

## *Notes to the Accounts*

### 1. BASIS OF PREPARATION

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They are also prepared under the historical cost convention except that the investment properties are stated at fair value.

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

### 2. PRINCIPAL ACCOUNTING POLICIES

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

#### (a) Group accounting

##### (i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March.

Subsidiaries are those entities in which the Company, directly or indirectly controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove a majority of the members of the board of directors; or to cast a majority of votes at the meetings of the board of directors.

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.



**2. PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

**(a) Group accounting** *(Continued)*

*(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 sheets 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 movements in reserves.

**(b) Intangible assets**

*(i) Goodwill*

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

In accordance with Statement of Standard Accounting Practice ("SSAP") 30, goodwill on acquisitions occurring on or after 1 April 2001 is included in intangible assets and is amortized using the straight-line method over its estimated useful life of not more than 20 years.

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

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

*(ii) Trademarks*

Expenditures on acquired trademarks are capitalized at cost and amortized using the straight-line method over their useful lives of not more than 20 years.

*(iii) Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount. Such impairment losses are recognized in the profit and loss account.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (c) Investment properties

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

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

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

### (d) Fixed assets

#### (i) *Other properties*

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

Depreciation on other properties is calculated to write off their costs less accumulated impairment losses over the unexpired periods of the leases or their expected useful lives to the Group on a straight-line basis, whichever is shorter. The expected useful life used for this purpose is 50 years.

#### (ii) *Leasehold improvements*

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

Depreciation on leasehold improvements is calculated to write off their costs less accumulated impairment losses over the shorter of the unexpired periods of the leases or their expected useful lives to the Group on a straight-line basis. The annual rate used for this purpose is 15%.



**2. PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

**(d) Fixed assets** *(Continued)*

*(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 on other tangible fixed assets is calculated to write off their costs less accumulated impairment losses over their expected useful lives to the Group on a straight-line basis. The annual rates used for this purpose range from 10% to 25%.

*(iv) Impairment*

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

*(v) Gain or loss on disposal of fixed assets*

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

**(e) Assets under operating leases**

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

**(f) Inventories**

Inventories comprise raw materials, packing materials, work-in-progress and finished goods, and are stated at the lower of cost and net realizable value. Cost is calculated on a first-in, first-out basis. Net realizable 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.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (h) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and cash investments with maturity of 3 months or less from the date of investment.

### (i) Provisions

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

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

### (j) Cake coupon liabilities

Cake coupons are recorded as liabilities when sold. Cake coupons surrendered in exchange for products during the year are recognized as sales and transferred to the profit and loss account using the weighted average cake coupon sale value. The estimated value of the cake coupons which are expected to be redeemed in the next 12 months is classified as current liabilities at the end of the year.

### (k) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.



**2. PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

**(l) Revenue recognition**

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

Sales revenue from eatery operations is recognized when services are rendered to customers.

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

Rental income is recognized on an accrual basis over the lease period.

**(m) Employee benefits**

*(i) Employee leave entitlements*

Employee entitlement to annual leave is recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

*(ii) Pension obligations*

The Group participates in the following principal defined contribution pension schemes:

Schemes established under Mandatory Provident Fund Schemes Ordinance (“MPF Schemes”)  
Contributions to the MPF Schemes by the Group are calculated as a percentage of employees’ basic salaries but subject to a cap in accordance with the statutory requirements except for some managerial staff whose monthly contributions are calculated based on their actual salaries. The Group’s contributions are charged to the profit and loss account when incurred.

Schemes established under Occupational Retirement Schemes Ordinance (“ORSO Schemes”)  
The Group has discontinued all contributions to the ORSO Schemes when it joined the MPF Schemes. For those group companies who opted not to transfer the accrued benefits of the employees in the ORSO Schemes as voluntary contributions to the MPF Schemes, such benefits are retained and their investment returns are accumulated. The contributions forfeited by those employees who leave the scheme prior to vesting fully in the contribution are credited to the profit and loss account when refunded.

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

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (m) Employee benefits *(Continued)*

#### *(iii) Equity compensation benefits*

Share options are granted to executive directors and to full-time employees at the discretion of directors. No employee benefit cost is recognized when options are granted. When the options are exercised, the proceeds received are credited to share capital and share premium.

