

Notes to the Financial Statements

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. PRINCIPAL ACCOUNTING POLICIES

a. Basis of presentation

The financial statements of the Company and its subsidiaries (the “Group”) have been prepared under the historical convention as modified by the revaluation and valuation of investment properties and short-term investments, and in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, the accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited.

b. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All significant intra-group transactions and balances have been eliminated on consolidation.

Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the Group’s share of separable net assets of the subsidiaries acquired) is amortised to the income statement over a period of five years unless it is not considered by the directors to be of future benefit, in which case it is eliminated immediately against available reserves.

c. Fixed assets and depreciation

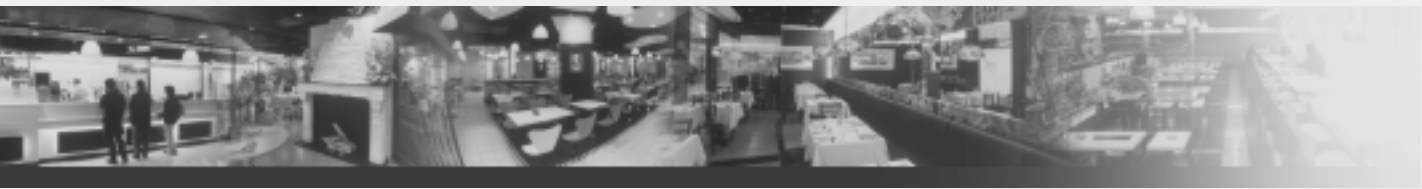
Initial purchases of utensils, cutlery and glassware are capitalised at original historical cost and are included in restaurant equipment. Costs of subsequent replacements are charged to the income statement in the year of expenditure.

Fixed assets, other than utensils, cutlery, glassware and investment properties, are stated at cost or valuation less accumulated 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 fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally 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 fixed assets, the expenditure is capitalised as an additional cost of the fixed assets.

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the cost of each asset over its expected useful life. Leasehold land is amortised over the remaining period of the respective lease. The annual rates are as follows:

Leasehold improvements	Over the unexpired period of the lease
Land	Over the remaining period of the lease
Buildings	2.5%
Furniture and restaurant equipment	15% to 20%

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.



Notes to the Financial Statements (cont'd)

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

d. 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 and for the long-term.

Investment properties are included in the balance sheet at their open market value, on the basis of an annual valuation by professionally qualified executives of the Group and by independent valuers at intervals of not more than three years. Changes in the value of investment properties are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a reduction in the open market value on a portfolio basis, the excess is charged to the income statement.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the property revaluation reserve to the income statement as part of the profit or loss on disposal of the investment property.

No depreciation is provided on investment properties unless the unexpired lease term is 20 years or less, in which case depreciation is provided on their carrying value over the unexpired lease term.

e. Trademarks

Trademarks acquired are included in the balance sheet at the lower of cost and fair value as determined by the directors of the Company and no amortisation is provided. Where appropriate, provision is made for any impairment in value.

f. Subsidiaries

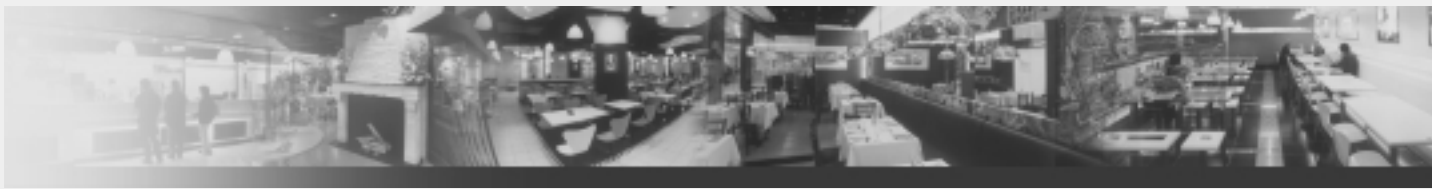
A company is a subsidiary company if more than 50% of the issued voting capital is held long-term, directly or indirectly.

In the Company's balance sheet, investment in subsidiaries is stated at cost less provision for impairment in value where considered necessary by the directors. The results of the subsidiaries are included in the Company's income statement to the extent of dividends declared by the subsidiaries.

g. Associates

An associate is an enterprise over which the Group has significant influence, but not control or joint control, and thereby has the ability to participate in its financial and operating policy decisions.

In the consolidated financial statements, investment in an associate is accounted for under the equity method of accounting, whereby the investment is initially recorded at cost and the carrying amount is adjusted to recognise the Group's share of the post-acquisition profits or losses of the associate, distributions received from the associate and other necessary alterations in the Group's proportionate interest in the associate arising from changes in the equity of the associate that have not been included in the income statement.



Notes to the Financial Statements (cont'd)

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

h. Jointly controlled entity

A jointly controlled entity is an entity under a contractual arrangement where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

In the consolidated financial statements, the Group's interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the jointly controlled entity. The Group's share of post-acquisition results of the jointly controlled entity is included in the consolidated income statement.

Goodwill arising from the acquisition of the jointly controlled entity (representing the excess of the fair value of the consideration given over the fair value of the Group's share of separable net assets of the jointly controlled entity acquired) is eliminated immediately against available reserves.

i. Other investments

Other investments, intended to be held on a continuing basis, are included in the balance sheet at cost less any provision for impairment in value.

The carrying amounts of other investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When such a decline has occurred, the carrying amounts are reduced and the reduction is recognised as an expense in the income statement unless there is evidence that the decline is temporary.

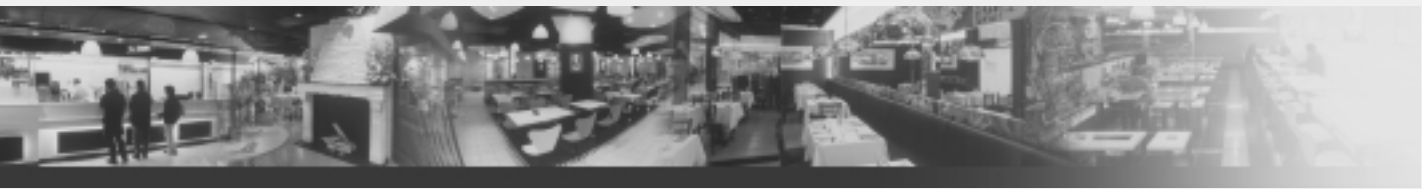
Provisions against the carrying value of other investments are reversed to the income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Upon disposal or transfer of the other investments, any profit and loss thereon is accounted for in the income statement.

j. Short-term investments

Short-term investments are listed shares carried at fair value in the balance sheet. Any unrealised holding gain or loss on short-term investments is recognised in the income statement in the period when it arises.

