

## 1 GROUP RECONSTRUCTION AND BASIS OF PREPARATION

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).

Pursuant to a group reconstruction ("Group Reconstruction") completed on 25th October 2000 in preparation for the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (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.

The Company's shares were listed on the Stock Exchange by introduction on 21st November 2000.

The Group Reconstruction is accounted for using merger accounting as permitted by the Hong Kong Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for group reconstructions". The comparative figures for the year ended 31st March 2001 are prepared as if the Company had been the holding company of the Group from the beginning of that year.

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). The accounts are prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain investment properties are stated at fair value.

In the current year, the Group adopted the following SSAPs issued by the HKSA which are, unless otherwise stated, effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for accounting periods commencing on or after 1 July 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new and revised standards is set out in the accounting policies below.

## 2 PRINCIPAL ACCOUNTING POLICIES

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

### (a) Group accounting

#### (i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. A subsidiary is an entity in which the Group has the power to govern its financial and operating policies so as to obtain benefits from its activities.

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.

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

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

#### (ii) Translation of foreign currencies

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

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

### 2 PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (b) 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.

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.

#### (c) Fixed assets

##### (i) Other properties

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

Depreciation is calculated to write off their costs less accumulated impairment losses on a straight-line basis 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.

### 2 PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

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

##### (ii) Leasehold improvements

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

Depreciation is calculated to write off their costs less accumulated impairment losses on a straight-line basis 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, comprising air-conditioning plant, furniture, fixtures and equipment, and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated to write off their costs less accumulated impairment losses on a straight-line basis over their expected useful lives to the Group. The annual rates used for this purpose are ranged from 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.

##### (v) Impairment

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in other properties and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

##### (vi) Gain or loss on disposal of fixed assets

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

## 2 PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (d) 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.

### (e) Intangible assets

#### (i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st April 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life of not more than 20 years.

Goodwill on acquisitions that occurred prior to 1st April 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated. However any impairment arising on such goodwill is accounted for in accordance with the policy set out below.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1st April 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

#### (ii) Trademarks

On the adoption of SSAP 29, expenditure on acquired trademark is capitalised at cost and amortised using the straight-line method over their useful lives of not more than 20 years.

Previously, trademarks are stated at cost less accumulated impairment losses. The change in accounting policy has been applied retrospectively and the 2001 comparatives presented have been restated to conform to the changed policy.

As detailed in note 21, the retained earnings as at 1st April 2001 has been reduced by HK\$31,364,153 (2000: HK\$26,764,153) which represents the amortisation charges not recognised in previous years.

This change has resulted in a decrease in profit for the year by HK\$4,600,000 (2001: HK\$4,600,000) for amortisation charge of trademarks.

### 2 PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

#### (e) Intangible assets *(cont'd)*

##### (iii) *Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

#### (f) Inventories

Inventories comprise raw materials, packing materials, work-in-progress and finished goods, 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 classified as current liabilities at the end of the year.

#### (i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and cash investments with a maturity of three months or less from date of investment.

#### (j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

The Group recognises a provision for long service payments for existing employees which are payable upon termination of their employment in accordance with statutory requirements. The provision is calculated with reference to the statutory requirements, the employees' turnover statistics, the employees' remuneration and their age profile.

### 2 PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (k) 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.

#### (l) 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 operations are 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.

#### (m) Retirement benefit costs

The Group contributes to certain defined contribution retirement schemes which are available to the employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries but subject to a cap in accordance with the statutory requirements. The retirement benefit costs charged to the profit and loss account represent contributions payable by the Group to the schemes.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

The assets of the schemes are held separately from those of the Group in independently administered funds.

#### (n) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

#### (o) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

**2 PRINCIPAL ACCOUNTING POLICIES** *(cont'd)*

**(o) Segment reporting** *(cont'd)*

Unallocated revenue represents rental income from investment properties. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash and exclude items such as taxation recoverable and investment properties. Segment liabilities comprise operating liabilities and exclude items such as taxation payable and deferred taxation. Capital expenditure comprises additions to intangible assets (note 11) and fixed assets (note 12).