### (n) Segment reporting

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

Unallocated revenues represent rental income from properties and gain on disposal of investment property. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash and exclude items such as taxation recoverable, deferred tax assets and investment property. Segment liabilities comprise operating liabilities and exclude items such as taxation payable and deferred tax liabilities. Capital expenditure comprises additions to intangible assets and fixed assets.

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

### (o) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognized as a provision.



*Notes to the Accounts (Continued)*

**3. TURNOVER, REVENUE AND SEGMENT INFORMATION**

The Group is principally engaged in the operation of bakeries and eateries. Turnover comprises takings and service charges less discounts and credit card commission from bakery and eatery operations. Revenues recognized during the year are as follows:

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
<b>Turnover</b>		
Bakery operation	<b>539,351,424</b>	508,385,481
Eatery operation	<b>29,549,897</b>	29,130,361
	<b>568,901,321</b>	537,515,842
<b>Other revenues</b>		
Interest income	<b>631,080</b>	592,037
Rental income from an investment property	–	541,471
Rental income from other properties	<b>1,961,177</b>	568,711
	<b>2,592,257</b>	1,702,219
<b>Total revenues</b>	<b>571,493,578</b>	539,218,061

**Primary reporting format – business segments**

For management purpose, the Group is currently organized into 2 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



### 3. TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

#### Primary reporting format – business segments (Continued)

There are no significant sales between the business segments. An analysis of the Group's turnover and results by business segments is as follows:

	2005			2004		
	Bakery HK\$	Eatery HK\$	Group HK\$	Bakery HK\$	Eatery HK\$	Group HK\$
Turnover	<b>539,351,424</b>	<b>29,549,897</b>	<b>568,901,321</b>	508,385,481	29,130,361	537,515,842
Segment results	<b>69,216,862</b>	<b>319,633</b>	<b>69,536,495</b>	42,981,964	1,678,951	44,660,915
Unallocated revenues			<b>1,961,177</b>			8,269,342
Profit before taxation			<b>71,497,672</b>			52,930,257
Taxation			<b>(12,458,319)</b>			(7,571,286)
Profit attributable to shareholders			<b>59,039,353</b>			45,358,971
Segment assets	<b>401,378,058</b>	<b>8,347,905</b>	<b>409,725,963</b>	361,588,986	7,888,995	369,477,981
Unallocated assets			<b>3,390,570</b>			1,342,666
Total assets			<b>413,116,533</b>			370,820,647
Segment liabilities	<b>181,926,855</b>	<b>6,470,426</b>	<b>188,397,281</b>	178,694,221	3,132,445	181,826,666
Unallocated liabilities			<b>8,517,660</b>			2,344,262
Total liabilities			<b>196,914,941</b>			184,170,928
Capital expenditure	<b>70,466,529</b>	<b>88,050</b>	<b>70,554,579</b>	36,458,025	677,498	37,135,523
Depreciation	<b>27,162,475</b>	<b>1,760,753</b>	<b>28,923,228</b>	27,786,918	2,036,288	29,823,206
Amortization charge	<b>4,600,000</b>	<b>-</b>	<b>4,600,000</b>	4,600,000	<b>-</b>	4,600,000

The gain on disposal of a self-occupied property amounting to HK\$26,112,921 was allocated to the segment results for the bakery operation in current year and the gain on disposal of an investment property of HK\$7,159,160 was included as unallocated revenues in last year results.



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

Secondary reporting format – geographical segments

The geographical analysis is divided into two regions:

- Hong Kong and Macau
- The People's Republic of China

	2005		2004	
	Total assets HK\$	Capital expenditure HK\$	Total assets HK\$	Capital expenditure HK\$
Hong Kong & Macau	<b>338,000,643</b>	<b>52,563,379</b>	332,559,067	34,879,639
The People's Republic of China	<b>75,115,890</b>	<b>17,991,200</b>	38,261,580	2,255,884
	<b>413,116,533</b>	<b>70,554,579</b>	370,820,647	37,135,523

No geographical analysis on segment results is provided as less than 10% of the Group's turnover and less than 10% of the consolidated results of the Group are attributable to markets outside Hong Kong and Macau.

4. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Group	
	2005 HK\$	2004 HK\$
Wages and salaries, including directors' fees	<b>155,995,026</b>	155,281,949
Termination benefits	<b>495,061</b>	88,729
Provision for/(reversal of) leave balance	<b>1,320,976</b>	(47,126)
Retirement benefit costs – defined contribution scheme (note 10)	<b>7,099,368</b>	6,651,483
Provision for long service payments (note 23)	<b>492,788</b>	518,262
Other staff costs	<b>8,824,445</b>	7,669,313
	<b>174,227,664</b>	170,162,610

## 5. PROFIT BEFORE TAXATION

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

	Group	
	2005	2004
	HK\$	HK\$
Auditors' remuneration	771,926	733,197
Non-audit service fees paid to the Company's auditors	80,261	213,626
Gain on disposal of an investment property	–	(7,159,160)
Gain on disposal of other property	(26,112,921)	–
(Gain)/loss on disposal of other fixed assets	(19,498)	346,705
Net exchange (gain)/losses	(118,266)	511,716
	<u>                    </u>	<u>                    </u>

## 6. TAXATION

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

	Group	
	2005	2004
	HK\$	HK\$
Current taxation		
Hong Kong profits tax	6,427,682	6,418,826
Overseas taxation	6,453,284	2,422,127
Under/(over) provision in prior years	18,080	(49,144)
Deferred taxation credit (note 24)	(440,727)	(1,220,523)
	<u>                    </u>	<u>                    </u>
Taxation charge	12,458,319	7,571,286

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

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



*Notes to the Accounts (Continued)*

6. TAXATION (Continued)

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

	Group	
	2005 HK\$	2004 HK\$
Profit before taxation	<b>71,497,672</b>	52,930,257
Calculated at a taxation rate of 17.5% (2004: 17.5%)	<b>12,512,093</b>	9,262,795
Effect of different taxation rates in other countries	<b>(16,437)</b>	(350,539)
Income not subject to taxation	<b>(514,281)</b>	(1,464,779)
Expenses not deductible for taxation purposes	<b>833,263</b>	939,073
Under/(over) provision in prior year	<b>18,080</b>	(49,144)
Utilization of previously unrecognized tax losses	<b>(404,850)</b>	–
Unrecognized temporary differences	–	(914,230)
Tax losses not recognized	<b>2,577</b>	65,158
Increase in opening net deferred tax liabilities resulting from an increase in taxation rate	–	80,178
Others	<b>27,874</b>	2,774
Taxation charge	<b>12,458,319</b>	7,571,286

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$38,619,683 (2004: HK\$27,381,726).

## 8. DIVIDENDS

	Group	
	2005 HK\$	2004 HK\$
Under-provision of dividend in previous year	9,000	–
Interim, paid, of HK5.0 cents (2004: HK4.0 cents) per ordinary share	10,577,850	8,311,080
Final, proposed, of HK9.0 cents (2004: HK9.0 cents) per ordinary share (note 22(a))	19,040,130	19,031,130
	<b>29,626,980</b>	27,342,210

At a meeting held on 13 July 2005, the directors declared a final dividend of HK9.0 cents per ordinary share for the year ended 31 March 2005. This proposed final dividend is not reflected as a dividend payable in these accounts. It is reflected as an appropriation of retained earnings and is presented as a dividend reserve in the balance sheet.

## 9. EARNINGS PER SHARE

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

	2005 HK\$	2004 HK\$
<b>Earnings</b>		
Earnings for the purpose of the calculation of basic and diluted earnings per share	59,039,353	45,358,971
	<b>2005</b>	2004
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of the calculation of basic earnings per share	211,520,616	200,753,104
Effect of dilutive potential ordinary shares	2,033,914	6,181,846
Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share	213,554,530	206,934,950



## 10. RETIREMENT BENEFIT COSTS

The Group participates in the MPF Schemes and the Group's contributions to the MPF Schemes are set at 5% of employees' relevant income up to a maximum of HK\$1,000 per employee per month ("Mandatory Contributions") except for some managerial staff whose monthly contributions are calculated based on their actual salaries. The Mandatory Contributions to the MPF Schemes are fully and immediately vested on the employees as accrued benefits once they are paid. The Group's contributions in excess of the Mandatory Contributions are voluntary contributions which are subject to a vesting scale.