Upon disposal or transfer of short-term investments, any profit or loss thereon is accounted for in the income statement.



Notes to the Financial Statements (cont'd)

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

k. Stocks

Stocks comprise mainly food and consumable stores.

Stocks are stated at the lower of cost and net realisable value.

Cost is based on the first-in, first-out cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provision is made for obsolete, slow-moving or defective items where appropriate.

l. Cash and cash equivalents

Cash represents cash on hand and placements with banks or other financial institutions which are repayable on demand.

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

m. Turnover

Turnover comprises (i) the value of sales in the normal course of business and (ii) rental income.

n. Revenue recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably, turnover and other revenue are recognised on the following bases:

(i) Sales of goods and services

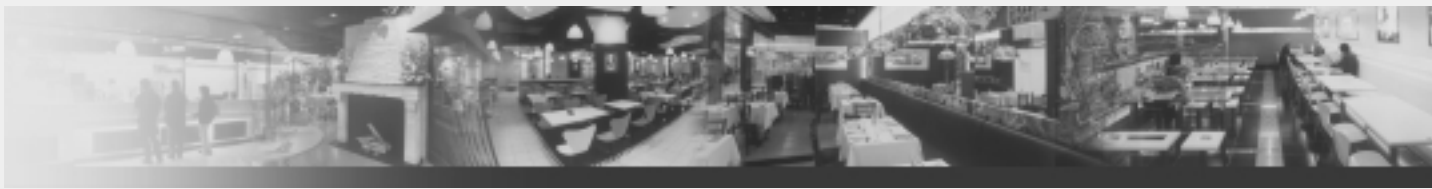
Sales of goods and services are recognised when the significant risks and rewards of ownership of the goods have been transferred or services are rendered.

(ii) Rental income

Rental income is recognised when rentals become due and receivable.

(iii) Interest income

Interest income from bank placements is recognised on a time proportion basis on the principal outstanding and at the rate applicable.



Notes to the Financial Statements (cont'd)

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

o. Cost of sales

Cost of sales represents costs which vary directly or indirectly with the level of sales of the Group. It comprises cost of stocks and operating costs incurred for generating sales of goods and services, and rental income. The operating costs include mainly operating lease rentals, staff costs, utility costs and depreciation of fixed assets incurred by quick service restaurants, fast casual dining, institutional catering and specialty restaurant chains, and outgoings for rental income.

p. Deferred taxation

Deferred taxation is provided under the liability method, at the current tax rate, in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except when it is considered that no liability will arise in the foreseeable future. Deferred tax assets are not recognised unless the related benefits are expected to crystallise in the foreseeable future.

q. Operating leases

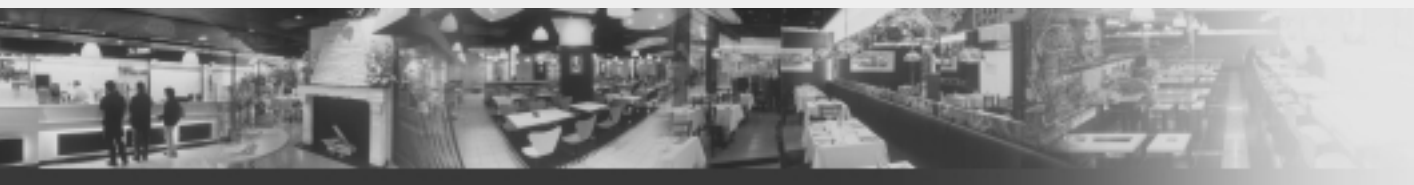
Leases where substantially all the risks and rewards of ownership of the leased assets remain with the lessors are accounted for as operating leases. Rentals applicable to such leases are charged to the income statement on a straight-line basis over the period of the relevant leases.

r. Foreign currencies

Companies within the Group maintain their books and records in the primary currencies of their respective countries (the “functional currencies”).

In the financial statements of the individual companies, monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into the respective functional currencies at rates of exchange in effect at the balance sheet date. Transactions in other currencies during the year are translated into the respective functional currencies at rates of exchange in effect at the time of the transactions. Exchange differences are dealt with in the income statements of the individual companies.

For the purpose of consolidation, all assets and liabilities of subsidiaries other than those originally funded in Hong Kong dollars are translated into Hong Kong dollars at rates of exchange in effect at the balance sheet date; those originally funded by Hong Kong dollars are translated at historical rates. All income and expense items are translated at the monthly average rates of exchange over the year. Exchange differences arising on such translation are credited or charged to the cumulative translation reserve.



Notes to the Financial Statements (cont'd)

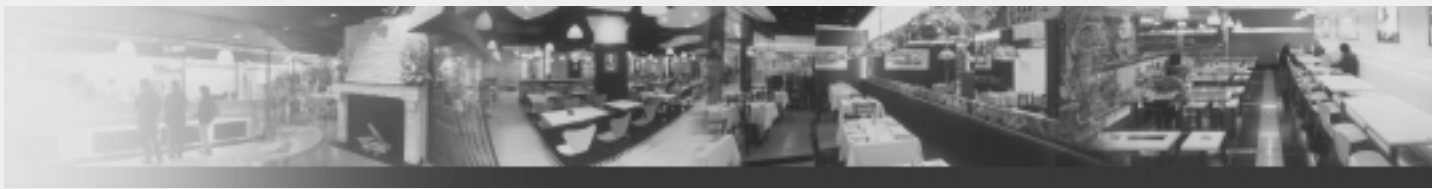
31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PROFIT BEFORE TAXATION

The consolidated profit before taxation was determined after charging and crediting the following:

	2001 \$'000	2000 \$'000
After charging		
Operating lease rentals in respect of rented premises	275,963	276,712
Interest expense on bank overdrafts and loans wholly repayable within five years	25,987	39,514
Depreciation of fixed assets	114,524	118,265
Net loss on disposals of fixed assets	6,141	17,196
Unrealised loss on short-term investments	611	—
Realised loss on disposal of other investments	5	—
Cost of stocks	796,299	717,941
Provision for impairment of trademarks (Note 9)	420	2,000
Staff costs (including directors)	681,163	630,120
Auditors' remuneration	2,037	1,803
	<u> </u>	<u> </u>
After crediting		
Gross rental income from investment properties	6,679	7,392
Less: Outgoings	(188)	(71)
	<u> </u>	<u> </u>
Other rental income less outgoings	6,491	7,321
Interest income	6,725	5,010
	<u>39,698</u>	<u>29,593</u>



