

Notes to the Financial Statements

Year ended 31 March 2001

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited. In the opinion of the directors, the ultimate holding company of the Company is Kong Fai International Limited, a company incorporated in the British Virgin Islands.

The Company is an investment holding company. Its subsidiaries are principally engaged in the operation of a chain of Chinese restaurants in Hong Kong and elsewhere in the People's Republic of China (the "PRC") which specialise in Chiu Chow cuisine, and in the operation of a hotel in the PRC.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of the investment properties, and have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or up to the effective date of acquisition or disposal as appropriate.

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

Investment in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or registered capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investment in subsidiaries is included in the Company's balance sheet at cost, as reduced by any decline in value that is other than temporary. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Notes to the Financial Statements

Year ended 31 March 2001

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

Where a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Revenue recognition

Revenue from restaurant and hotel operations is recognised when goods are sold and services are rendered.

Rental income, including rental invoiced in advance for properties under operating leases, is recognised on a straight line basis over the lease terms.

Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

When the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected cash flows are not discounted to their present values.

Notes to the Financial Statements

Year ended 31 March 2001

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Initial purchases of crockery and utensils, table cloths, towels and uniforms are capitalised and no depreciation is provided thereon. Costs of subsequent replacements of these items are charged to the income statement as and when incurred.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the unexpired term of lease
Buildings	Over the duration of the leases or fifty years, whichever is the shorter
Furniture and restaurant equipment	12.5% – 50%
Motor vehicles	15% – 20%

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income derived therefrom being negotiated at arm's length.

Investment properties are stated at their open market values based on independent professional valuation at the balance sheet date. Any surplus or deficit arising on revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance in the reserve is insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance in the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, any balance in the investment property revaluation reserve which is attributable to that property is credited to the income statement and included in the determination of the gain or loss on disposal.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is twenty years or less.

Inventories

Inventories consist of food and beverage items are stated at the lower of cost and net realisable value. Cost comprises costs that have been incurred in bringing the inventories to their present location and condition and is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to be incurred in preparation for consumption.

Notes to the Financial Statements

Year ended 31 March 2001

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are translated at the approximate rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

Translation of foreign currency financial statements

In preparing consolidated financial statements, financial statements which are not denominated in Hong Kong dollars in respect of operations outside Hong Kong are translated using the closing rate method. Exchange differences arising on consolidation are dealt with in the translation reserve.

Operating leases

Rental expenses under operating leases are charged to the income statement on a straight line basis over the duration of the leases.

Retirement benefits scheme

The amount of the Group's contributions payable under the Group's retirement benefits scheme is charged to the income statement.

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.

Notes to the Financial Statements

Year ended 31 March 2001

3. TURNOVER

Turnover represents the aggregate of the revenue (net of relevant business tax) from restaurant and hotel operations, including service charge and gratuity income, and rental income received and receivable during the year. An analysis of the Group's turnover is as follows:

	2001 HK\$'000	2000 HK\$'000
Restaurant and hotel operations	263,564	354,340
Property rental income	529	905
	<u>264,093</u>	<u>355,245</u>

4. LOSS BEFORE TAXATION

	2001 HK\$'000	2000 HK\$'000
Loss before taxation has been arrived at after charging:		
Directors' remuneration (note 5)	4,110	4,134
Other staff costs, including retirement benefits scheme contributions	82,809	107,492
Total staff costs	<u>86,919</u>	<u>111,626</u>
Auditors' remuneration	450	498
Depreciation	6,274	14,429
Interest on bank borrowings wholly repayable within five years	1,756	2,591
Loss on disposal of a subsidiary	-	16
Rentals in respect of premises under operating leases	25,625	32,227
and after crediting:		
Interest income	<u>1,179</u>	<u>337</u>

Notes to the Financial Statements

Year ended 31 March 2001

5. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Information regarding directors' emoluments

