

1 GROUP RECONSTRUCTION AND BASIS OF PREPARATION

- (a) The Company was incorporated in Bermuda on 21st June 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended).
- (b) Pursuant to the Group Reconstruction completed on 25th October 2000 in preparation for the listing of the shares of the Company on the Stock Exchange, the Company acquired the entire issued share capital of Eltham Agents Limited, Bodega Limited and Easywin Limited through a share swap and became the holding company of the subsidiaries listed under note 27 to the accounts. Details of the Group Reconstruction are set out in the Introduction Document.
- (c) The Company's shares were listed on the Stock Exchange by introduction on 21st November 2000.
- (d) The Group Reconstruction is accounted for using merger accounting as permitted by the Hong Kong Statement of Standard Accounting Practice 2.127 "Accounting for group reconstructions". The consolidated accounts for the year ended 31st March 2001, including the comparative figures, are prepared as if the Company had been the holding company of the Group from the beginning of the earliest period presented.
- (e) The accounts have been prepared under the historical cost convention as modified by the revaluation of investment properties in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.
- (f) No balance sheet of the Company as at 31st March 2000 is presented as the Company was not yet incorporated on that date.

2 PRINCIPAL ACCOUNTING POLICIES

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

(a) Consolidation

The Group Reconstruction referred to in note 1 above has been accounted for using merger accounting by regarding the Company as being the holding company of the Group from the beginning of the earliest period presented.

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. Apart from the Group Reconstruction referred to in note 1 above, the results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.



2 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(a) Consolidation (cont'd)

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Goodwill arising on consolidation represents the excess of the purchase consideration for subsidiaries over the fair value ascribed to their net assets at the date of the acquisition and is eliminated against available reserves in the year in which it arises.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Trademarks

Trademarks are stated at cost and supported by professional valuation, where appropriate. The value of the trademarks is reviewed annually by the directors and provision is made if, in their opinion, a diminution in value other than temporary in nature has arisen.

(c) Investment properties

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

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



2 PRINCIPAL ACCOUNTING POLICIES (cont'd)**(c) Investment properties** (cont'd)

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

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

(d) Fixed assets**(i) Other properties**

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

Depreciation on other properties is calculated to write off their costs over the unexpired periods of the leases or their expected useful lives to the Group, whichever is shorter. The expected useful life used for this purpose is 50 years.

(ii) Leasehold improvements

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

Depreciation of leasehold improvements is calculated to write off their carrying amounts over the unexpired periods of the leases or their expected useful lives to the Group. The annual rate used for this purpose is 15%.

(iii) Other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation on other tangible fixed assets is calculated to write off their cost on a straight-line basis over their expected useful lives to the Group. The annual rates used for this purpose are 10% to 25%.

(iv) Restoring costs

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.



2 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(d) **Fixed assets** (cont'd)

(v) Recoverable amounts

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

(vi) Gain or loss on disposal of fixed assets

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

(e) **Assets under operating leases**

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

(f) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the first-in, first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(g) **Trade receivables**

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

(h) **Cake coupon liabilities**

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

(i) **Translation of foreign currencies**

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



2 PRINCIPAL ACCOUNTING POLICIES (cont'd)**(i) Translation of foreign currencies** (cont'd)

The accounts of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in reserves.

(j) Deferred taxation

Deferred taxation is accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(k) Revenue recognition

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

Sales revenue from eatery operation is recognised as revenue when services are rendered to customers.

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

Rental income is recognised on an accrual basis.

(l) Retirement benefit costs

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and, where applicable, are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in independently administered funds.

(m) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying assets.



3 TURNOVER AND REVENUE

- (a) The Group is principally engaged in the operation of bakery and eatery businesses. Turnover comprises takings and service charges from bakery and eatery businesses less discounts.