Notes to the Financial Statements (cont'd)

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

3. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

a. Details of directors' emoluments are as follows:

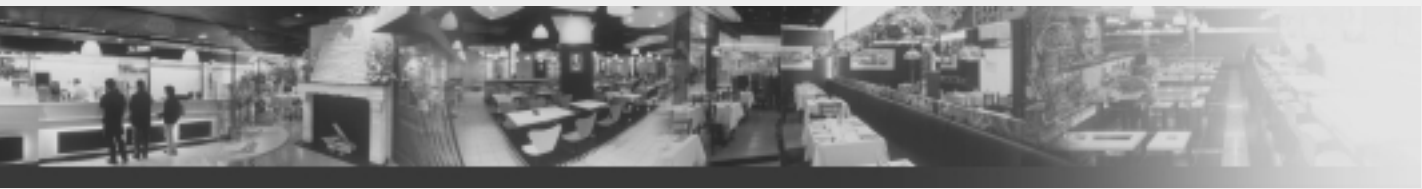
	2001 \$'000	2000 \$'000
Fees		
— Executive directors	200	200
— Non-executive directors and independent non-executive directors	400	300
Other emoluments for executive directors		
— Basic salaries, gratuity and other allowances	3,715	4,055
— Benefits from share options exercised	1,846	1,189
— Contributions to pension scheme	475	474
— Discretionary bonuses	6,284	6,733
	<u>12,920</u>	<u>12,951</u>

No directors waived any emoluments during the year.

Analysis of the emoluments of the executive directors by number of directors and emolument ranges is as follows:

	2001	2000
Nil to \$1,000,000	1	1
\$1,500,001 to \$2,000,000	1	1
\$4,500,001 to \$5,000,000	1	1
\$5,000,001 to \$5,500,000	1	1
	<u>4</u>	<u>4</u>

The emoluments of all non-executive directors were below \$1,000,000.



Notes to the Financial Statements (cont'd)

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

3. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Cont'd)

- b. Details of emoluments earned by the five highest paid individuals (including directors and employees) are as follows:

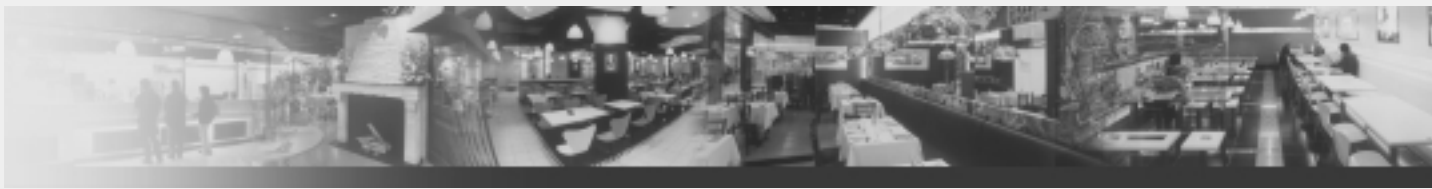
	2001 \$'000	2000 \$'000
Directors' fees	150	150
Basic salaries, gratuity and other allowances	3,985	4,370
Benefits from share options exercised	2,378	1,337
Contributions to pension scheme	593	511
Discretionary bonuses	6,827	7,264
	<u>13,933</u>	<u>13,632</u>

Three (2000 - Three) of the five highest paid individuals were directors of the Company, and their emoluments have been included in Note 3.a.

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as inducement to join or as compensation for loss of office.

Analysis of the emoluments earned by the five highest paid individuals (including directors and employees) by number of individuals and emolument ranges is as follows:

	2001	2000
Nil to \$1,000,000	1	2
\$1,000,001 to \$1,500,000	1	—
\$1,500,001 to \$2,000,000	1	1
\$4,500,001 to \$5,000,000	1	1
\$5,000,001 to \$5,500,000	1	1
	<u>5</u>	<u>5</u>



Notes to the Financial Statements (cont'd)

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

4. TAXATION

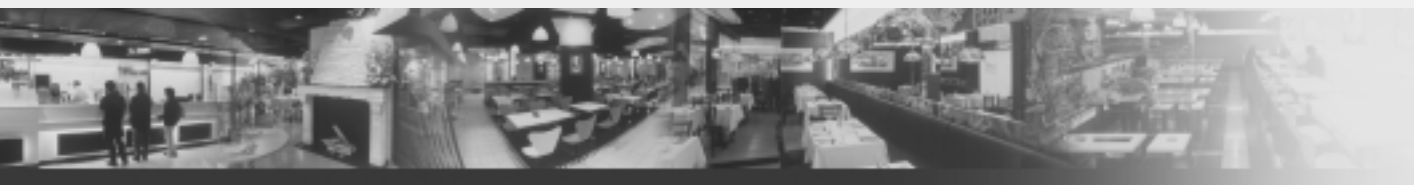
The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 16% (2000 - 16%) on the estimated assessable profits for the year. Overseas taxation has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions of countries in which the Group operated.

Taxation in the consolidated income statement comprised:

	2001 \$'000	2000 \$'000
Company and subsidiaries:		
Hong Kong profits tax	37,062	32,792
Overseas taxation	261	139
Deferred taxation (Note 17)	<u>(636)</u>	<u>2,032</u>
	36,687	34,963
Associate:		
Hong Kong profits tax	117	—
Jointly controlled entity:		
Overseas taxation	<u>1,166</u>	<u>—</u>
	<u>37,970</u>	<u>34,963</u>

5. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders included a profit of approximately \$106,043,000 (2000 - \$93,030,000) dealt with in the financial statements of the Company.