	2001 HK\$'000	2000 HK\$'000
Directors' fees:		
Executive	–	–
Independent non-executive	144	144
Non-executive	72	72
	<u>216</u>	<u>216</u>
Other emoluments paid to executive directors:		
Salaries and other benefits	3,882	3,918
Retirement benefits scheme contributions	12	–
	<u>3,894</u>	<u>3,918</u>
Total directors' emoluments	<u><u>4,110</u></u>	<u><u>4,134</u></u>

The emoluments of the directors fall within the following bands:

	Number of directors	
	2001	2000
Nil to HK\$1,000,000	4	5
HK\$1,000,001 to HK\$2,000,000	2	–
HK\$2,500,001 to HK\$3,000,000	–	1
	<u>6</u>	<u>6</u>

Notes to the Financial Statements

Year ended 31 March 2001

5. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Information regarding employees' emoluments

The five highest paid individuals of the Group in both years included two executive directors. The emoluments of the remaining three highest paid individuals, not being directors, are as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other benefits	3,008	3,292
Retirement benefits scheme contributions	12	–
	<u>3,020</u>	<u>3,292</u>

The emoluments of these three employees fall within the following bands:

	Number of employees	
	2001	2000
Nil to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$1,500,000	2	1
	<u>2</u>	<u>1</u>

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the year, no director waived any emoluments.

Notes to the Financial Statements

Year ended 31 March 2001

6. TAXATION

	2001 HK\$'000	2000 HK\$'000
The taxation charge of the Company and subsidiaries comprises:		
Hong Kong Profits Tax calculated at 16% (2000: 16%) on the estimated assessable profits of the year		
– current year	388	660
– underprovision in prior years	511	91
	<u>899</u>	<u>751</u>

Details of the potential deferred taxation not provided for in the year are set out in note 22.

7. NET LOSS FOR THE YEAR

Of the Group's net loss for the year, a loss of HK\$5,239,000 (2000: HK\$30,074,000) has been dealt with in the financial statements of the Company.

8. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss for the year of HK\$5,591,000 (2000: HK\$13,876,000) and on the weighted average number of 373,270,798 shares (2000: 193,941,411 shares) in issue throughout the year after adjusting for the effects of the rights issue of shares on 18 August 2000. The basic loss per share for 2000 has been adjusted accordingly.

No diluted loss per share has been presented for the year as the exercise and conversion of the share options would result in a decrease in the loss per share for the year.

Notes to the Financial Statements

Year ended 31 March 2001

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture and restaurant equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP				
COST				
At 1 April 2000	55,104	121,951	3,665	180,720
Additions	934	4,588	506	6,028
Disposals	–	(30,841)	(238)	(31,079)
At 31 March 2001	<u>56,038</u>	<u>95,698</u>	<u>3,933</u>	<u>155,669</u>
DEPRECIATION				
At 1 April 2000	6,204	106,512	3,649	116,365
Provided for the year	1,772	4,478	24	6,274
Eliminated on disposals	–	(30,841)	(238)	(31,079)
At 31 March 2001	<u>7,976</u>	<u>80,149</u>	<u>3,435</u>	<u>91,560</u>
NET BOOK VALUES				
At 31 March 2001	<u><u>48,062</u></u>	<u><u>15,549</u></u>	<u><u>498</u></u>	<u><u>64,109</u></u>
At 31 March 2000	<u><u>48,900</u></u>	<u><u>15,439</u></u>	<u><u>16</u></u>	<u><u>64,355</u></u>

The Group's leasehold land and buildings are held under medium-term leases and are situated:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
In Hong Kong	<u>35,252</u>	36,014
In the PRC	<u>12,810</u>	12,886
	<u><u>48,062</u></u>	<u><u>48,900</u></u>

Notes to the Financial Statements

Year ended 31 March 2001

10. INVESTMENT PROPERTIES

	THE GROUP
	HK\$'000
VALUATION	
At 31 March 2001 and 31 March 2000	11,000

The Group's investment properties were revalued at 31 March 2001 by Messrs. RHL Appraisal Ltd., a firm of independent professional property valuers, on an open market existing use basis.