	Group	
	2001	2000
	HK\$	HK\$
Turnover		
Bakery operation	434,287,929	426,534,676
Eatery operation	14,258,960	3,591,004
	448,546,889	430,125,680
Other revenues		
Interest income	3,323,679	1,558,781
Rental income from investment properties	936,000	596,323
	4,259,679	2,155,104
Total revenues	452,806,568	432,280,784

- (b) An analysis of the Group's contribution to operating profit/(loss) for the year by principal activities is as follows:

	Group	
	2001	2000
	HK\$	HK\$
Operating profit/(loss)		
Bakery operation	30,356,346	29,110,469
Eatery operation	(2,346,967)	29,921
	28,009,379	29,140,390



3 TURNOVER AND REVENUE (cont'd)

(c) The geographical analysis of the consolidated turnover is as follows:

	Group	
	2001	2000
	HK\$	HK\$
Turnover		
Hong Kong and Macau	439,904,234	419,903,077
PRC	3,523,533	6,173,354
Other countries	5,119,122	4,049,249
	448,546,889	430,125,680

No geographical analysis in respect of consolidated operating profit is provided as less than 10% of the consolidated operating profit of the Group is attributable to markets outside Hong Kong.

4 OPERATING PROFIT

	Group	
	2001	2000
	HK\$	HK\$
Operating profit is stated after charging the following:		
Auditors' remuneration	587,867	484,572
Long service payment provision included in staff costs	210,000	2,406,296
Loss on shop closure		
– Write-off of fixed assets	1,426,040	–
– Compensation paid for early termination of an operating lease	636,248	–
Loss on disposal of fixed assets	646,561	413,355
Net exchange loss	300,297	152,253
Outgoings in respect of investment properties	–	52,030
Deficit on revaluation of investment properties	–	3,000,000
Provision for diminution in value of other properties	850,000	2,000,000
Retirement benefit costs (note 9)	3,002,764	1,071,090



5 TAXATION

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

	Group	
	2001	2000
	HK\$	HK\$
Hong Kong profits tax	3,747,549	4,032,390
Overseas taxation	777,364	806,821
(Over)/under provision in prior years	(475,404)	102,696
Deferred taxation (note 22)	(100,503)	(774,953)
	3,949,006	4,166,954

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$36,382,105 including dividend received or receivable from subsidiaries of HK\$37,000,000.

7 DIVIDENDS

	2001	2000
	HK\$	HK\$
Interim	–	50,000,000
Final, proposed, of HK6 cents per ordinary share	11,773,740	–
	11,773,740	50,000,000

The Company was not yet incorporated last year and therefore no dividends were paid to the shareholders of the Company. The dividend of HK\$50,000,000 in the previous year represents dividends paid by the subsidiaries to their then shareholders.



8 EARNINGS PER SHARE

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

	2001 HK\$	2000 HK\$
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	24,060,373	24,944,191
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (note)	196,229,000	196,229,000
Effect of dilutive potential ordinary shares from share options	603,225	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	196,832,225	196,229,000

Note: In determining the weighted average number of shares deemed to be in issue for both years, the 196,229,000 shares issued and credited as fully paid as consideration for the acquisition by the Company of the entire issued capital of each of Eltham Agents Limited, Bodega Limited and Easywin Limited as detailed in note 19 to the accounts were deemed to have been in issue since 1st April 1999.

9 RETIREMENT BENEFIT COSTS

Prior to 1st December 2000, the Group contributed to defined contribution retirement schemes established under and pursuant to the Occupational Retirement Schemes Ordinance (“ORSO Schemes”) for certain of its employees. Both the Group and employees were required to contribute each month an amount equal to 5% of the basic monthly salary. Under the ORSO Schemes, the employees are entitled to 100% of the employer’s contributions and the accrued interests thereon after 10 completed years in the schemes or at an increasing scale of between 20% to 90% from the second to ninth year. Where there are employees who leave the ORSO Schemes prior to vesting fully in contributions in accordance with the rules of the ORSO Schemes, the unvested employer’s contributions will be used to reduce the future contributions of the employer.