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

**(p) Dividends**

In accordance with the revised SSAP 9, the Group no longer recognises dividend proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively and the comparatives presented have been restated to conform to the changed policy.

As detailed in note 21, this change has resulted in an increase in retained earnings at 1st April 2001 by HK\$11,773,740 which is the reversal of the provision for 2001 proposed final dividend previously recorded as a liability as at 31st March 2001 although not approved until after the balance sheet date.



### 3 TURNOVER, REVENUE AND SEGMENT INFORMATION

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.

	2002	Group
	HK\$	2001 HK\$
<b>Turnover</b>		
Bakery operation	446,619,407	434,287,929
Eatery operation	29,569,187	14,258,960
	<u>476,188,594</u>	<u>448,546,889</u>
<b>Other revenues</b>		
Interest income	1,709,043	3,323,679
Rental income from investment properties	936,000	936,000
	<u>2,645,043</u>	<u>4,259,679</u>
<b>Total revenues</b>	<u>478,833,637</u>	<u>452,806,568</u>

### 3 TURNOVER, REVENUE AND SEGMENT INFORMATION (cont'd)

#### Primary reporting format – business segments

For management purpose, the Group is currently organised into two main business segments – bakery and eatery. These segments are the basis on which the Group reports its primary segment information.

- Bakery – manufacturing and retailing of bakery products
- Eatery – operating eateries

There are no sales or other transactions between the business segments.

	2002			Restated 2001		
	Bakery HK\$	Eatery HK\$	Group HK\$	Bakery HK\$	Eatery HK\$	Group HK\$
Turnover	<u>446,619,407</u>	<u>29,569,187</u>	<u>476,188,594</u>	<u>434,287,929</u>	<u>14,258,960</u>	<u>448,546,889</u>
Segment results	21,109,754	2,433,635	23,543,389	24,820,346	(2,346,967)	22,473,379
Unallocated revenue			<u>936,000</u>			<u>936,000</u>
Profit before taxation			24,479,389			23,409,379
Taxation			<u>(4,279,462)</u>			<u>(3,949,006)</u>
Profit attributable to shareholders			<u>20,199,927</u>			<u>19,460,373</u>
Segment assets	312,422,501	9,657,524	322,080,025	298,514,247	11,128,643	309,642,890
Unallocated assets			<u>15,820,664</u>			<u>15,133,205</u>
Total assets			<u>337,900,689</u>			<u>324,776,095</u>
Segment liabilities	189,079,255	6,223,186	195,302,441	180,668,290	6,515,301	187,183,591
Unallocated liabilities			<u>1,824,975</u>			<u>339,693</u>
Total liabilities			<u>197,127,416</u>			<u>187,523,284</u>
Capital expenditure	27,061,581	238,368	27,299,949	39,552,109	6,545,968	46,098,077
Depreciation	23,936,001	1,707,549	25,643,550	21,074,814	1,216,374	22,291,188
Amortisation charge	4,600,000	-	4,600,000	4,600,000	-	4,600,000

### 3 TURNOVER, REVENUE AND SEGMENT INFORMATION *(cont'd)*

#### Secondary reporting format – geographical segments

The geographical analysis of the consolidated turnover is as follows:

	2002	Group 2001
	HK\$	HK\$
Hong Kong and Macau	468,131,236	439,904,234
PRC	2,933,841	3,523,533
Others	5,123,517	5,119,122
	<u>476,188,594</u>	<u>448,546,889</u>

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

### 4 PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting) the following:

	2002	Group 2001
	HK\$	HK\$
Auditors' remuneration	882,681	587,867
(Reversal of)/provision for long service payments included in staff costs	(1,412,093)	210,000
Retirement benefit costs included in staff cost (note 9)	6,335,477	3,002,764
Loss on shop closure for early termination of lease:		
Write off of fixed assets	–	1,426,040
Compensation paid for early termination of lease	–	636,248
Pre-operating expenses written off	702,878	–
Loss on disposal of fixed assets	283,840	646,561
Net exchange losses	290,521	300,297
Impairment of other properties	–	850,000
	<u>–</u>	<u>850,000</u>

## 5 TAXATION

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

	2002 HK\$	Group 2001 HK\$
Hong Kong profits tax	2,826,612	3,747,549
Overseas taxation	684,406	777,364
Overprovision in prior years	(237,237)	(475,404)
Deferred taxation (note 22)	1,005,681	(100,503)
	<u>4,279,462</u>	<u>3,949,006</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 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\$5,079,175 (2001 restated: HK\$36,382,105).