The Group is in the process of applying for a land use rights certificate for the investment properties situated in the PRC, which are held for a term of fifty years expiring in January 2039.

The investment properties are rented out under operating leases.

11. DEPOSITS PAID FOR PROPERTY ACQUISITIONS

	THE GROUP
	2001 & 2000
	HK\$'000
Deposits paid	95,000
Less: Provision	(36,845)
	58,155

The amount represents deposits paid to the developer, net of provision, in connection with the acquisitions of properties at Wen Jin Square, Shenzhen, the PRC for an aggregate consideration of HK\$105,245,000.

Notes to the Financial Statements

Year ended 31 March 2001

11. DEPOSITS PAID FOR PROPERTY ACQUISITIONS (continued)

The developer of the properties failed to deliver the completed properties to the Group by June 1995 as stipulated in the purchase and sale agreements. The Group has therefore made claims against the developer to recover the deposits together with interest (at the rate as set out in the purchase and sale agreements) and damages for the developer's breach of the agreements. In July 1997, the Intermediate People's Court of Shenzhen delivered judgments in the first instance in favour of the Group. The developer then appealed to the Superior People's Court of Guangdong Province which delivered judgments in December 1997 substantially upholding the decision of the Intermediate People's Court of Shenzhen. The developer further made an application for a re-trial. The re-trial by the Superior People's Court of Guangdong Province was opened in July 1999 and the judgment was made in November 2000, under which the Group is obliged to take possession of the properties by paying the balance of the original purchase price amounting to HK\$10,245,000 to the developer and the developer is obliged to pay compensation to the Group amounting to HK\$10,245,000 for the delay of the delivery of the completed properties to the Group. The Group is negotiating with the developer to offset the above amounts. In the opinion of the directors of the Company, an agreement will be reached in the foreseeable future and accordingly, the Group has no further commitment in respect of the balance payment of the properties (see note 29(b)). The Group is in the process of obtaining the legal title of the properties.

Provision is made to reduce the carrying value of the deposits paid to the estimated recoverable amount in realising the properties with reference to the valuations of the properties made by Messrs. RHL Appraisal Ltd., a firm of independent professional property valuers, on an open market basis, at 31 March 2001.

Notes to the Financial Statements

Year ended 31 March 2001

12. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	124,543	124,543
Amounts due from subsidiaries	211,897	170,500
	336,440	295,043
Less: Provision	(197,187)	(194,187)
	139,253	100,856

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, repayment of the amounts will not be demanded by the Company within the twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current assets in the balance sheet.

Details of the Company's principal subsidiaries at 31 March 2001 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued share/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company	Principal activities
Anders Real Estate Limited	British Virgin Islands ("BVI")/ Hong Kong	Ordinary US\$1	100%	Property holding
CCC Holdings (BVI) Limited (note (a))	BVI	Ordinary HK\$187,325,513	100%	Investment holding
CCC Investments (BVI) Limited	BVI	Ordinary US\$1	100%	Investment holding
CCC Overseas Investments (BVI) Limited	BVI	Ordinary US\$1	100%	Investment holding