9 RETIREMENT BENEFIT COSTS (cont'd)

Effective from 1st December 2000, the Group discontinued its contribution to the ORSO Schemes and joined certain Mandatory Provident Fund Schemes ("MPF Schemes") established under and pursuant to the Mandatory Provident Fund Ordinance. For those group companies who have opted not to transfer the accrued benefits of the employees in the ORSO Schemes as voluntary contributions to MPF Schemes, such benefits are retained and their investment returns are accumulated. Employee can withdraw their accrued benefits in accordance with the rules of the ORSO Schemes.

Contributions to the MPF Schemes are made in accordance with the statutory requirements which are calculated at 5% of the relevant income of each employee up to a maximum amount of HK\$1,000 per month except for certain managerial staff whose monthly contribution is not capped at that absolute amount. All statutory contributions under the MPF Schemes are immediately fully vested on the employees.

For voluntary contributions to the MPF Schemes, the employees are entitled to 100% of the employer's contributions and the accrued interests thereon after 10 completed years in either joining the ORSO Schemes or MPF Schemes whichever is earlier, or at an increasing scale of between 20% to 90% from the second to ninth year. Unvested employer's contributions in both instances shall be used to reduce future contributions of the employer.

Both the assets of the MPF Schemes and the ORSO Schemes are held separately under pooled funds managed by independent trustees.

Aggregate amount of unvested benefits accrued to the Group during the year amounted to HK\$169,069 (2000: HK\$91,840) of which HK\$143,245 (2000: HK\$79,369) was used to reduce employer's contribution. As at 31st March 2001, the aggregate amount of unvested benefits not yet utilised was HK\$38,295 (2000: HK\$12,471).



10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS**(a) Directors' remuneration**

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

	2001	2000
	HK\$	HK\$
Fees	120,000	–
Other emoluments:		
Basic salaries and benefits in kind	5,490,740	4,563,068
Performance related bonuses	1,110,068	–
Pension contributions	119,103	59,805
	6,839,911	4,622,873

During the year ended 31st March 2000, the Company was not yet incorporated and therefore there were no emoluments paid or payable to the directors of the Company. For comparative purpose, emoluments paid and payable to the directors of the Company in 2000 represents emoluments paid or payable in respect of their services rendered for managing the subsidiaries for the year ended 31st March 2000.

All of the above were paid to executive directors except for directors' fees amounting to HK\$120,000 (2000: nil) which were paid to four (2000: nil) non-executive directors during the year.

Details of options granted to directors under the Company's Share Option Scheme are set out in the directors' report. No options were exercised by any directors during the year.



10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (cont'd)**(a) Directors' remuneration** (cont'd)

The emoluments of the directors fell within the following bands:-

Emoluments bands	Number of directors	
	2001	2000
Nil – HK\$1,000,000	6	7
HK\$1,000,001 – HK\$1,500,000	–	–
HK\$1,500,001 – HK\$2,000,000	2	2
HK\$2,000,001 – HK\$2,500,000	1	–
	9	9

No directors have waived emoluments in respect of the two years ended 31st March 2001.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for both years include four (2000: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individual during the year are as follows:

	2001	2000
	HK\$	HK\$
Basic salaries and benefits in kind	533,664	472,560
Pension contributions	23,193	23,520
	556,857	496,080



11 INTANGIBLE ASSETS

	Group	
	2001	2000
	HK\$	HK\$
Trademarks	77,364,153	77,364,153

The trademarks "Saint Honore", "Saint Honore Cake Shop Limited" and its Chinese equivalents were acquired in 1992 and were last valued on 30th June 2000 by Sallmanns (Far East) Limited, an independent professional valuer, at HK\$ 77.8 million.