Notes to the Financial Statements (cont'd)

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

6. DIVIDENDS

Dividends comprised:

	2001 \$'000	2000 \$'000
Interim dividend paid: 4.4 cents per share (2000 - 4.0 cents per share)	24,059	22,096
Final dividend proposed: 15.1 cents per share (2000 - 12.8 cents per share)	82,690	70,547
Interim dividend for current year in respect of share options exercised and shares purchased prior to the dividend payment date	2	—
Final dividend for preceding year in respect of share options exercised and shares purchased prior to the dividend payment date	(275)	42
	<u>106,476</u>	<u>92,685</u>

7. EARNINGS PER SHARE

Basic earnings per share was calculated based on the consolidated profit attributable to shareholders of approximately \$254,278,000 (2000 - \$220,542,000) and the weighted average number of 548,795,754 shares (2000 - 552,193,498 shares) in issue during the year.

Diluted earnings per share was calculated based on the consolidated profit attributable to shareholders of approximately \$254,278,000 (2000 - \$220,542,000) and the weighted average number of 549,554,693 shares (2000 - 553,336,830 shares) in issue having been adjusted to reflect the effects of all dilutive potential ordinary shares during the year.

Notes to the Financial Statements (cont'd)

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

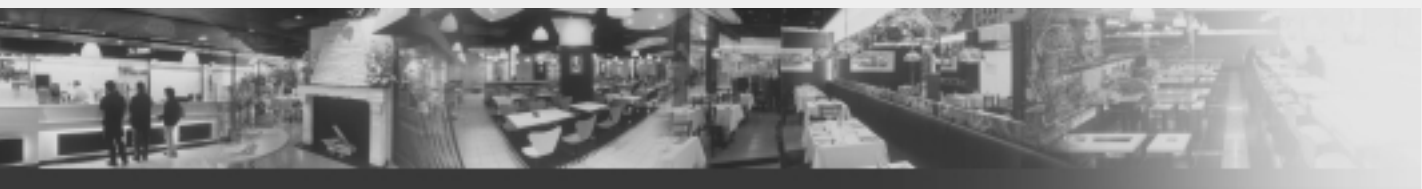
8. FIXED ASSETS

a. Movements

Movements in fixed assets (consolidated) were as follows:

	2001				2000	
	Investment properties \$'000	Land and buildings \$'000	Leasehold improvements \$'000	Furniture and restaurant equipment \$'000	Total \$'000	Total \$'000
Cost or valuation						
Beginning of year	89,450	570,531	249,881	625,973	1,535,835	1,495,551
Revaluation	(705)	—	—	—	(705)	(11,350)
Additions	—	9,898	21,866	132,452	164,216	135,473
Reclassification (see Note (i))	8,605	(9,700)	—	—	(1,095)	—
Disposals	—	(9,882)	(36,042)	(46,643)	(92,567)	(83,839)
End of year	<u>97,350</u>	<u>560,847</u>	<u>235,705</u>	<u>711,782</u>	<u>1,605,684</u>	<u>1,535,835</u>
Representing						
At cost	—	560,847	235,705	711,782	1,508,334	1,446,385
At professional valuation in						
2001	97,350	—	—	—	97,350	—
2000	—	—	—	—	—	89,450
	<u>97,350</u>	<u>560,847</u>	<u>235,705</u>	<u>711,782</u>	<u>1,605,684</u>	<u>1,535,835</u>
Accumulated depreciation						
Beginning of year	—	75,371	190,851	408,200	674,422	622,282
Charges for the year	—	10,425	15,649	88,450	114,524	118,265
Reclassification (see Note (i))	—	(1,095)	—	—	(1,095)	—
Disposals	—	—	(35,572)	(36,749)	(72,321)	(66,125)
End of year	<u>—</u>	<u>84,701</u>	<u>170,928</u>	<u>459,901</u>	<u>715,530</u>	<u>674,422</u>
Net book value						
End of year	<u>97,350</u>	<u>476,146</u>	<u>64,777</u>	<u>251,881</u>	<u>890,154</u>	<u>861,413</u>
Beginning of year	<u>89,450</u>	<u>495,160</u>	<u>59,030</u>	<u>217,773</u>	<u>861,413</u>	<u>873,269</u>

- (i) During the year, certain land and buildings with a cost of approximately \$9,700,000 and accumulated depreciation of approximately \$1,095,000 were reclassified as investment properties at net book value. As at 31st March, 2001, such investment properties were revalued on an open market value basis. (See also Note 8.b)



Notes to the Financial Statements (cont'd)

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

8. FIXED ASSETS (Cont'd)

b. Details of investment properties and land and buildings

The carrying amount of investment properties and land and buildings (consolidated) comprised:

	Investment properties		Land and buildings	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Situated in Hong Kong	97,350	89,450	409,455	426,591
Situated in the PRC	—	—	49,486	51,274
Situated in Macau	—	—	17,205	17,295
	<u>97,350</u>	<u>89,450</u>	<u>476,146</u>	<u>495,160</u>

Investment properties and land and buildings situated in Hong Kong and Macau are held under long-term leases. Land and buildings situated in the PRC are held under land use rights for a period of 50 years expiring between January 2031 and February 2041.

The investment properties were revalued as at 31st March, 2001 on an open market value basis by FPD Savills (Hong Kong) Limited, professional valuers.

Certain of the Group's investment properties and land and buildings with carrying amounts of approximately \$198,145,000 (2000 - \$195,695,000) were mortgaged to secure certain of the Group's banking facilities (see Note 21).

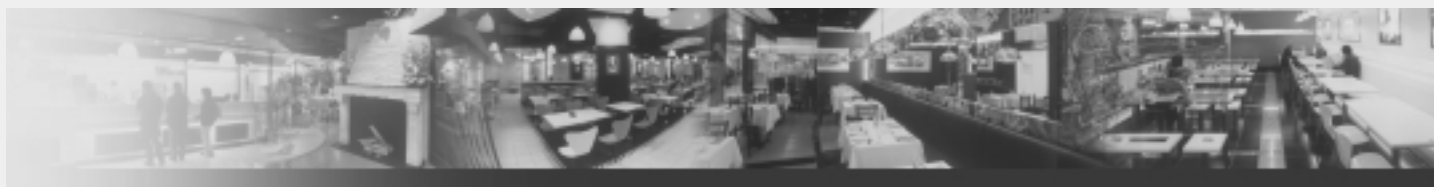
9. TRADEMARKS

Trademarks (consolidated) comprised:

	2001 \$'000	2000 \$'000
Trademarks		
Beginning of year	64,694	64,274
Additions	—	420
End of year	<u>64,694</u>	<u>64,694</u>
Less: Provision for impairment in value	<u>(2,420)</u>	<u>(2,000)</u>
	<u>62,274</u>	<u>62,694</u>

The trademarks mainly represented the intellectual properties relating to the 'Ah Yee Leng Tong' and 'The Spaghetti House' operations. They were valued by professional valuers on 30th June, 1991 and 29th February, 1992, respectively, at their fair value, and the valuations were equal to the costs of acquisition of these trademarks.