Since 1 December 2000, the Group had discontinued all contributions to the ORSO Schemes when it joined the MPF Schemes. For those group companies which opted not to transfer the accrued benefits of the employees in the ORSO Schemes as voluntary contributions to the MPF Schemes, such benefits are retained and their investment returns are accumulated. Employees can withdraw their accrued benefits upon termination of their employment.

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

Aggregate amount of unvested benefits accrued to the Group during the year amounted to HK\$15,970 (2004: HK\$80,641). The aggregate amount of unvested benefits refunded to the Group was HK\$159,564 (2004: HK\$11,986). At 31 March 2005, the aggregate amount of unvested benefits not yet refunded was HK\$6,308 (2004: HK\$149,902).

## 11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

Director's emoluments were determined by the Board with reference to their qualifications and experience, responsibilities to be undertaken, and the prevailing market level of remuneration of similar position. The aggregate amounts of emoluments payable to directors of the Company during the year were as follows:

	Group	
	2005 HK\$	2004 HK\$
Directors' fees	250,000	237,500
Other emoluments:		
Basic salaries and benefits in kind	5,659,391	5,451,087
Performance related bonuses	1,909,330	1,826,947
Pension contributions	190,577	184,669
	<u>8,009,298</u>	<u>7,700,203</u>

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

### (a) Directors' emoluments *(Continued)*

For both years, all of the above were paid to executive directors except for directors' fees amounting to HK\$250,000 (2004: HK\$237,500) which were paid to 5 (2004: 5) non-executive directors.

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2005	2004
Nil – HK\$1,000,000	7	7
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	2	–
HK\$2,000,001 – HK\$2,500,000	–	2
HK\$2,500,001 – HK\$3,000,000	1	–
	<u>10</u>	<u>10</u>

No directors have waived emoluments in respect of the 2 years ended 31 March 2005 and 2004 and no emoluments were paid or payable by the Group to any directors as an inducement to join the Group or as compensation for loss of office. No share options were granted to the directors during both years.

### (b) Five highest paid individuals

During the year, the 5 individuals whose emoluments were the highest in the Group were also executive directors of the Company. Their aggregate emoluments during the year are disclosed in the directors' other emoluments above (the directors' fees are payable to non-executive directors only).



*Notes to the Accounts (Continued)*

12. INTANGIBLE ASSET

(i) Trademark

	<b>Group HK\$</b>
Net book value, 1 April 2004	<b>32,200,000</b>
Amortization charge	<b>(4,600,000)</b>
Net book value, 31 March 2005	<b>27,600,000</b>
<b>At 31 March 2005</b>	
<b>Cost</b>	<b>92,000,000</b>
<b>Accumulated amortization</b>	<b>(64,400,000)</b>
<b>Net book value</b>	<b>27,600,000</b>
At 31 March 2004	
Cost	92,000,000
Accumulated amortization	(59,800,000)
Net book value	32,200,000

At 31 March 2005, the remaining amortization period of trademark was 6 years.

(ii) Goodwill

Goodwill on acquisition occurring prior to 1 April 2001 was written off against the Group's contributed surplus. At 31 March 2005, such goodwill amounted to HK\$75,101,546 (2004: HK\$75,101,546).



### 13. FIXED ASSETS

#### Group

	Other properties HK\$	Leasehold improvements HK\$	Air- conditioning plant HK\$	Furniture, fixtures, and equipment HK\$	Motor vehicles HK\$	Total HK\$
<b>Cost</b>						
At 1 April 2004	137,194,718	103,482,679	4,941,769	119,737,191	12,482,084	377,838,441
Additions	38,245,238	15,389,178	789,380	12,471,240	3,659,543	70,554,579
Disposals	(12,547,237)	(6,602,792)	–	(1,060,234)	(1,046,579)	(21,256,842)
At 31 March 2005	<u>162,892,719</u>	<u>112,269,065</u>	<u>5,731,149</u>	<u>131,148,197</u>	<u>15,095,048</u>	<u>427,136,178</u>
<b>Accumulated depreciation</b>						
At 1 April 2004	21,195,151	81,358,680	3,644,247	87,386,347	6,710,775	200,295,200
Charge for the year	2,708,541	13,536,449	523,268	10,518,734	1,636,236	28,923,228
Disposals	(2,608,765)	(6,541,736)	–	(837,819)	(982,511)	(10,970,831)
At 31 March 2005	<u>21,294,927</u>	<u>88,353,393</u>	<u>4,167,515</u>	<u>97,067,262</u>	<u>7,364,500</u>	<u>218,247,597</u>
<b>Net book value</b>						
<b>At 31 March 2005</b>	<b><u>141,597,792</u></b>	<b><u>23,915,672</u></b>	<b><u>1,563,634</u></b>	<b><u>34,080,935</u></b>	<b><u>7,730,548</u></b>	<b><u>208,888,581</u></b>
At 31 March 2004	<u>115,999,567</u>	<u>22,123,999</u>	<u>1,297,522</u>	<u>32,350,844</u>	<u>5,771,309</u>	<u>177,543,241</u>