12 FIXED ASSETS – GROUP

	Investment properties HK\$	Other properties HK\$	Leasehold improve- ments HK\$	Air- conditioning plant HK\$	Furniture, fixtures, and equipment HK\$	Motor vehicles HK\$	Total HK\$
Cost or valuation							
At 1st April 2000	15,085,970	95,336,806	78,928,894	3,746,448	95,457,433	8,099,468	296,655,019
Additions	-	19,603,784	15,053,844	346,706	9,207,988	1,885,755	46,098,077
Disposals	-	-	(2,967,364)	(101,200)	(3,328,106)	(953,282)	(7,349,952)
At 31st March 2001	15,085,970	114,940,590	91,015,374	3,991,954	101,337,315	9,031,941	335,403,144
Accumulated depreciation							
At 1st April 2000	-	11,418,807	58,243,238	2,088,069	54,654,343	5,212,451	131,616,908
Provision for diminution in value	-	850,000	-	-	-	-	850,000
Charge for the year	-	2,034,052	9,032,845	428,848	9,671,358	1,124,085	22,291,188
Disposals	-	-	(1,400,039)	(86,353)	(2,861,781)	(573,728)	(4,921,901)
At 31st March 2001	-	14,302,859	65,876,044	2,430,564	61,463,920	5,762,808	149,836,195
Net book value							
At 31st March 2001	15,085,970	100,637,731	25,139,330	1,561,390	39,873,395	3,269,133	185,566,949
At 31st March 2000	15,085,970	83,917,999	20,685,656	1,658,379	40,803,090	2,887,017	165,038,111
The analysis of the cost or valuation of the above assets is as follows:							
At cost	-	114,940,590	91,015,374	3,991,954	101,337,315	9,031,941	320,317,174
At professional valuation, 2001	15,085,970	-	-	-	-	-	15,085,970
At 31st March 2001	15,085,970	114,940,590	91,015,374	3,991,954	101,337,315	9,031,941	335,403,144
At cost	-	95,336,806	78,928,894	3,746,448	95,457,433	8,099,468	281,569,049
At professional valuation, 2000	15,085,970	-	-	-	-	-	15,085,970
At 31st March 2000	15,085,970	95,336,806	78,928,894	3,746,448	95,457,433	8,099,468	296,655,019



12 FIXED ASSETS – GROUP (cont'd)

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

	2001	2000
	HK\$	HK\$
In Hong Kong, held on:		
Leases of over 50 years	23,506,803	23,706,803
Leases of between 10 to 50 years	60,034,424	43,844,702
Outside Hong Kong, held on:		
Leases of over 50 years	21,074,746	21,563,265
Leases of between 10 to 50 years	11,107,728	9,889,199
	115,723,701	99,003,969

Investment properties, situated at Shop No. 10 on the Ground Floor of Empire Court, Nos. 2 & 4 Hysan Avenue, Causeway Bay, Hong Kong, were revalued on 31st March 2001 by Sallmanns (Far East) Limited, an independent professional valuer, on an open market value basis. The investment properties are currently leased to an independent third party for use as a restaurant.

At 31st March 2001, the net book value of fixed assets pledged as securities for the Group's bank facilities amounted to HK\$10,774,954 (2000: HK\$11,276,844). Details of the bank facilities are set out in note 25.

13 INVESTMENTS IN SUBSIDIARIES

	Company
	2001
	HK\$
Unlisted shares, at cost	193,687,888
Loan to a subsidiary	2,999,992
	196,687,880

The loan to a subsidiary is interest free and has no fixed terms of repayment.

Details of the principal subsidiaries are set out in note 27.



14 INVENTORIES, AT COST

	Group	
	2001	2000
	HK\$	HK\$
Raw materials	2,065,894	2,045,622
Packing materials	1,789,017	1,277,097
Work in progress	259,111	245,175
Finished goods	669,293	919,036
	4,783,315	4,486,930

15 TRADE RECEIVABLES

Details of the aging analysis are as follows:

	Group	
	2001	2000
	HK\$	HK\$
Current to 30 days	750,189	160,029
31 days to 60 days	248,014	303,662
Over 60 days	151,126	18,877
	1,149,329	482,568

Sales are normally conducted on cash basis and through redemption of cake coupons. Credit sales to local and overseas corporate customers are generally granted with respective credit terms of 30 days and 61 to 120 days. Overseas corporate customers are required to pay a deposit in the amount of 20% to 30% of their estimated purchase value.