The directors are of the opinion that the fair value of the trademarks was less than the book value. Accordingly, a provision of approximately \$420,000 (2000 - \$2,000,000) was made for the impairment in value and was netted against other revenue, net, in the income statement (see Note 2).



Notes to the Financial Statements (cont'd)

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

10. INVESTMENT IN SUBSIDIARIES

In the Company's balance sheet, investment in subsidiaries comprised:

	2001 \$'000	2000 \$'000
Unlisted shares, at cost	331,802	331,802
Due from subsidiaries	81,932	96,793
	<u>413,734</u>	<u>428,595</u>

Details of principal subsidiaries as at 31st March, 2001 are set out on pages 66 to 69. None of the subsidiaries had any loan capital in issue at any time during the year ended 31st March, 2001.

The amounts due from subsidiaries were unsecured, non-interest bearing and not repayable within the next twelve months.

The directors are of the opinion that the underlying value of the subsidiaries is not less than the carrying value at 31st March, 2001.

11. INVESTMENT IN AN ASSOCIATE

Investment in an associate (consolidated) represents:

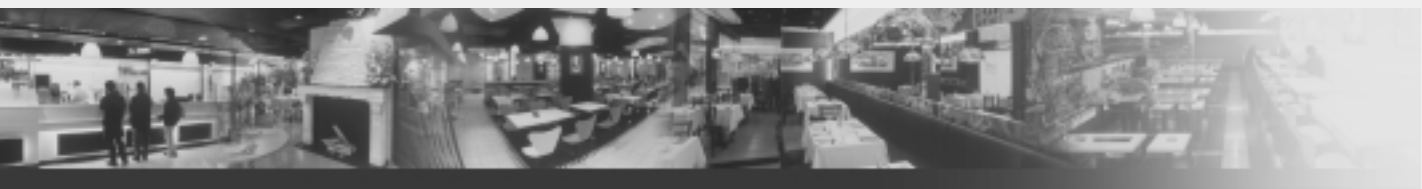
	2001 \$'000	2000 \$'000
Share of net assets of the associate	814	—
Loan to the associate	800	—
	<u>1,614</u>	<u>—</u>

a. Details of the associate as at 31st March, 2001 were as follows:

Name	Place and date of incorporation	Issued and fully paid share capital	Equity interest attributable to the Group	Principal activities/ Place of operation
Miracle Time Enterprises Limited	Hong Kong/ 21st February, 2000	\$1,000,000	20%	Operating a restaurant/ Hong Kong

b. The loan to the associate was unsecured, bore interest at commercial bank rate and was not repayable within the next twelve months.

c. The directors are of the opinion that the underlying value of the associate was not less than its carrying amount as at 31st March, 2001.



Notes to the Financial Statements (cont'd)

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12. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

Investment in a jointly controlled entity (consolidated) represents:

	2001 \$'000	2000 \$'000
Share of net assets of the jointly controlled entity	13,549	—
Due from jointly controlled entity	790	—
	<u>14,339</u>	<u>—</u>

a. On 28th September, 2000, the Group acquired an interest in a jointly controlled entity which manages and operates a quick service restaurant chain known as “Manchu Wok” in the United States, Canada and Poland at a consideration of approximately \$24,086,000 including goodwill of approximately \$14,174,000 which was eliminated immediately against available reserves.

b. Details of the jointly controlled entity as at 31st March, 2001 were as follows:

Name	Place and date of incorporation	Issued and fully paid share capital	Equity interest attributable to the Group	Principal activities/ Place of operation
Manchu Wok Enterprises, Inc (“MWEI”)	Canada/ 28th July, 2000	Redeemable preference shares: Class A — CDN\$2,865,000 (see Note (i)); Class B — CDN\$3,435,000 (see Note (ii)); and Ordinary shares: Class C — CDN\$1,000 (see Note (iii))	48%	Restaurants/ The United States, Canada, Poland

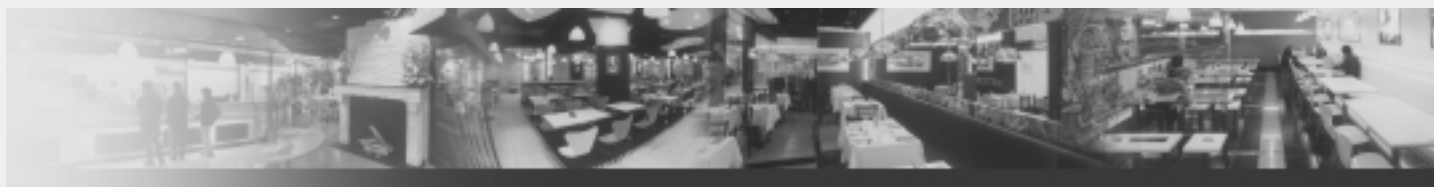
(i) As at 31st March, 2001, the Group held all of the Class A shares which are non-voting. The Group is entitled to receive a cumulative dividend and, upon dissolution, any unpaid dividends plus its stated capital prior to any return of such amounts to the Class B and Class C shareholders.

(ii) As at 31st March, 2001, the Group held approximately 44% of the Class B shares which are non-voting. The Group is entitled to receive a cumulative dividend and, upon dissolution, any unpaid dividends plus its stated capital, after the return of such amounts to the Group itself (as the Class A shareholder) but before any distributions to the Class C shareholders.

(iii) As at 31st March, 2001, the Group held approximately 48% of the Class C voting shares.

c. The amount due from the jointly controlled entity was unsecured, non-interest bearing and not repayable within the next twelve months.

d. The directors are of the opinion that the underlying value of the jointly controlled entity was not less than its carrying amount as at 31st March, 2001.



Notes to the Financial Statements (cont'd)

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

13. OTHER INVESTMENTS

Other investments (consolidated) represented:

	2001 \$'000	2000 \$'000
Listed shares, at cost		
— listed in Hong Kong*	18,197	18,212
Club debenture, at cost	350	350
	<u>18,547</u>	<u>18,562</u>
* Quoted market value of listed investments	<u>9,822</u>	<u>13,843</u>

14. TRADE DEBTORS AND CREDITORS — CREDIT POLICY AND AGING ANALYSIS

The Group's sales to customers are mainly on a cash basis. The Group also grants a credit period which is usually less than 90 days to certain customers for the sales of the Group's institutional catering services and food manufacturing businesses.