*Notes to the Accounts (Continued)*

13. FIXED ASSETS (Continued)

Group (Continued)

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

	2005 HK\$	2004 HK\$
In Hong Kong, held on:		
Leases of over 50 years	7,620,833	7,820,833
Leases of between 10 to 50 years	85,732,074	77,330,591
Outside Hong Kong, held on:		
Leases of over 50 years	16,905,927	19,609,191
Leases of between 10 to 50 years	31,338,958	11,238,952
	<u>141,597,792</u>	<u>115,999,567</u>

14. INTERESTS IN SUBSIDIARIES

	Company 2005 HK\$	2004 HK\$
Unlisted shares, at cost	193,687,880	193,687,880
Loan to a subsidiary	2,999,992	2,999,992
	<u>196,687,872</u>	<u>196,687,872</u>

The loan to a subsidiary is unsecured, interest-free and has no fixed terms of repayment. The details of principal subsidiaries are set out in note 30.

## 15. INVENTORIES

	Group	
	2005	2004
	HK\$	HK\$
Raw materials	5,252,591	3,891,643
Packing materials	3,562,681	3,240,926
Work in progress	529,657	459,387
Finished goods	760,489	453,522
	<u>10,105,418</u>	<u>8,045,478</u>

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

## 16. TRADE RECEIVABLES

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

	Group	
	2005	2004
	HK\$	HK\$
Current to 30 days	3,381,732	2,438,389
31 to 60 days	201,938	151,403
Over 60 days	1,168,529	123,279
	<u>4,752,199</u>	<u>2,713,071</u>

Sales are normally conducted by cash and through redemption of cake coupons. Credit sales are made mainly to certain corporate customers who are normally granted with respective credit terms of 30 days and 61 to 120 days. Overseas corporate customers are generally required to pay a deposit in the amount of 20% to 30% of their estimated purchase values.

## 17. AMOUNTS DUE FROM SUBSIDIARIES

The balances are unsecured, interest-free and have no fixed terms of repayment.

## 18. AMOUNT DUE TO INTERMEDIATE HOLDING COMPANY

The balance is unsecured, interest-free and has no fixed terms of repayment.



*Notes to the Accounts (Continued)*

**19. TRADE PAYABLES**

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

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	<b>HK\$</b>
Current to 30 days	<b>11,137,636</b>	6,409,102
31 to 60 days	<b>1,672,549</b>	3,521,327
Over 60 days	<b>1,739,429</b>	398,431
	<b>14,549,614</b>	10,328,860

**20. SHARE CAPITAL**

	<b>Company</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	<b>HK\$</b>
Authorized 400,000,000 ordinary shares of HK\$0.10 each	<b>40,000,000</b>	40,000,000
Issued and fully paid 211,557,000 (2004: 211,317,000) ordinary shares of HK\$0.10 each	<b>21,155,700</b>	21,131,700

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

	<b>Number of shares</b>	
	<b>2005</b>	2004
Ordinary shares of HK\$0.10 each		
At the beginning of the year	<b>211,317,000</b>	196,229,000
Issue of shares upon exercise of share options	<b>240,000</b>	15,088,000
At the end of the year	<b>211,557,000</b>	211,317,000

## 21. SHARE OPTIONS

The share option scheme adopted by the Company does not fulfil certain requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which have become effective since 1 September 2001, the share option scheme is invalid and no further share option can be granted under this scheme.