16 AMOUNT DUE FROM/TO THE ULTIMATE HOLDING COMPANY

The amount due from/to the ultimate holding company was unsecured, non-interest bearing and has no fixed terms of repayment.

17 AMOUNTS DUE FROM SUBSIDIARIES

The amounts due from subsidiaries were unsecured, non-interest bearing and have no fixed terms of repayment.



18 TRADE PAYABLES

Details of the aging analysis are as follows:

	Group	
	2001	2000
	HK\$	HK\$
Current to 30 days	3,678,825	3,405,385
31 days to 60 days	3,709,213	3,635,804
Over 60 days	156,205	491,352
	7,544,243	7,532,541

19 SHARE CAPITAL

	Company	
	Number of ordinary shares	Amount HK\$
Authorised		
Ordinary shares of HK\$0.10 each:		
Upon incorporation of the Company (note (a))	1,000,000	100,000
Increase in authorised share capital (note (b) (i))	399,000,000	39,900,000
At 31st March 2001	400,000,000	40,000,000
Issued and fully paid		
Ordinary shares of HK\$0.10 each:		
Issue of Initial Share to sole subscriber (note (a))	1,000,000	–
Credit of Initial Share as fully paid and issue of shares on acquisition of subsidiaries (note (b) (ii))	195,229,000	19,622,900
At 31st March 2001	196,229,000	19,622,900



19 SHARE CAPITAL *(cont'd)*

- (a) The Company was incorporated in Bermuda on 21st June 2000 with an authorised capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each, all of which were issued nil paid on 20th July 2000 (the “Initial Share”).
- (b) In preparation for the listing of the Company’s shares on the Stock Exchange, the following changes in authorised and issued share capital of the Company took place on 25th October 2000:
- (i) the authorised share capital of the Company was increased to HK\$40,000,000 by the creation of an additional 399,000,000 shares of HK\$0.10 each;
 - (ii) as consideration for the acquisition by the Company of the entire issued capital of each of Eltham Agents Limited, Bodega Limited and Easywin Limited, the Initial Shares were credited as fully paid and an aggregate of 195,229,000 additional shares of the Company were issued, credited as fully paid to the then shareholders of Eltham Agents Limited, Bodega Limited and Easywin Limited.
- (c) The share capital presented in the consolidated balance sheet as at 31st March 2000 represents the share capital of the Company, arising on incorporation and from the share swap transactions described in notes (a) and (b) (ii) above, which is deemed to have been in issue throughout the accounting periods presented in these accounts in accordance with the basis of preparation referred to in note 1(d) above.



20 SHARE OPTIONS

- (a) Pursuant to the resolution passed on 25th October 2000, the Company adopted a share option scheme. Under the scheme, the directors may, at their discretion, grant options to executive directors and full time employees of the Group to subscribe for the shares in the Company.
- (b) The options may be granted without any initial payment and can be exercised within the period as may be determined by the directors, which shall be less than ten years from the date of issue of the relevant options. The subscription price is set at not less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option.
- (c) The maximum number of shares in respect of which options may be granted shall not exceed 10% of the share capital of the Company in issue from time to time but excluding shares issued pursuant to the scheme and the maximum number of shares in respect of which options may be granted to any one full time employee or executive director shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the scheme.
- (d) During the year, a total of 9,190,000 share options with an exercise price of HK\$0.50 per share were granted but remained outstanding as at 31st March 2001. Details of the options are as follows:

Exercise period	Number of options
1st May 2001 to 31st May 2010	6,190,000
1st May 2002 to 31st May 2010	3,000,000
	9,190,000