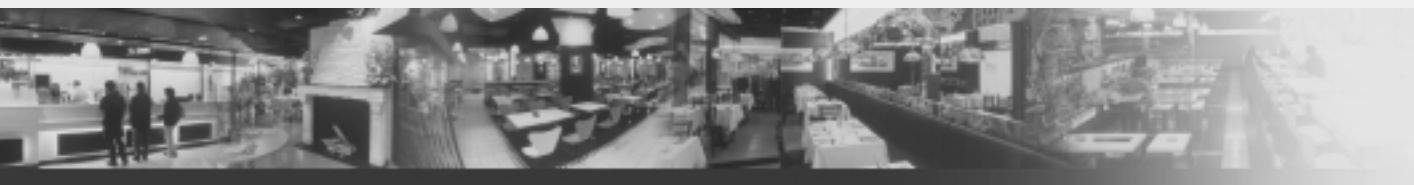
As at 31st March, 2001, approximately 90% of the Group's trade debtors was aged less than 60 days while over 99% of the trade creditors was aged less than 60 days.

15. SHORT-TERM BANK BORROWINGS

Short-term bank borrowings (consolidated) comprised:

	2001 \$'000	2000 \$'000
Bank overdrafts and loans		
— with maturity within three months	145,000	65,000
— with maturity more than three months	90,000	155,000
Current portion of non-current bank loans (Note 16)	1,541	1,278
	<u>236,541</u>	<u>221,278</u>
Secured	<u>166,541</u>	<u>106,278</u>
Unsecured	<u>70,000</u>	<u>115,000</u>

Details of the Group's banking facilities and pledged assets are set out in Note 21.



Notes to the Financial Statements (cont'd)

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

16. NON-CURRENT BANK LOANS

Non-current bank loans (consolidated) comprised:

	2001 \$'000	2000 \$'000
Secured bank loans repayable within a period		
— not exceeding one year	1,541	1,278
— of more than one year but not exceeding two years	40,000	1,536
	<u>41,541</u>	<u>2,814</u>
Less: Amounts repayable within one year included under short-term bank borrowings (Note 15)	(1,541)	(1,278)
	<u>40,000</u>	<u>1,536</u>
Unsecured bank loans repayable within a period of		
— more than one year but not exceeding two years	60,000	30,000
	<u>100,000</u>	<u>31,536</u>

Details of the Group's banking facilities and pledged assets are set out in Note 21.

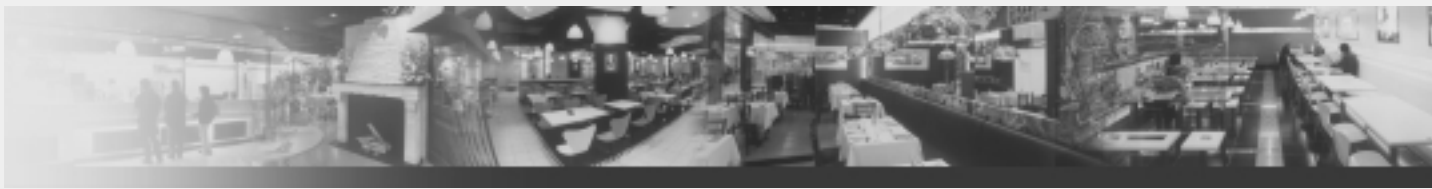
17. DEFERRED TAXATION

Deferred taxation (consolidated) resulted from the following:

	2001 \$'000	2000 \$'000
Accelerated depreciation allowances for taxation purposes	<u>11,379</u>	<u>12,015</u>
Movements in deferred taxation (consolidated) were as follows:		
	2001 \$'000	2000 \$'000
Beginning of year	12,015	9,983
(Write-back of) Provision for net timing differences (Note 4)	(636)	2,032
End of year	<u>11,379</u>	<u>12,015</u>

There was no significant unprovided deferred taxation.

Deferred taxation was not provided for the property revaluation surplus because such surplus would not constitute a timing difference for taxation purposes and the realisation of the surplus would not be subject to taxation.



Notes to the Financial Statements (cont'd)

31st March, 2001

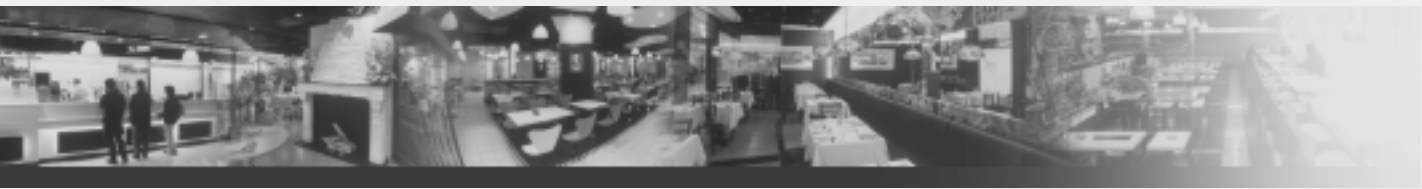
(Amounts expressed in Hong Kong dollars unless otherwise stated)

18. SHARE CAPITAL AND SHARE OPTIONS

a. Share capital

	2001		2000	
	Number of shares '000	Nominal value \$'000	Number of shares '000	Nominal value \$'000
Authorised				
Ordinary shares of \$0.10 each	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>
Issued and fully paid				
Beginning of year	550,658	55,066	551,788	55,179
Shares issued under the share option schemes (Note 18.b)	2,440	244	1,910	191
Shares purchased and cancelled by the Company (i)	<u>(6,210)</u>	<u>(621)</u>	<u>(3,040)</u>	<u>(304)</u>
End of year	<u>546,888</u>	<u>54,689</u>	<u>550,658</u>	<u>55,066</u>

- (i) During the year, the Company purchased and cancelled 6,210,000 (2000 - 3,040,000) of its ordinary shares of \$0.10 on The Stock Exchange of Hong Kong Limited at a price range of \$2.800 to \$3.250 per share with a total consideration of approximately \$18,718,000 (2000 - \$7,590,000) including related expenses.