## 7 DIVIDENDS

	2002 HK\$	2001 HK\$
Interim, paid, of HK2.5 cents (2001: nil) per ordinary share	4,905,725	-
Final, proposed, of HK3.5 cents (2001: HK6 cents) per ordinary share	6,868,015	11,773,740
	<u>11,773,740</u>	<u>11,773,740</u>

- (a) The previously recorded final dividend proposed and declared after the balance sheet date but accrued in the accounts for the year ended 31st March 2001 was HK\$11,773,740. Under the Group's new accounting policy as described in Note 2(p), this has been written back as a dividend reserve as at 1st April 2001 in Note 21 and is now charged in the period in which it was proposed.
- (b) At a meeting held on 11th July 2002 the directors declared a final dividend of HK3.5 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2003, and is presented as a dividend reserve in the balance sheet.

**8 EARNINGS PER SHARE**

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

	2002 HK\$	Restated 2001 HK\$
<b>Earnings</b>		
Earnings for the purpose of the calculation of basic and diluted earnings per share	<u>20,199,927</u>	<u>19,460,373</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of the calculation of basic earnings per share	196,229,000	196,229,000
Effect of dilutive potential ordinary shares	<u>3,851,608</u>	<u>603,225</u>
Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share	<u>200,080,608</u>	<u>196,832,225</u>

## 9 RETIREMENT BENEFIT COSTS

The Group operates mandatory provident fund schemes ("MPF Schemes") established under Mandatory Provident Fund Ordinance for the eligible employees. The Group's contributions to MPF Schemes are set at 5% of employees' relevant income up to a maximum of HK\$1,000 per employee per month except for some managerial staff whose monthly contributions are not capped at that absolute amount. The mandatory contributions to MPF Schemes are fully and immediately vested on the employees as accrued benefits once they are paid.

Since 1st December 2000, the Group had discontinued all contributions to the schemes established under Occupational Retirement Schemes Ordinance ("ORSO Schemes") when it joined the MPF Schemes. 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. Employees can withdraw their accrued benefits upon termination of their employments.

Both funds are established under trust with the assets of the funds held separately from those of the Group by independent trustees.

Aggregate amount of unvested benefits accrued to the Group during the year amounted to HK\$47,302 (2001: HK\$169,069). The aggregate amount of unvested benefits used to reduce employer's contribution was HK\$80,204 (2001: HK\$143,245). As at 31st March 2002, the aggregate amount of unvested benefits not yet utilised was HK\$5,393 (2001: HK\$38,295).

## 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:

	2002 HK\$	2001 HK\$
Fees	120,000	120,000
Other emoluments:		
Basic salaries and benefits in kind	5,528,760	5,490,740
Performance related bonuses	838,858	1,110,068
Pension contributions	189,756	119,103
	<u>6,677,374</u>	<u>6,839,911</u>

## 10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(cont'd)*

### (a) Directors' remuneration *(cont'd)*

For both years, all of the above were paid to executive directors except for directors' fees amounting to HK\$120,000 (2001: HK\$120,000) which were paid to four (2001: four) non-executive directors.

The emoluments of the directors fell within the following bands:

Emoluments bands	Number of directors	
	2002	2001
Nil – HK\$1,000,000	6	6
HK\$1,500,001 – HK\$2,000,000	3	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 and 2002. Details of options granted and exercised by the directors during the year were set out in the directors' report on pages 13 to 20.