Notes to the Financial Statements

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12. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued share/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company	Principal activities
City Chiu Chow Investment Development Limited	Hong Kong/ PRC	Ordinary HK\$2	100%	Property holding
City Chiu Chow Management & Consultants Company Limited	Hong Kong	Ordinary HK\$100 (Non-voting deferred HK\$10,000)*	100%	Provision of management services
City Chiu Chow Restaurant Limited	Hong Kong	Ordinary HK\$100 (Non-voting deferred HK\$2,000,000)*	100%	Restaurant operations
Hansen Enterprises Limited	BVI/Hong Kong	Ordinary US\$100	65%	Investment holding
Home Fair Enterprises Company Limited	Hong Kong	Ordinary HK\$100 (Non-voting deferred HK\$2,000,000)*	100%	Restaurant operations
Honcert Development Limited	Hong Kong	Ordinary HK\$100 (Non-voting deferred HK\$20,000,000)*	100%	Restaurant operations
Hover City Chiu Chow Restaurant Limited	Hong Kong	Ordinary HK\$100 (Non-voting deferred HK\$6,000,000)*	100%	Restaurant operations
Lucky Nation Investment Limited	Hong Kong/ PRC	Ordinary HK\$2	65%	Property holding
Lucky Power Investment Limited	Hong Kong/ PRC	Ordinary HK\$2	65%	Property holding
Nation Dragon Investment Limited	Hong Kong/ PRC	Ordinary HK\$2	65%	Property holding

Notes to the Financial Statements

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12. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued share/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company	Principal activities
Smart Success Investment Limited	Hong Kong/ PRC	Ordinary HK\$2	65%	Property holding
Tanson Development Limited	Hong Kong/PRC	Ordinary HK\$10,000	90%	Investment holding
Tsuen Wan City Chiu Chow Restaurant Limited	Hong Kong	Ordinary HK\$100 (Non-voting deferred HK\$8,000,000)*	100%	Restaurant operations
惠州君豪大酒店 (note (b))	PRC	Registered US\$5,000,000	90%	Hotel operations

* The non-voting deferred shares carry no rights to receive notice of or to attend or vote at any general meeting and have practically no rights to dividends or to participate in any distribution on winding up. These deferred shares were indirectly held by the Company other than 150,000 deferred shares of Home Fair Enterprises Company Limited, 4,000,000 deferred shares of Honcert Development Limited, 1,200,000 deferred shares of Hover City Chiu Chow Restaurant Limited and 1,600,000 deferred shares of Tsuen Wan City Chiu Chow Restaurant Limited which were owned by outside parties.

Notes:

- (a) CCC Holdings (BVI) Limited is directly held by the Company. The Company's interest in all other subsidiaries is held through CCC Holdings (BVI) Limited.
- (b) 惠州君豪大酒店 is a joint venture enterprise established in the PRC, to be operated for 29 years up to June 2023. Under the joint venture agreement, the PRC joint venture partner is entitled to pre-determined rental payments and is not entitled to share any of the profit of the joint venture.

The above table lists the subsidiaries of the Company, which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

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13. INTERESTS IN ASSOCIATES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net liabilities (<i>note (a)</i>)	(68)	–
Advances to associates (<i>note (b)</i>)	17,800	13,730
	17,732	13,730
Less: Provision	(13,730)	(13,730)
	4,002	–

Details of the Group's associates at 31 March 2001 are as follows:

Name of associate	Place of incorporation and operation	Percentage of equity interest held	Principal activities
City Chiu Chow Restaurant (Shantou) Limited	Hong Kong	25%	Investment holding
Fameline Limited	Hong Kong	50%	Business of distribution of environmental friendly food containers not yet commenced
Shantou City Chiu Chow Shark's Fin and Bird's Nest Restaurant Limited ("Shantou CCC") (<i>note (c)</i>)	PRC	20%	Inactive

Notes to the Financial Statements

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13. INTERESTS IN ASSOCIATES (continued)

Notes:

- (a) Share of net liabilities by the Group represents the Group's binding obligations to make good losses incurred by one of the associates. The Group does not have any obligations or made any payments to satisfy obligations of the remaining two associates that the Group has guaranteed or otherwise committed. Accordingly, the Group's investment in these two associates has been reduced to a zero value and the Group has discontinued the recognition of the losses of these two associates.
- (b) The advances to associates are unsecured, non-interest bearing and have no fixed repayment terms.
- (c) Shantou CCC is a joint venture enterprise established in the PRC.

14. INVENTORIES

All inventories of the Group were carried at cost at the balance sheet date.

15. TRADE RECEIVABLES

Most of the restaurant customers settle in cash and credit cards. The Group allows an average credit period of 60 days to other trade customers.