Notes to the Financial Statements (cont'd)

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

18. SHARE CAPITAL AND SHARE OPTIONS (Cont'd)

b. Share options

The Company has share option schemes, pursuant to which it may grant options to executive directors and employees of the Group to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company from time to time excluding for this purpose shares issued on the exercise of options. The subscription price per share will be determined by the Company's directors, and (i) will not be less than 80% nor more than 100% of the average of the closing price of the shares quoted on The Stock Exchange of Hong Kong Limited on the five business days immediately preceding the date of offer of the option or (ii) the nominal value of a share (whichever is the greater). As at 31st March, 2001, the share options were exercisable at \$2.232 to \$2.95 per share during the period from 8th August, 1997 to 31st March, 2013.

Details of executive share options are as follows:

Date of grant	Subscription price	Number of shares					End of year
		Beginning of year	Exercised during the year	Lapsed on expiry	Cancelled as a result of termination of employment		
21st February, 1991	\$1.820	2,060,000	(2,060,000)	—	—	—	
1st August, 1992	\$2.820	1,700,000	(200,000)	(460,000)	(300,000)	740,000	
1st November, 1994	\$2.232	1,000,000	(180,000)	—	—	820,000	
4th November, 1999	\$2.950	27,300,000	—	—	(1,800,000)	25,500,000	
		<u>32,060,000</u>	<u>(2,440,000)</u>	<u>(460,000)</u>	<u>(2,100,000)</u>	<u>27,060,000</u>	

Notes to the Financial Statements (cont'd)

31st March, 2001

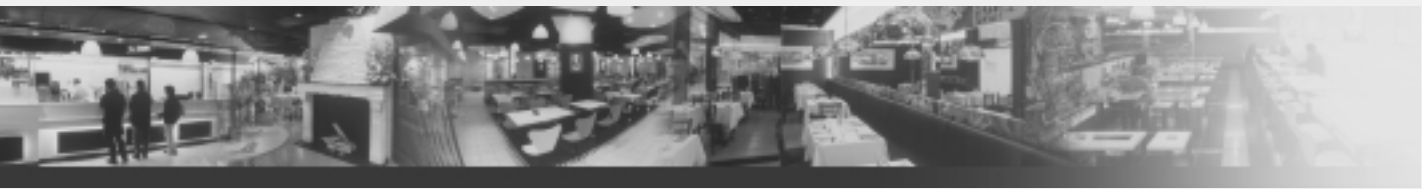
(Amounts expressed in Hong Kong dollars unless otherwise stated)

19. RESERVES

Movements in reserves (consolidated) were as follows:

	2001							2000	
	Share premium \$'000	Capital redemption reserve \$'000	Cumulative translation reserve \$'000	Capital reserve \$'000	Property revaluation reserve \$'000	Contributed surplus \$'000	Retained profits \$'000	Total \$'000	Total \$'000
Consolidated									
Beginning of year	125,958	35,212	(1,186)	11,704	7,807	202,019	662,081	1,043,595	931,016
Premium on shares issued on exercise of share options	4,471	—	—	—	—	—	—	4,471	3,526
Premium on repurchase of shares	(18,097)	—	—	—	—	—	—	(18,097)	(7,275)
Transfer of reserves on repurchase of shares	—	18,718	—	—	—	(18,718)	—	—	—
Deficit on revaluation of investment properties	—	—	—	—	(705)	—	—	(705)	(11,350)
Goodwill arising on acquisition of a jointly controlled entity	—	—	—	(14,174)	—	—	—	(14,174)	—
Exchange differences arising on consolidation	—	—	2,365	—	—	—	—	2,365	(179)
Profit attributable to shareholders	—	—	—	—	—	—	254,278	254,278	220,542
Dividends	—	—	—	—	—	—	(106,476)	(106,476)	(92,685)
End of year	<u>112,332</u>	<u>53,930</u>	<u>1,179</u>	<u>(2,470)</u>	<u>7,102</u>	<u>183,301</u>	<u>809,883</u>	<u>1,165,257</u>	<u>1,043,595</u>
Company									
Beginning of year	125,958	35,212	—	—	—	211,289	1,063	373,522	376,926
Premium on shares issued on exercise of share options	4,471	—	—	—	—	—	—	4,471	3,526
Premium on repurchase of shares	(18,097)	—	—	—	—	—	—	(18,097)	(7,275)
Transfer of reserves on repurchase of shares	—	18,718	—	—	—	(18,718)	—	—	—
Profit attributable to shareholders	—	—	—	—	—	—	106,043	106,043	93,030
Dividends	—	—	—	—	—	—	(106,476)	(106,476)	(92,685)
End of year	<u>112,332</u>	<u>53,930</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>192,571</u>	<u>630</u>	<u>359,463</u>	<u>373,522</u>

Under the Companies Act of Bermuda, contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they became due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.



Notes to the Financial Statements (cont'd)

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

20. PENSION SCHEME

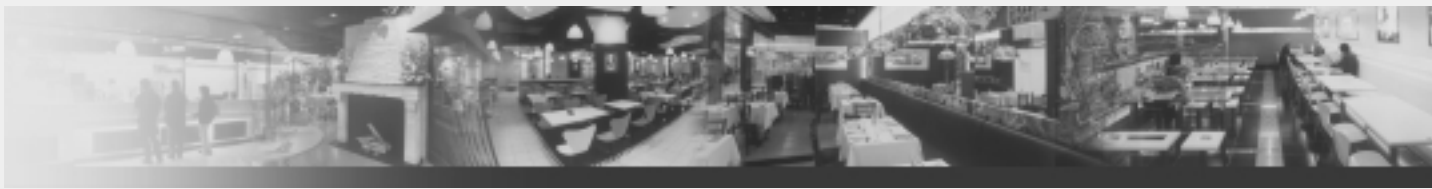
Pension schemes are provided to all the employees eligible and employed by the Group in Hong Kong. Certain eligible employees enjoyed either one of the two defined contribution schemes while all other eligible employees were under a defined benefit scheme.

The Group's contribution to the two defined contribution schemes was 5% of monthly salary. Employees under the two schemes were entitled to 100% of the employer's contribution and the accrued interest upon retirement or leaving the Group after completing 9 and 10 years of service respectively counting from the date of joining the schemes, or at a reduced scale from 30% to 90% and from 20% to 90% after completing 2 to 8 years and 2 to 9 years of service respectively counting from the date of joining the schemes.