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for both years include four (2001: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individual (2001: one) during the year are as follows:

	2002	2001
	HK\$	HK\$
Basic salaries and benefits in kind	562,652	533,664
Pension contributions	22,842	23,193
	585,494	556,857

**11 INTANGIBLE ASSETS**

Trademarks	Group HK\$
At 1st April 2001, as previously reported	77,364,153
Effect of adopting SSAP 29 (note 2(e)(ii))	<u>(31,364,153)</u>
At 1st April 2001, restated	46,000,000
Amortisation charge (note 2(e)(ii))	<u>(4,600,000)</u>
At 31st March 2002	<u>41,400,000</u>
<b>Cost</b>	<b>92,000,000</b>
<b>Accumulated amortisation</b>	<b><u>(50,600,000)</u></b>
<b>Net book value, 31st March 2002</b>	<b><u>41,400,000</u></b>
Cost	92,000,000
Accumulated amortisation	<u>(46,000,000)</u>
Net book value, 31st March 2001	<u>46,000,000</u>

As at 31st March 2002, the remaining amortisation period of the trademarks is 9 years.



## 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\$
<b>Cost or valuation</b>							
At 1st April 2001	15,085,970	114,940,590	91,015,374	3,991,954	101,337,315	9,031,941	335,403,144
Additions	-	1,553,955	10,497,700	781,950	12,879,913	1,586,431	27,299,949
Disposals	-	(720,000)	(6,488,104)	-	(6,436,736)	(1,188,927)	(14,833,767)
<b>At 31st March 2002</b>	<b>15,085,970</b>	<b>115,774,545</b>	<b>95,024,970</b>	<b>4,773,904</b>	<b>107,780,492</b>	<b>9,429,445</b>	<b>347,869,326</b>
<b>Accumulated depreciation</b>							
At 1st April 2001	-	14,302,859	65,876,044	2,430,564	61,463,920	5,762,808	149,836,195
Charge for the year	-	2,292,109	11,017,267	534,363	10,779,002	1,020,809	25,643,550
Disposals	-	(122,100)	(6,381,760)	-	(6,019,128)	(1,188,927)	(13,711,915)
<b>At 31st March 2002</b>	<b>-</b>	<b>16,472,868</b>	<b>70,511,551</b>	<b>2,964,927</b>	<b>66,223,794</b>	<b>5,594,690</b>	<b>161,767,830</b>
<b>Net book value</b>							
<b>At 31st March 2002</b>	<b>15,085,970</b>	<b>99,301,677</b>	<b>24,513,419</b>	<b>1,808,977</b>	<b>41,556,698</b>	<b>3,834,755</b>	<b>186,101,496</b>
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
The analysis of the cost or valuation of the above assets is as follows:							
<b>At cost</b>	<b>-</b>	<b>115,774,545</b>	<b>95,024,970</b>	<b>4,773,904</b>	<b>107,780,492</b>	<b>9,429,445</b>	<b>332,783,356</b>
<b>At professional valuation, 2002</b>	<b>15,085,970</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,085,970</b>
<b>At 31st March 2002</b>	<b>15,085,970</b>	<b>115,774,545</b>	<b>95,024,970</b>	<b>4,773,904</b>	<b>107,780,492</b>	<b>9,429,445</b>	<b>347,869,326</b>
<b>At cost</b>	<b>-</b>	<b>114,940,590</b>	<b>91,015,374</b>	<b>3,991,954</b>	<b>101,337,315</b>	<b>9,031,941</b>	<b>320,317,174</b>
<b>At professional valuation, 2001</b>	<b>15,085,970</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,085,970</b>
<b>At 31st March 2001</b>	<b>15,085,970</b>	<b>114,940,590</b>	<b>91,015,374</b>	<b>3,991,954</b>	<b>101,337,315</b>	<b>9,031,941</b>	<b>335,403,144</b>

## 12 FIXED ASSETS (cont'd)

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

	2002 HK\$	2001 HK\$
In Hong Kong, held on:		
Leases of over 50 years	23,306,803	23,506,803
Leases of between 10 to 50 years	58,726,998	60,034,424
Outside Hong Kong, held on:		
Leases of over 50 years	20,586,228	21,074,746
Leases of between 10 to 50 years	11,767,618	11,107,728
	<u>114,387,647</u>	<u>115,723,701</u>

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 2002 by BMI Appraisals 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 2002, a property in Macau with a net book value of HK\$10,524,010 (2001: HK\$10,774,954) was pledged to secure an overdraft facility of HK\$1,000,000 which has never been utilised. Details of the bank facilities are set out in note 26.

