial assets at fair value through profit or loss		**(13,278,222)**	(5,149,829)
(Decrease)/increase in trade payables		**(756,753)**	2,875,954
(Decrease)/increase in other payables and accrued charges		**(3,039,878)**	18,631,176
Decrease in cake coupon liabilities		**–**	(8,728,266)
Increase/(decrease) in rental deposits received		**69,155**	(58,861)
(Decrease)/increase in provision for long service payments		**(1,672,435)**	1,148,131
Cash used in operations		**(14,586,283)**	(9,956,131)

32. DISPOSAL OF SHHL

	2007 HK$
Net assets disposed of:	
Trademarks	27,600,000
Property, plant and equipment	135,985,559
Leasehold land and land use rights	72,583,463
Held-to-maturity financial assets	3,875,000
Rental deposits paid	10,942,160
Deferred income tax assets	1,604,652
Inventories	11,846,850
Trade receivables	6,777,171
Deposits, prepayments and other receivables	89,499,907
Financial assets at fair value through profit or loss	4,271,437
Cash and cash equivalents	78,719,282
Amount due to intermediate holding company	(7,762,411)
Trade payables	(18,412,688)
Other payables and accrued charges	(51,229,568)
Tax payable	(341,931)
Cake coupon liabilities	(123,282,039)
Rental deposits received	(96,877)
Provision for long service payments	(6,247,952)
Deferred income tax liabilities	(2,435,945)
Minority interests	(104,995,328)
	128,900,742
Gain on disposal of SHHL	219,282,147
	348,182,889
Satisfied by:	
Cash	348,182,889
Gain on disposal of SHHL	219,282,147
Less: Relevant costs incurred for the disposal of SHHL	(1,536,605)
3% profit sharing by a director on net gain on disposal	(6,530,000)
Net gain on disposal of SHHL	211,215,542

An analyzis of net inflow of cash and cash equivalents in respect of the disposal of SHHL is as follows:

	2007 HK$
Cash consideration received	348,182,889
Cash and cash equivalents disposed of	(78,719,282)
Net inflow of cash and cash equivalents in respect of the disposal of SHHL	269,463,607

33. COMMITMENTS

(a) Capital commitments

Capital expenditure commitments for property, plant and equipment at the balance sheet date but not yet incurred are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Contracted but not provided for	**157,000**	–	**157,000**	–
Approved but not contracted for	**17,572,000**	55,800,000	**8,352,000**	1,500,000
	17,729,000	55,800,000	**8,509,000**	1,500,000

(b) Operating lease commitments

At 31 March 2008, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Within one year	**41,190,412**	37,444,736	**19,989,147**	27,694,471
After one year and within five years	**89,566,088**	22,403,803	**26,825,625**	11,576,062
Over five years	**10,870,922**	–	**2,250,000**	–
	141,627,422	59,848,539	**49,064,772**	39,270,533

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

(c) Future operating lease arrangements

At 31 March 2008, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2008	2007
	HK$	HK$
Within one year	**130,508**	–
After one year and within five years	**2,550**	–
	133,058	–

34. BANKING FACILITIES

At 31 March 2008, the Group had aggregate banking facilities of HK$12,000,000 (2007: HK$12,000,000) for bank overdrafts and bank guarantees. Some of the banking facilities were secured by corporate guarantees given by the Company.

At 31 March 2008, the facilities were utilized by the Group to the extent of approximately HK$8,986,015 (2007: HK$6,833,000) primarily for bank guarantees granted to third parties in lieu of rental and utility deposits.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is the particulars of the principal subsidiaries as at 31 March 2008:

Name of subsidiary	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective interest held by the Group	Principal activities
Interests held directly:				
Advance HR Management Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Provision for 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
Sparklet Investment Limited	Hong Kong	300,000 ordinary shares of HK$1 each	100%	Restaurant operator
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
Interests held indirectly:				
Criscane Limited	Hong Kong	2 ordinary shares of HK$10 each	100%	Property holding
Elegant Grand Limited	Hong Kong	400 ordinary shares of HK$1 each	100%	Restaurant operator
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%	Provision for logistic service

Five-Year Financial Information

Results

	For the year ended 31 March				
				(Restated)	(Restated)
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue (including discontinued bakery operation)	**352,197**	954,824	987,520	980,515	938,832
(Loss)/profit attributable to shareholders	**(6,463)**	226,683	39,666	55,256	28,457

Assets and liabilities

	At 31 March				
				(Restated)	(Restated)
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**398,833**	671,498	750,898	721,299	711,196
Total liabilities	**58,555**	312,650	253,657	247,022	252,240
Net assets	**340,278**	358,848	497,241	474,277	458,956
Minority interests	**4,790**	5,151	108,941	101,503	88,920
Shareholders' equity	**335,488**	353,697	388,300	372,774	370,036