21 RESERVES**(a) Group**

	Exchange fluctuation reserve HK\$	Contributed surplus (note (a)) HK\$	Retained earnings HK\$	Total HK\$
At 1st April 1999	69,124	98,963,412	44,990,892	144,023,428
Profit for the year	–	–	24,944,191	24,944,191
Dividends to the then shareholders	–	–	(50,000,000)	(50,000,000)
At 31st March 2000	69,124	98,963,412	19,935,083	118,967,619
At 1st April 2000	69,124	98,963,412	19,935,083	118,967,619
Capitalisation of loan from a shareholder	–	11,843,924	–	11,843,924
Listing expenses	–	(5,877,852)	–	(5,877,852)
Profit for the year	–	–	24,060,373	24,060,373
Proposed dividends	–	–	(11,773,740)	(11,773,740)
At 31st March 2001	69,124	104,929,484	32,221,716	137,220,324

(b) Company

	Contributed surplus (note (a)) HK\$	Retained earnings HK\$	Total HK\$
Premium on issue of shares	185,908,912	–	185,908,912
Listing expenses	(5,877,852)	–	(5,877,852)
Profit for the period	–	36,382,105	36,382,105
Proposed dividends	–	(11,773,740)	(11,773,740)
At 31st March 2001	180,031,060	24,608,365	204,639,425



21 RESERVES (cont'd)

Notes:

- (a) The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for all the issued ordinary shares of its direct subsidiaries, and the cost of investment in these subsidiaries. The contributed surplus of the Group represents the difference between the nominal value of the Company's shares issued in connection with the Group Reconstruction and the fair value of the underlying subsidiaries at the time of their initial acquisition by HKCM.
- (b) Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders, provided that the Company is, after the payment of dividends out of the contributed surplus, able to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby not be less than the aggregate of its liabilities, its issued share capital and its share premium.

22 DEFERRED TAXATION

	Group	
	2001	2000
	HK\$	HK\$
At 1st April	318,294	1,093,247
Transfer to the consolidated profit and loss account (note 5)	(100,503)	(774,953)
At 31st March	217,791	318,294

Deferred taxation represents the tax effect of timing differences arising from depreciation allowances on fixed assets and has been fully provided for.

The Company had no significant deferred tax liability for the period or at the balance sheet date.



23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of operating profit to net cash inflow from operating activities**

	2001	2000
	HK\$	HK\$
Operating profit	28,009,379	29,140,390
Interest income	(3,323,679)	(1,558,781)
Cash inflow from sales of cake coupons	86,831,060	87,821,988
Cake coupons redeemed as sales	(80,329,704)	(78,186,265)
Depreciation	22,291,188	20,744,778
Loss on disposal of fixed assets	2,072,601	413,355
Provision for diminution in value of other properties	850,000	2,000,000
Deficit on revaluation of investment properties	–	3,000,000
(Increase)/decrease in inventories	(296,385)	655,733
(Increase)/decrease in trade receivables, other receivables, deposits and prepayments	(2,855,144)	2,672,682
(Decrease)/increase in trade payables, other payables and accrued charges	(3,139,320)	15,526,005
Decrease/(increase) in amount due from/(to) the ultimate holding company	894,956	(13,231,255)
Net cash inflow from operating activities	51,004,952	68,998,630



23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)**(b) Analysis of changes in financing during the year**

	Contributed Surplus HK\$	Bank deposits (pledged)/ released HK\$
At 1st April 1999	98,963,412	(1,099,997)
Cash items:		
Bank deposits pledged	–	(84,645)
At 31st March 2000	98,963,412	(1,184,642)
At 1st April 2000	98,963,412	(1,184,642)
Cash items:		
Release of bank deposits pledged	–	1,524
Listing expenses	(5,877,852)	–
	(5,877,852)	1,524
Non-cash item:		
Capitalisation of loan from a shareholder	11,843,924	–
At 31st March 2001	104,929,484	(1,183,118)

(c) Major non-cash transaction

During the year, the Group purchased certain properties from its ultimate holding company at a consideration of HK\$11,843,924. The resulting amount due to the ultimate holding company was subsequently capitalised upon the Group Reconstruction.