The following is an aged analysis of the Group's trade receivables at the balance sheet date:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 – 60 days	3,186	3,270
61 – 90 days	194	157
More than 90 days	196	446
	<u>3,576</u>	<u>3,873</u>

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16. TRADE PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 – 60 days	7,049	13,270
More than 60 days	1,085	1,323
	<u>8,134</u>	<u>14,593</u>

17. BANK BORROWINGS, SECURED

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
The bank borrowings comprise:		
Bank loans	12,829	18,726
Bank overdrafts	–	4,917
	<u>12,829</u>	<u>23,643</u>
The bank borrowings bear interest at prevailing market rates and are repayable as follows:		
Within one year or on demand	5,439	10,794
More than one year but not exceeding two years	5,016	5,432
More than two years but not exceeding five years	2,374	7,417
Total	12,829	23,643
Less: Amount due within one year shown under current liabilities	(5,439)	(10,794)
Amount due after one year	<u>7,390</u>	<u>12,849</u>

Notes to the Financial Statements

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18. SHARE CAPITAL

	Number of shares		Amount	
	2001	2000	2001 HK\$'000	2000 HK\$'000
Shares of HK\$0.10 each				
Authorised:				
At beginning of the year	300,000,000	300,000,000	30,000	30,000
Increase in authorised share capital in July 2000 (see (a) below)	4,700,000,000	–	470,000	–
At end of the year	5,000,000,000	300,000,000	500,000	30,000
Issued and fully paid:				
At beginning of the year	193,941,411	193,941,411	19,394	19,394
Rights issue of shares in August 2000 (see (b) below)	290,912,116	–	29,091	–
At end of the year	484,853,527	193,941,411	48,485	19,394

As announced by the Company on 21 June 2000 and were approved by the Company's shareholders at a special general meeting of the Company held on 27 July 2000, the following changes in share capital took place:

- (a) The Company increased its authorised share capital from HK\$30,000,000 to HK\$500,000,000 by the creation of an additional 4,700,000,000 shares of HK\$0.10 each.
- (b) The Company issued 290,912,116 new shares of HK\$0.10 each ("Rights Shares") at a subscription price of HK\$0.15 per Rights Share to the shareholders of the Company in the proportion of three Rights Shares for every two shares then held. The Rights Shares were allotted on 18 August 2000.

All shares issued during the year rank pari passu with the then existing shares in issue in all respects.

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19. SHARE OPTION SCHEME

The Company has a share option scheme under which options may be granted to executive directors of the Company to subscribe for shares in the Company. The subscription price will be determined by the Company's board of directors, and will not be less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of the option. The maximum number of shares in respect of which options may be granted under this scheme may not exceed 10% of the issued share capital of the Company from time to time.

On 19 March 2001, options to subscribe for 36,300,000 shares in the Company at HK\$0.10 per share, with an exercisable period up to 13 October 2002, were granted. None of these share options was exercised during the year and all these share options remained outstanding at 31 March 2001. No option was granted and exercised during the year ended 31 March 2000 and there was no unexercised option outstanding at 31 March 2000.

The Company received no consideration for options granted during the year.

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20. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE GROUP						
Balance at 1 April 1999	76,131	84,123	–	(642)	(65,566)	94,046
Write off of translation reserve upon cessation of business of a subsidiary	–	–	–	642	–	642
Net loss for the year	–	–	–	–	(13,876)	(13,876)
Balance at 31 March 2000	76,131	84,123	–	–	(79,442)	80,812
Premium arising from rights issue of shares	14,545	–	–	–	–	14,545
Net loss for the year	–	–	–	–	(5,591)	(5,591)
Balance at 31 March 2001	<u>90,676</u>	<u>84,123</u>	<u>–</u>	<u>–</u>	<u>(85,033)</u>	<u>89,766</u>
THE COMPANY						
Balance at 1 April 1999	76,131	–	113,143	–	(77,741)	111,533
Net loss for the year	–	–	–	–	(30,074)	(30,074)
Balance at 31 March 2000	76,131	–	113,143	–	(107,815)	81,459
Premium arising from rights issue of shares	14,545	–	–	–	–	14,545
Net loss for the year	–	–	–	–	(5,239)	(5,239)
Balance at 31 March 2001	<u>90,676</u>	<u>–</u>	<u>113,143</u>	<u>–</u>	<u>(113,054)</u>	<u>90,765</u>