On 1st December, 2000, the Group and the eligible employees under the above two schemes terminated their liability to make the contributions. The two schemes were replaced by the Mandatory Provident Fund Scheme ("MPF"), a defined contribution scheme managed by an independent trustee. Under the MPF, each of the Group and the eligible employees in Hong Kong make monthly mandatory contributions to the scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance. The mandatory contributions by each party are subject to a maximum of \$1,000 per month.

As for the defined benefit scheme, the Group's contribution to the scheme was calculated on an actuarial basis. The benefit entitlement under the scheme is calculated based on the final salary of the staff and the length of service with the Group. The scheme was approved by the Government of HKSAR and could be continued after the implementation of MPF.

The pension schemes which covered the PRC employees were defined contribution schemes at various applicable rates of monthly salary that were in accordance with the local practice and regulations.



Notes to the Financial Statements (cont'd)

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

20. PENSION SCHEME (Cont'd)

The aggregate employer's contributions, net of forfeited contributions, amounted to:

	2001	2000
	\$'000	\$'000
Employer's contribution under the defined contribution schemes	4,195	5,418
Less: forfeited contributions utilised to offset employer's contribution to the defined contribution schemes	<u>(745)</u>	<u>(1,107)</u>
	3,450	4,311
Employer's contribution under the defined benefit scheme	6,841	8,561
Employer's contribution under the MPF	<u>8,738</u>	<u>—</u>
	<u>19,029</u>	<u>12,872</u>

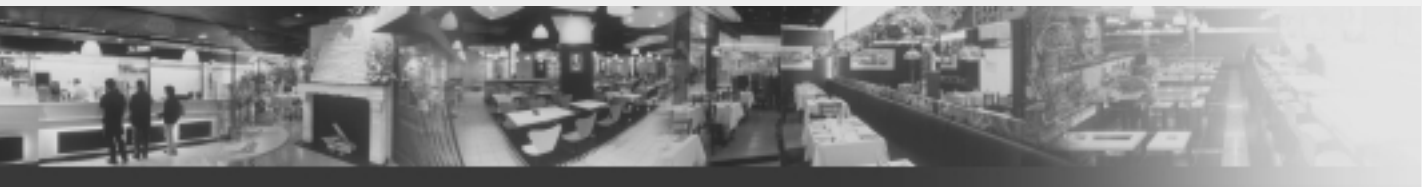
The contributions by the Group were charged to the income statement on an accrual basis.

The latest actuarial report on the defined benefit scheme was prepared by Ms. Kim Wong and Mr. Calvin Wu, Fellows of the Society of Actuaries, whose report dated 8th September, 2000 showed that the scheme was fully funded on a variation of the aggregate method. The market value of the scheme assets as at 31st March, 2000 was approximately \$106,559,000, representing 123% of the fund's discontinuance liabilities at that date. The actuarial basis used included rate of return, salary escalation rate, withdrawal rates, mortality rates and rate of ill health.

21. BANKING FACILITIES AND PLEDGED ASSETS

As at 31st March, 2001, the banking facilities of the Group were covered by:

- a. mortgages of certain investment properties and land and buildings of the Group with carrying amounts of approximately \$198,145,000 (2000 - \$195,695,000) (see Note 8.b);
- b. corporate guarantees given by the Company.



Notes to the Financial Statements (cont'd)

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

22. COMMITMENTS AND CONTINGENT LIABILITIES

a. Lease commitments

The Group's total future minimum lease payment commitments under operating leases, were as follows:

	2001 \$'000	2000 \$'000 (Note 25)
Land and buildings		
— Not later than one year	238,857	196,263
— Later than one year and not later than five years	337,906	249,034
— Later than five years	16,945	5,277
	<u>593,708</u>	<u>450,574</u>

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rentals payable, if any, when turnover of individual restaurants exceeds a pre-determined level as it is not possible to determine in advance the amount of such additional rentals.

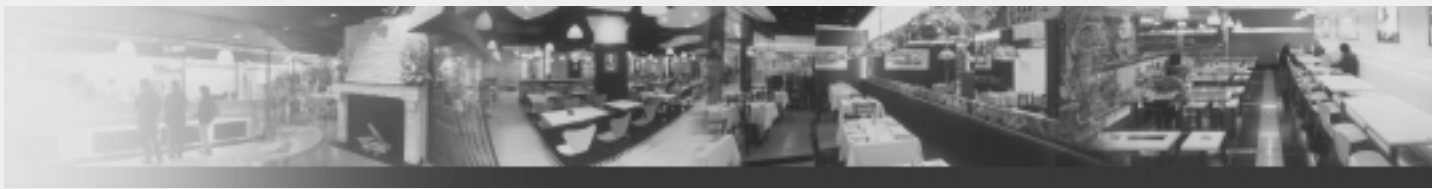
b. Capital commitments

The Group had the following capital commitments which have not been provided in the consolidated financial statements:

	2001 \$'000	2000 \$'000
Authorised and contracted for	6,336	7,146
Authorised but not contracted for	149,934	83,287
	<u>156,270</u>	<u>90,433</u>

c. Guarantees

As at 31st March, 2001, the Group had given guarantees totalling approximately \$1,103,000,000 (2000 - \$1,050,000,000) to financial institutions in connection with their loans granted to its subsidiaries and jointly controlled entity.



Notes to the Financial Statements (cont'd)

31st March, 2001

(Amounts expressed in Hong Kong dollars unless otherwise stated)

23. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Analysis of changes in financing during the year is as follows:

	2001			2000
	Share capital and share premium \$'000	Bank loans with maturity over three months \$'000	Total \$'000	Total \$'000
Beginning of year	181,024	187,814	368,838	639,073
Issue of shares upon exercise of share options	4,715	—	4,715	3,717
Repurchase of shares	(18,718)	—	(18,718)	(7,579)
Net borrowing (repayment) of bank loans	—	3,727	3,727	(266,373)
End of year	<u>167,021</u>	<u>191,541</u>	<u>358,562</u>	<u>368,838</u>

24. SUBSEQUENT EVENTS

On 3rd July, 2001, the Group cancelled certain banking facilities amounting to \$220,000,000 which were not utilized as of 31st March, 2001.

25. COMPARATIVE FIGURES

Certain of the 2000 comparative figures have been reclassified to conform to the current year's presentation due to the adoption of Statement of Standard Accounting Practice Number 14 "Leases" issued by the Hong Kong Society of Accountants.