The details of movements of share options granted under the share option scheme during the year are as follows:

	Number of share options	
	2005	2004
At the beginning of the year	2,840,000	18,650,000
Exercised (note a)	(240,000)	(15,088,000)
Lapsed	-	(532,000)
Cancelled	-	(190,000)
At the end of the year (note b)	2,600,000	2,840,000

(a) The details of share options exercised during the year are as follows:

Month	Number of share options exercised			Proceeds from exercise of share options HK\$
	Exercisable at HK\$0.50	Exercisable at HK\$0.55	Total	
April 2004	-	140,000	140,000	77,000
July 2004	30,000	70,000	100,000	53,500
Total	30,000	210,000	240,000	130,500



*Notes to the Accounts (Continued)*

21. SHARE OPTIONS *(Continued)*

(b) Share options outstanding at the end of the year have the following terms:

Grant date	Exercise period		Exercise price HK\$	Number of share options	
	From	To		2005	2004
<b>Director</b>					
15 Jan. 2001	1 May 2001	31 May 2010	0.50	<b>1,000,000</b>	1,000,000
15 Jan. 2001	1 May 2002	31 May 2010	0.50	<b>1,000,000</b>	1,000,000
31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	<b>300,000</b>	300,000
31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	<b>300,000</b>	300,000
			Total	<b>2,600,000</b>	2,600,000
<b>Other employees</b>					
15 Jan. 2001	1 May 2001	31 May 2010	0.50	-	30,000
31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	-	105,000
31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	-	105,000
			Total	-	240,000
			Grand total	<b>2,600,000</b>	2,840,000

22. RESERVES

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

	Group		Company	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Reserves	<b>176,005,762</b>	146,486,889	<b>220,578,281</b>	211,479,078
Dividend reserve (note 8)	<b>19,040,130</b>	19,031,130	<b>19,040,130</b>	19,031,130
Total reserves (note (b) & (c))	<b>195,045,892</b>	165,518,019	<b>239,618,411</b>	230,510,208

22. RESERVES (Continued)

(b) Group

	Share premium HK\$	Contributed surplus (note (d)) HK\$	Exchange fluctuation reserve HK\$	Retained earnings HK\$	Dividend reserve HK\$	Total HK\$
At 1 April 2003	-	104,929,484	69,124	17,020,120	6,868,015	128,886,743
Premium on issue of shares upon the exercise of share options	6,454,200	-	-	-	-	6,454,200
Profit for the year	-	-	-	45,358,971	-	45,358,971
Under-provision of dividend in previous year	-	-	-	(2,800)	2,800	-
2002/03 final dividend paid	-	-	-	-	(6,870,815)	(6,870,815)
2003/04 interim dividend proposed	-	-	-	(8,176,280)	8,176,280	-
2003/04 interim dividend paid	-	-	-	(134,800)	(8,176,280)	(8,311,080)
2003/04 final dividend proposed	-	-	-	(19,031,130)	19,031,130	-
At 31 March 2004	6,454,200	104,929,484	69,124	35,034,081	19,031,130	165,518,019
<b>At 1 April 2004</b>	<b>6,454,200</b>	<b>104,929,484</b>	<b>69,124</b>	<b>35,034,081</b>	<b>19,031,130</b>	<b>165,518,019</b>
Premium on issue of shares upon exercise of share options	106,500	-	-	-	-	106,500
Profit for the year	-	-	-	59,039,353	-	59,039,353
Under-provision of dividend in previous year	-	-	-	(9,000)	9,000	-
2003/04 final dividend paid	-	-	-	-	(19,040,130)	(19,040,130)
2004/05 interim dividend proposed	-	-	-	(10,577,850)	10,577,850	-
2004/05 interim dividend paid	-	-	-	-	(10,577,850)	(10,577,850)
2004/05 final dividend proposed	-	-	-	(19,040,130)	19,040,130	-
At 31 March 2005	6,560,700	104,929,484	69,124	64,446,454	19,040,130	195,045,892