The capital reserve of the Group arose as a result of the group reorganisation in October 1992. It represents the difference between the aggregate nominal amount of the share capital issued by the Company in exchange for the aggregate nominal amount of the share capital of subsidiaries.

The contributed surplus of the Company represents the difference between the value of the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the share capital issued by the Company under the group reorganisation in October 1992.

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20. RESERVES (continued)

Under the laws of Bermuda, the contributed surplus account of a company is available for distribution to shareholders. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31 March 2001 comprised contributed surplus less accumulated losses and amounted to HK\$89,000 (2000: HK\$5,328,000).

The accumulated losses of the Group included losses of HK\$69,000 (2000: HK\$1,000) attributable to associates of the Group.

21. MINORITY INTERESTS/LOANS FROM MINORITY SHAREHOLDERS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net liabilities of subsidiaries	<u>(23,150)</u>	<u>(22,818)</u>
Loans from minority shareholders of subsidiaries	<u>44,501</u>	<u>44,468</u>

The loans from minority shareholders of subsidiaries are unsecured and non-interest bearing. The respective minority shareholders are entitled to repayment only after their share of losses in relevant subsidiaries are made good. Accordingly, the loans are shown as non-current liabilities in the consolidated balance sheet.

Notes to the Financial Statements

Year ended 31 March 2001

22. UNRECOGNISED DEFERRED TAXATION

At 31 March 2001, the Group had estimated tax losses carried forward of approximately HK\$37,700,000 (2000: HK\$32,900,000), representing a future tax benefit of approximately HK\$6,000,000 (2000: HK\$5,300,000), which can be carried forward indefinitely to relieve future assessable profits. No deferred tax asset has been recognised in respect of the tax losses carried forward as it is not certain that the tax benefit will be realised in the foreseeable future. There were no other significant timing differences arising during the year or at the balance sheet date.

In the opinion of the directors of the Company, the Group will not be disposing of its properties in the PRC in the foreseeable future. Accordingly, no deferred taxation has been provided on valuation surpluses or deficits relating to properties in the PRC.

The Company did not have any significant unprovided deferred taxation arising during the year or at the balance sheet date.

23. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Loss before taxation	(5,024)	(17,116)
Write off of translation reserve upon cessation of business of a subsidiary	–	642
Share of results of associates	68	–
Interest income	(1,179)	(337)
Interest expense	1,756	2,591
Depreciation	6,274	14,429
Overprovision for loss on closure of restaurants	(336)	(2,077)
Deficit arising on revaluation of investment properties	–	3,181
Provision for deposits paid for property acquisitions	–	10,500
Loss on disposal of a subsidiary	–	16
Provision for amount due from an associate	–	56
Decrease (increase) in inventories	2,206	(794)
Decrease in trade and other receivables	1,807	3,552
Decrease in trade and other payables	(10,768)	(4,216)
Net cash (outflow) inflow from operating activities	<u>(5,196)</u>	<u>10,427</u>

Notes to the Financial Statements

Year ended 31 March 2001

24. DISPOSAL OF A SUBSIDIARY

	2001 HK\$'000	2000 HK\$'000
Net liabilities disposed of:		
Property, plant and equipment	-	35,000
Trade and other receivables	-	1,050
Bank balances and cash	-	85
Trade and other payables	-	(20)
Taxation payable	-	(99)
Bank loan	-	(20,500)
Amount due to immediate holding company	-	(23,663)
	-	(8,147)
Assignment of amount due to immediate holding company	-	23,663
	-	15,516
Loss on disposal	-	(16)
Consideration	-	15,500
Satisfied by:		
Cash	-	15,500
Analysis of the net inflow of cash and cash equivalents in connection with the disposal of a subsidiary:		
Cash consideration received	-	15,500
Bank balances and cash disposed of	-	(85)
	-	15,415

The subsidiary disposed of in 2000 did not have any significant impact on the Group's cash flows or operating results for that year.