## 13 INVESTMENTS IN SUBSIDIARIES

	2002 HK\$	Company 2001 HK\$
Unlisted shares, at cost	193,687,888	193,687,888
Loan to a subsidiary	2,999,992	2,999,992
	<u>196,687,880</u>	<u>196,687,880</u>

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

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

## 14 INVENTORIES

	2002	Group 2001
	HK\$	HK\$
Raw materials	2,168,059	2,065,894
Packing materials	1,970,469	1,789,017
Work in progress	228,376	259,111
Finished goods	418,160	669,293
	<u>4,785,064</u>	<u>4,783,315</u>

As at 31st March 2002 and 2001, all inventories were stated at cost.

## 15 TRADE RECEIVABLES

At 31st March 2002, the ageing analysis of the trade receivables is as follows:

	2002	Group 2001
	HK\$	HK\$
Current to 30 days	852,583	750,189
31 to 60 days	1,217,592	248,014
Over 60 days	171,803	151,126
	<u>2,241,978</u>	<u>1,149,329</u>

Sales are normally conducted by cash or 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 TO THE ULTIMATE HOLDING COMPANY

The amount due to the ultimate holding company is unsecured, interest-free and has no fixed terms of repayment.

## 17 AMOUNTS DUE FROM SUBSIDIARIES

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

## 18 TRADE PAYABLES

At 31st March 2002, the ageing analysis of the trade payables is as follows:

	2002	Group 2001
	HK\$	HK\$
Current to 30 days	5,740,922	3,678,825
31 to 60 days	1,872,124	3,709,213
Over 60 days	22,292	156,205
	<u>7,635,338</u>	<u>7,544,243</u>

## 19 PROVISION FOR LONG SERVICE PAYMENTS

The movement in provision for long service payments for the Group during the year is as follows:

	Group HK\$
At 1st April 2001	9,560,000
Unused amount reversed	<u>(1,412,093)</u>
	8,147,907
Less: Amounts utilised	<u>(1,296,907)</u>
<b>As at 31st March 2002</b>	<b>6,851,000</b>
Less: current portion	<u>-</u>
Non-current portion	<u>6,851,000</u>

The provision for long services payments relates to the Group's net obligation to the long service payments liable to employees in accordance with the statutory requirements. The provision is reduced by the amount of employees' vested benefits that is attributable to the Group's contributions to the retirement schemes.

## 20 SHARE CAPITAL

	Number of ordinary shares	Amount HK\$
<b>Authorised</b>		
Ordinary shares of HK\$0.10 each:		
Upon incorporation of the Company	1,000,000	100,000
Increase in authorised share capital	<u>399,000,000</u>	<u>39,900,000</u>
At 31st March 2001	<u>400,000,000</u>	<u>40,000,000</u>
<b>At 31st March 2002</b>	<b><u>400,000,000</u></b>	<b><u>40,000,000</u></b>
<b>Issued and fully paid</b>		
Ordinary shares of HK\$0.10 each:		
Issue of initial shares to sole subscriber	1,000,000	–
Credit of initial shares as fully paid and issue of shares on acquisition of subsidiaries	<u>195,229,000</u>	<u>19,622,900</u>
At 31st March 2001	<u>196,229,000</u>	<u>19,622,900</u>
<b>At 31st March 2002</b>	<b><u>196,229,000</u></b>	<b><u>19,622,900</u></b>

## 21 RESERVES

(a) The reserves of the Group and the Company as at 31st March 2002 are analysed as follows:

	Group		Company	
	2002	Restated 2001	2002	Restated 2001
	HK\$	HK\$	HK\$	HK\$
Reserves	114,282,358	105,856,171	197,944,860	204,639,425
Dividend reserve	<u>6,868,015</u>	<u>11,773,740</u>	<u>6,868,015</u>	<u>11,773,740</u>
Total reserves (note 21(b) & (c))	<u>121,150,373</u>	<u>117,629,911</u>	<u>204,812,875</u>	<u>216,413,165</u>