*Notes to the Accounts (Continued)*

22. RESERVES (Continued)

(c) Company

	Share premium HK\$	Contributed surplus (Note (d)) HK\$	Retained earnings HK\$	Dividend reserve HK\$	Total HK\$
At 1 April 2003	–	180,031,060	24,957,102	6,868,015	211,856,177
Premium on issue of shares upon the exercise of share options	6,454,200	–	–	–	6,454,200
Profit for the year	–	–	27,381,726	–	27,381,726
Under-provision of dividend in previous year	–	–	(2,800)	2,800	–
2002/03 final dividend paid	–	–	–	(6,870,815)	(6,870,815)
2003/04 interim dividend proposed	–	–	(8,176,280)	8,176,280	–
2003/04 interim dividend paid	–	–	(134,800)	(8,176,280)	(8,311,080)
2003/04 final dividend proposed	–	–	(19,031,130)	19,031,130	–
At 31 March 2004	6,454,200	180,031,060	24,993,818	19,031,130	230,510,208
<b>At 1 April 2004</b>	<b>6,454,200</b>	<b>180,031,060</b>	<b>24,993,818</b>	<b>19,031,130</b>	<b>230,510,208</b>
<b>Premium on issue of shares upon exercise of share options</b>	<b>106,500</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>106,500</b>
<b>Profit for the year</b>	<b>–</b>	<b>–</b>	<b>38,619,683</b>	<b>–</b>	<b>38,619,683</b>
<b>Under-provision of dividend in previous year</b>	<b>–</b>	<b>–</b>	<b>(9,000)</b>	<b>9,000</b>	<b>–</b>
<b>2003/04 final dividend paid</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(19,040,130)</b>	<b>(19,040,130)</b>
<b>2004/05 interim dividend proposed</b>	<b>–</b>	<b>–</b>	<b>(10,577,850)</b>	<b>10,577,850</b>	<b>–</b>
<b>2004/05 interim dividend paid</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(10,577,850)</b>	<b>(10,577,850)</b>
<b>2004/05 final dividend proposed</b>	<b>–</b>	<b>–</b>	<b>(19,040,130)</b>	<b>19,040,130</b>	<b>–</b>
At 31 March 2005	6,560,700	180,031,060	33,986,521	19,040,130	239,618,411



## 22. RESERVES (Continued)

- (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 acquisitions by the Company's intermediate holding company, Hong Kong Catering Management Limited ("HKCM").
- (e) Under the Companies Act 1981 of Bermuda, 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 realizable 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.

## 23. PROVISION FOR LONG SERVICE PAYMENTS

The movements in provision for long service payments of the Group during the year are as follows:

	<b>Group HK\$</b>
At 1 April 2004	6,159,294
Provision for the year (Note 4)	492,788
Less: Amounts utilized	<u>(452,675)</u>
At 31 March 2005	<u>6,199,407</u>

The provision for long service payments relates to the Group's net obligation to the long service payments liable to employees in accordance with the statutory requirements. The provision is reduced by the amount of employees' entitlements under the Group's retirement schemes.



*Notes to the Accounts (Continued)*

**24. DEFERRED TAXATION**

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

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

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
At the beginning of the year	<b>39,007</b>	1,259,530
Credit to profit and loss account (note 6)	<b>(440,727)</b>	(1,220,523)
At the end of the year	<b>(401,720)</b>	39,007
It is analyzed as follows:		
Deferred tax assets	<b>(2,392,640)</b>	(999,639)
Deferred tax liabilities	<b>1,990,920</b>	1,038,646
Net deferred tax (assets)/liabilities	<b>(401,720)</b>	39,007

The deferred tax assets and liabilities represent the taxation effect of the accelerated depreciation allowances for taxation purposes.