Notes to the Financial Statements

Year ended 31 March 2001

25. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Bank loans HK\$'000	Loans from minority shareholders HK\$'000
Balance at 1 April 1999	95,525	45,251	44,413
Advances from minority shareholders	–	–	55
Repayment during the year	–	(6,025)	–
Arising on disposal of a subsidiary	–	(20,500)	–
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2000	95,525	18,726	44,468
Proceeds from rights issue of shares	43,636	–	–
Advances from minority shareholders	–	–	33
Repayment during the year	–	(5,897)	–
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2001	<u>139,161</u>	<u>12,829</u>	<u>44,501</u>

26. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 HK\$'000	2000 HK\$'000
Bank balances and cash	35,131	19,772
Bank overdrafts	–	(4,917)
	<hr/>	<hr/>
	<u>35,131</u>	<u>14,855</u>

Notes to the Financial Statements

Year ended 31 March 2001

27. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group was committed to make certain payments for land and buildings under non-cancellable operating leases. The expiry date of these leases and the amount payable within the following year are summarised as below:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
In respect of leases expiring:		
Within one year	10,557	2,325
In the second to fifth year inclusive	8,825	18,902
	<u>19,382</u>	<u>21,227</u>

The Company did not have any significant operating lease commitments at the balance sheet date.

28. CAPITAL COMMITMENTS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
Authorised but not contracted for	721	–
Contracted for but not provided in the financial statements	–	200
	<u>721</u>	<u>200</u>

The Company did not have any significant capital commitments at the balance sheet date.

Notes to the Financial Statements

Year ended 31 March 2001

29. OTHER COMMITMENTS

- (a) Under the joint venture agreement of a subsidiary established in the PRC, the Group has committed to pay a pre-determined rental payment to the PRC joint venture partner during the period from October 1993 to June 2023 (see note 12(b)). The amount of rental payable in the following year amounted to HK\$593,000 (2000: HK\$593,000).
- (b) At 31 March 2000, the Group had outstanding commitment of HK\$10,245,000 in respect of the balance payments for the acquisitions of properties at Wen Jin Square, Shenzhen, the PRC. As described in note 11, the directors of the Company are of the opinion that the Group has no such commitment at 31 March 2001.

30. PLEDGE OF ASSETS

At the balance sheet date, the Group's bank facilities were secured by the following:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Leasehold land and buildings	48,062	48,900
Investment properties	11,000	11,000
Bank deposits	1,534	1,265
	60,596	61,165

31. CONTINGENT LIABILITIES

	THE COMPANY	
	2001 & 2000	
	HK\$'000	
Corporate guarantees given to banks in respect of banking facilities granted to subsidiaries		53,000

Notes to the Financial Statements

Year ended 31 March 2001

32. LONG SERVICE PAYMENTS

At 31 March 2001, certain employees of the Group had completed the required number of years of service under the Hong Kong Employment Ordinance (the “Ordinance”) to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments if the termination of employment of these employees meets the circumstances specified in the Ordinance. If the employment of all these employees were terminated on 31 March 2001 under the circumstances meeting the requirements of the Ordinance, the liability of the Group as at that date would have been HK\$10,522,000 (2000: HK\$12,772,000). At 31 March 2001, provision of HK\$358,000 (2000: HK\$1,600,000) was made in the financial statements in respect of such long service payments.