## 21 RESERVES (cont'd)

(b) Group

	Exchange fluctuation reserve HK\$	Contributed surplus (note (d)) HK\$	Retained earnings HK\$	Total HK\$
At 1st April 2000, as previously reported	69,124	98,963,412	19,935,083	118,967,619
Effect of adopting SSAP 29 (note 2(e)(ii))	-	-	(26,764,153)	(26,764,153)
At 1st April 2000, restated	69,124	98,963,412	(6,829,070)	92,203,466
Capitalisation of loan from shareholders	-	11,843,924	-	11,843,924
Listing expenses	-	(5,877,852)	-	(5,877,852)
Profit for the year, restated	-	-	19,460,373	19,460,373
At 31st March 2001, restated	<u>69,124</u>	<u>104,929,484</u>	<u>12,631,303</u>	<u>117,629,911</u>
At 1st April 2001, as previously reported	69,124	104,929,484	32,221,716	137,220,324
Effect of adopting SSAP 9 (revised) (note 2(p))	-	-	11,773,740	11,773,740
Effect of adopting SSAP 29 (note 2(e)(ii))	-	-	(31,364,153)	(31,364,153)
At 1st April 2001, restated	69,124	104,929,484	12,631,303	117,629,911
Profit for the year	-	-	20,199,927	20,199,927
2001 final dividend paid (note 7)	-	-	(11,773,740)	(11,773,740)
2002 interim dividend paid (note 7)	-	-	(4,905,725)	(4,905,725)
At 31st March 2002	<u>69,124</u>	<u>104,929,484</u>	<u>16,151,765</u>	<u>121,150,373</u>

## 21 RESERVES (cont'd)

### (c) Company

	Contributed surplus (note (d)) 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 dividend	–	(11,773,740)	(11,773,740)
At 31st March 2001, as previously reported	180,031,060	24,608,365	204,639,425
Effect of adopting SSAP 9 (revised) (note 2(p))	–	11,773,740	11,773,740
At 31st March 2001, restated	<u>180,031,060</u>	<u>36,382,105</u>	<u>216,413,165</u>
At 1st April 2001, restated	<b>180,031,060</b>	<b>36,382,105</b>	<b>216,413,165</b>
Profit for the year	–	5,079,175	5,079,175
2001 final dividend paid (note 7)	–	(11,773,740)	(11,773,740)
2002 interim dividend paid (note 7)	–	(4,905,725)	(4,905,725)
At 31st March 2002	<u><b>180,031,060</b></u>	<u><b>24,781,815</b></u>	<u><b>204,812,875</b></u>

- (d) 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.
- (e) 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.
- (f) As at 31st March 2002, goodwill taken to the Group's contributed surplus as a result of the acquisition of subsidiaries prior to 1st April 2001 amounted to HK\$75,101,546 (2001: HK\$75,101,546).

## 22 DEFERRED TAXATION

	Group	
	2002	2001
	HK\$	HK\$
At 1st April	217,791	318,294
Transfer from/(to) profit and loss account (note 5)	1,005,681	(100,503)
	<u>1,223,472</u>	<u>217,791</u>
At 31st March	<u>1,223,472</u>	<u>217,791</u>

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 at the balance sheet date.

## 23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of profit before taxation to net cash inflow from operating activities

	2002	Restated 2001
	HK\$	HK\$
Profit before taxation	24,479,389	23,409,379
Interest income	(1,709,043)	(3,323,679)
Cash inflow from sales of cake coupons	62,828,465	86,831,060
Cake coupons redeemed as sales	(70,218,343)	(80,329,704)
Depreciation of fixed assets	25,643,550	22,291,188
Amortisation of intangible assets	4,600,000	4,600,000
Loss on disposal of fixed assets	283,840	2,072,601
Impairment of other properties	–	850,000
Decrease in rental deposits paid	742,512	20,403
Increase in inventories	(1,749)	(296,385)
Increase in trade receivables including deposits, prepayments and other receivables	(1,655,705)	(2,875,547)
Increase/(decrease) in trade payables including other payables and accrued charges	17,980,175	(3,427,320)
(Decrease)/increase in amount due to ultimate holding company	(695,483)	894,956
(Decrease)/increase in rental deposit received	(72,645)	78,000
(Decrease)/increase in provision for long service payments	(2,709,000)	210,000
	<u>59,495,963</u>	<u>51,004,952</u>
Net cash inflow from operating activities	<u>59,495,963</u>	<u>51,004,952</u>