24 COMMITMENTS**(a) Capital commitments**

	Group	
	2001	2000
	HK\$	HK\$
Contracted but not provided for	412,684	1,320,100
Approved but not contracted for	7,000,000	–
	7,412,684	1,320,100

(b) Commitments under operating leases

At 31st March 2001, the Group had minimum commitments to make payments in the next twelve months under operating leases in respect of land and buildings which expire as follows:

	Group	
	2001	2000
	HK\$	HK\$
Within one year	11,412,113	7,368,026
In the second to fifth year inclusive	25,779,816	31,372,690
After the fifth year	3,473,365	903,439
	40,665,294	39,644,155

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



25 BANKING FACILITIES AND PLEDGED ASSETS

As at 31st March 2001, the Group had aggregate banking facilities of approximately HK\$1,894,000 (2000: HK\$1,894,000) for overdrafts and bank guarantees. These facilities were secured by:

- (a) Pledge of certain land and buildings of the Group;
- (b) Pledge of certain bank deposits of the Group; and
- (c) Corporate guarantees given by the Company.

As at 31st March 2001, the facilities were utilised to the extent of HK\$894,124 (2000: HK\$894,124).

26 RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant related party transactions with the HKCM Group:

	2001	2000
	HK\$	HK\$
Purchase of properties (note 23 (c))	11,843,924	–
Sales of bakery and related products (note (a))	3,670,483	3,812,036
Rental expenses in respect of land and buildings (note (b))	2,664,818	2,694,406
Management fees paid (note (c))	3,653,162	3,873,892
Consultancy fees paid (note (d))	–	1,760,000

- (a) Sales of bakery and related products are charged at prices and terms determined by reference to those charged to and contracted with other third party customers of the Group.
- (b) Rental expenses were reimbursed at cost in respect of certain shared premises which were determined on the basis of area occupied.
- (c) Pursuant to the service sharing agreement entered between Bread Boutique, a subsidiary of the Group, and the ultimate holding company, the ultimate holding company was engaged to provide management and administration services to Bread Boutique. Management fees were charged on a monthly basis and were calculated at certain percentage on the monthly gross turnover of Bread Boutique.
- (d) Consultancy service provided by the ultimate holding company to the Group are charged based on the cost of providing such services.



27 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31st March 2001.

Name of subsidiaries	Place of incorporation and operation	Particular of issued/ registered share capital	Effective percentage holding attributable to the Group	Principal activities
Shares held directly:				
Bodega Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Investment holding
Easywin Limited	British Virgin Islands	1 ordinary shares of US\$1 each	100	Holding of trademarks
Eltham Agents Limited	British Virgin Islands	10 ordinary share of US\$1 each	100	Investment holding
Shares held indirectly:				
Bliset Investment Limited	Hong Kong	100 ordinary shares of HK\$1 each 102 non-voting deferred shares of HK\$1 each	100	Property holding
Bread Boutique Limited	Hong Kong	3,000,000 ordinary shares of HK\$1 each	100	Bakery operator
Evergain Consultants Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Investment holding
Kingdom Wise Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property holding
* Saint Anna Cake Shop (Macau) Limited	Macau	MOP100,000	100	Bakery operator



27 SUBSIDIARIES (cont'd)

Name of subsidiaries	Place of incorporation and operation	Particular of issued/ registered share capital	Effective percentage holding attributable to the Group	Principal activities
Saint Honore Cake Shop Limited	Hong Kong	5 ordinary shares of HK\$10 each 345,005 non-voting deferred shares of HK\$10 each	100	Bakery operator
* Saint Honore Cake Shop (Shenzhen) Limited **	People's Republic of China	HK\$16,000,000	100	Manufacturing of bakery products
Uni-Leptics Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property holding
Zillion Will Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Eatery operator

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

* Companies not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 10.5% of the Group's total assets.

** The subsidiary is established as a wholly foreign-owned enterprise in the People's Republic of China.

28 ULTIMATE HOLDING COMPANY

The directors regard HKCM, a company incorporated in Hong Kong and listed on the Stock Exchange, as being the ultimate holding company.

29 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 12th July 2001.