33. RETIREMENT BENEFITS SCHEME

The Group did not provide retirement benefits for its employees in Hong Kong before 1 December 2000. With effect from 1 December 2000, the Group set up a retirement benefits scheme under the mandatory provident fund scheme (the “MPF Scheme”) for all the eligible employees of the Group in Hong Kong.

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK\$1,000 and they can choose to make additional contributions. The employer’s monthly contributions are calculated at 5% of the employee’s monthly salaries up to a maximum of HK\$1,000 (the “mandatory contributions”). The employees are entitled to 100% of the employer’s mandatory contributions upon their retirement at the age of 65, death or total incapacity.

Employees of subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

Total employers’ contributions charged to the income statement of the Group amounted to HK\$1,081,000 (2000: nil).

Notes to the Financial Statements

Year ended 31 March 2001

34. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) During the year, the Group leased certain premises for its restaurant operations from Homley Development Limited ("Homley"). Homley was formerly an indirect wholly-owned subsidiary of the Company. As announced by the Company on 26 March 1999 and approved by the Company's independent shareholders at a special general meeting of the Company held on 6 May 1999, the Company disposed of its entire interest in the issued share capital of Homley and the interest-free shareholder's loan due from Homley to a wholly-owned subsidiary of the Company to Golden Toy Investments Limited, a company in which Mr. Cheng Hop Fai, Mrs. Cheng Kwok Kwan Yuk and Miss Cheng Pak Ming, Judy, directors of the Company, are deemed to be beneficially interested, for an aggregate consideration of HK\$15,500,000. On 14 May 1999, the Group entered into a tenancy agreement with Homley for leasing of Homley's premises for certain of the Group's restaurant operations for a period of three years commencing 1 May 1999 at a monthly rental of HK\$350,000 (exclusive of rates, management fees and air-conditioning charges), the then market rental as advised by a firm of independent professional valuers. Details of these are set out in the circular dated 19 April 1999 issued by the Company.

Rentals charged by Homley during the year under the above tenancy agreement amounted to HK\$4,200,000 (2000: HK\$3,850,000). At 31 March 2001, accrued rental payable to Homley amounted to HK\$350,000 (2000: HK\$350,000) and was included in trade and other payables.

- (b) During the year, the Group paid HK\$759,000 (2000: HK\$753,000), comprising retainer fee of HK\$240,000 (2000: HK\$240,000) and reimbursement of disbursements of HK\$519,000 (2000: HK\$513,000), on mutually agreed terms, to Advance Leader Company Limited, a company in which Mr. Mark Yiu Tong, William, a director of the Company, has a beneficial interest, for advertising and marketing services.
- (c) During the year, the Group made rental payments of HK\$593,000 (2000: HK\$593,000), under the joint venture agreement, to the PRC joint venture partner of 惠州君豪大酒店 (see note 12(b)).
- (d) In 2000, the Group received rental income of HK\$600,000, on mutually agreed terms, from Shantou CCC, an associate of the Group. No such rental income was received by the Group during the year ended 31 March 2001.

In addition, Mr. Cheng Hop Fai has given a personal guarantee to a bank in respect of banking facilities to the extent of HK\$15,000,000 (2000: HK\$15,000,000) granted to the Group. The guarantee will be released upon receipt of formal title deeds of the Group's properties situated in the PRC covered by the facilities and execution of formal first legal mortgage.

Notes to the Financial Statements

Year ended 31 March 2001

35. SEGMENTAL INFORMATION

An analysis of the Group's turnover and loss from operations, by principal activities and by location of markets, is as follows:

	Turnover		Loss from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activities:				
Restaurant and hotel operations	263,564	354,340	(2,603)	(943)
Property investment	529	905	(597)	(3,082)
	<u>264,093</u>	<u>355,245</u>	<u>(3,200)</u>	<u>(4,025)</u>
By location of markets:				
Hong Kong	238,647	318,045	(3,472)	2,575
PRC	25,446	37,200	272	(6,600)
	<u>264,093</u>	<u>355,245</u>	<u>(3,200)</u>	<u>(4,025)</u>