## 25. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2005 HK\$	2004 HK\$
Profit before taxation	<b>71,497,672</b>	52,930,257
Amortization of intangible assets	<b>4,600,000</b>	4,600,000
Gain on disposal of properties	<b>(26,112,921)</b>	(7,159,160)
(Gain)/loss on disposal of other fixed assets	<b>(19,498)</b>	346,705
Depreciation of fixed assets	<b>28,923,228</b>	29,823,206
Interest income	<b>(631,080)</b>	(592,037)
	<hr/>	<hr/>
Operating profit before working capital changes	<b>78,257,401</b>	79,948,971
Cash inflow from sales of cake coupons	<b>45,041,222</b>	41,355,062
Cake coupons redeemed as sales	<b>(47,809,688)</b>	(49,461,352)
(Increase)/decrease in rental deposits paid	<b>(1,133,609)</b>	1,058,862
Increase in inventories	<b>(2,059,940)</b>	(347,420)
Increase in trade receivables, deposits, prepayments and other receivables	<b>(8,132,681)</b>	(987,545)
Increase in trade payables, other payables and accrued charges	<b>8,158,960</b>	1,869,630
Increase in amount due to intermediate holding company	<b>1,470,008</b>	3,443,000
Increase/(decrease) in provision for long service payments	<b>40,113</b>	(15,974)
(Decrease)/increase in rental deposits received	<b>(330,000)</b>	161,645
	<hr/>	<hr/>
Net cash inflow generated from operations	<b>73,501,786</b>	77,024,879
Hong Kong profits tax paid	<b>(5,663,018)</b>	(11,271,659)
Overseas taxation paid	<b>(2,669,807)</b>	(1,019,557)
	<hr/>	<hr/>
Net cash inflow generated from operating activities	<b>65,168,961</b>	64,733,663



26. COMMITMENTS

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

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Contracted but not provided for	<b>4,387,000</b>	1,000,000
Approved but not contracted for	<b>27,100,000</b>	44,000,000
	<b>31,487,000</b>	45,000,000

(b) Commitments under operating leases

At 31 March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$</b>	HK\$
Within one year	<b>40,591,038</b>	37,682,306
In the second to fifth year inclusive	<b>33,692,744</b>	28,882,265
After the fifth year	<b>2,289,163</b>	2,335,174
	<b>76,572,945</b>	68,899,745

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) The Company did not have any capital or operating lease commitments at 31 March 2005 (2004: Nil).

## 27. FUTURE OPERATING LEASE ARRANGEMENTS

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

	Group	
	2005 HK\$	2004 HK\$
Within one year	1,034,561	1,701,333
In the second to fifth year inclusive	791,773	16,500
	<u>1,826,334</u>	<u>1,717,833</u>

## 28. RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant related party transactions with HKCM and its subsidiaries other than the Group (the "HKCM Group").

	Group	
	2005 HK\$	2004 HK\$
Sales of bakery and related products (note (a))	5,920,984	5,716,289
Rental expenses in respect of land and buildings (note (b))	1,597,979	1,723,735
Management fees paid (note (c))	4,387,113	4,164,493
Commission expenses for distribution of festive products coupons (note (d))	206,146	128,516

- (a) Sales of bakery and related products were charged at prices and terms determined by reference to those charged to independent customers of the Group.
- (b) Rental expenses were reimbursed at costs in respect of certain leased premises on the basis on area occupied and relevant rent as percentage of the monthly gross turnover, whichever is higher.
- (c) Pursuant to the administration agreement entered into between Bread Boutique Limited ("BBL"), a wholly-owned subsidiary of the Company, and HKCM, HKCM was engaged to provide management and administration services to BBL on a cost sharing basis.
- (d) The Group has enlisted the HKCM Group to distribute its festive products coupons at the latter's outlets for a commission.



## 29. BANKING FACILITIES

At 31 March 2005, the Group had aggregate banking facilities of HK\$5,000,000 (2004: HK\$5,000,000) for overdrafts and bank guarantees.

At 31 March 2005, the facilities were utilized by the Group to the extent of HK\$3,377,714 (2004: HK\$3,218,574) primarily for bank guarantees granted to third parties in lieu of rental and utility deposits.

## 30. SUBSIDIARIES

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

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

### 30. SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective percentage of holding attributable to the Group %	Principal activities
Interests held indirectly: (cont'd)				
Evergain Consultants Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Investment holding
Great Moment Investment Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property holding
Kingdom Wise Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property holding
<sup>®</sup> 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
<sup>®#</sup> Saint Honore Cake Shop (Shenzhen) Limited	People's Republic of China	HK\$17,200,000	100	Manufacturing of bakery products
Strong Glory Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Investment holding
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
<sup>®#</sup> 夢工場美食(廣州)有限公司	People's Republic of China	US\$400,000	100	Manufacturing of bakery products



**30. SUBSIDIARIES** *(Continued)*

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.

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

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

**31. ULTIMATE HOLDING COMPANY**

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

**32. APPROVAL OF ACCOUNTS**

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