## 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 for banking facilities HK\$
At 1st April 2000	<u>98,963,412</u>	<u>(1,184,642)</u>
Cash items:		
Bank deposits released	-	1,524
Listing expenses	<u>(5,877,852)</u>	<u>-</u>
	<u>(5,877,852)</u>	<u>1,524</u>
Non-cash item:		
Capitalisation of loan from a shareholder	<u>11,843,924</u>	<u>-</u>
At 31st March 2001	<u>104,929,484</u>	<u>(1,183,118)</u>
At 1st April 2001	104,929,484	(1,183,118)
Cash item:		
Bank deposits pledged	<u>-</u>	<u>(29,354)</u>
At 31st March 2002	<u>104,929,484</u>	<u>(1,212,472)</u>

## 24 COMMITMENTS

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

	Group	
	2002	2001
	HK\$	HK\$
Contracted but not provided for	–	412,684
Approved but not contracted for	2,656,694	7,000,000
	<u>2,656,694</u>	<u>7,412,684</u>

### (b) Commitments under operating leases

At 31st March 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2002	2001
	HK\$	HK\$
Not later than one year	43,496,806	40,837,388
Later than one year and not later than five years	43,610,191	44,432,884
Later than five years	2,462,211	5,002,374
	<u>89,569,208</u>	<u>90,272,646</u>

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

(c) The Company did not have any commitments at 31st March 2002 (2001: nil).

## 25 RELATED PARTY TRANSACTIONS

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

	2002	2001
	HK\$	HK\$
Purchase of properties	–	11,843,924
Sales of bakery and related products (note (a))	4,026,102	3,670,483
Rental expenses in respect of land and buildings (note (b))	754,835	2,664,818
Management fees paid (note (c))	3,876,760	3,653,162
	<u>3,876,760</u>	<u>3,653,162</u>

**25 RELATED PARTY TRANSACTIONS** *(cont'd)*

- (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 into between Bread Boutique Limited ("BBL"), subsidiary of the Group, and the ultimate holding company, the ultimate holding company was engaged to provide management and administration services to BBL. Management fees were charged on a monthly basis and were calculated at a certain percentage on the monthly gross turnover of BBL.

**26 BANKING FACILITIES AND PLEDGED ASSETS**

As at 31st March 2002, the Group had aggregate banking facilities of approximately HK\$7,562,000 (2001: HK\$1,894,000) for overdrafts and bank guarantees. These facilities were secured by:

- (i) pledge of certain land and buildings of the Group (note 12);
- (ii) pledge of certain bank deposits of the Group; and
- (iii) corporate guarantees given by the Company.

As at 31st March 2002, the facilities were utilised to the extent of HK\$2,220,406 (2001: HK\$894,124).

## 27 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31st March 2002.

Name of subsidiaries	Place of incorporation and operation	Particular of issued share capital/ registered capital	Effective percentage holding attributable to the Group	Principal activities
<b>Interests held directly:</b>				
Bodega Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Investment holding
Easywin Limited	British Virgin Islands	10 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
<b>Interests held indirectly:</b>				
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
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

## 27 SUBSIDIARIES (cont'd)

Name of subsidiaries	Place of incorporation and operation	Particular of issued share capital/ registered capital	Effective percentage holding attributable to the Group	Principal activities
<b>Interests held indirectly: (cont'd)</b>				
@*# 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 subsidiary is established as a wholly foreign-owned enterprise in the People's Republic of China.

@ The subsidiaries have a financial year end date of 31st December in compliance with the respective local regulations.

## 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 COMPARATIVE FIGURES

Certain comparative figures in the consolidated balance sheet have been reclassified to conform with the current year's presentation. The changes included the reclassification of certain rental deposits paid previously classified under deposits, prepayments and other receivables to non-current assets, and the reclassification of certain rental deposits received and provision of long service payments previously classified under other payables and accrued charges to non-current liabilities. The new classification of the accounting items was considered to provide a more appropriate presentation of the Group's state of affairs.

## 30 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 11th July 2002.