



# Notes to the Accounts

For the year ended 31st March 2001

## 1 Principal accounting policies

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

### (a) Basis of the preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of leasehold properties and investment properties, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

### (b) Consolidation

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

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

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

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

### (c) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

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

### (d) Goodwill

Goodwill represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries and associated companies acquired and is taken to reserve in the year of acquisition.

### (e) Fixed assets

#### (i) 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.



# Notes to the Accounts *(continued)*

For the year ended 31st March 2001

## 1 Principal accounting policies *(continued)*

### (e) Fixed assets *(continued)*

#### (i) Investment properties *(continued)*

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

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

#### (ii) Other fixed assets

Other properties are interests in land and buildings other than investment properties and are stated at valuation. It is the Group's policy to review regularly the fair value of fixed assets on an individual basis. If it is considered appropriate, independent professional valuations are obtained. Increases in valuation are credited to the other properties revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Other tangible fixed assets other than cutlery, utensils, table-linen and uniforms are stated at cost less accumulated depreciation.

Leasehold land is depreciated over the period of the lease while other tangible assets are depreciated at rates sufficient to write off their cost or valuation over their expected useful lives on a straight-line basis. The principal annual rates are as follows:

Land and buildings	2% – 2.5%
Furniture and fixtures	20%
Motor vehicles	20%

No depreciation is provided against the initial purchase cost of cutlery, utensils, table-linen and uniforms. Costs of subsequent replacements for these assets are charged directly to the profit and loss account.

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

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



# Notes to the Accounts *(continued)*

For the year ended 31st March 2001

## 1 Principal accounting policies *(continued)*

### (e) Fixed assets *(continued)*

#### (ii) Other fixed assets *(continued)*

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

### (f) Convertible note

Convertible note is stated at cost less any provision for diminution in value.

The carrying amount of convertible note is reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amount is expected to be recovered. Provision is made when carrying amount is not expected to be recovered and is recognised in the profit and loss account.

### (g) Inventories

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

### (h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

### (i) Deferred taxation

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

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

### (k) Revenue recognition

Revenue from restaurant operations is recognised when food and beverages are sold and services are provided.

Management fee income is recognised when the services are rendered.



# Notes to the Accounts *(continued)*

For the year ended 31st March 2001

## 1 Principal accounting policies *(continued)*

### (k) Revenue recognition *(continued)*

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

Operating lease rental income is recognised on a straight-line basis.

### (l) Retirement benefit costs

The Group's contributions to the retirement scheme are expensed as incurred.

### (m) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

All borrowing costs incurred during the year were expensed when incurred.

### (n) 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 on a straight-line basis over the lease periods.

## 2 Revenues and turnover

The Group is principally engaged in restaurant operations. Revenues recognised during the year are as follows:

	<b>2001</b>	<b>Group</b>
	<i>HK\$</i>	<i>HK\$</i>
Turnover		
Sales of food and beverages from restaurant operations	65,039,273	107,943,750
Other revenues		
Management fee income	686,708	–
Gross rental income from investment properties	766,850	530,400
Interest income from convertible note	3,051,508	–
Bank interest income	697,682	231,443
	<u>5,202,748</u>	<u>761,843</u>
Total revenues	<u>70,242,021</u>	<u>108,705,593</u>



## Notes to the Accounts *(continued)*

For the year ended 31st March 2001

### 2 Revenues and turnover *(continued)*

An analysis of the Group's turnover and contribution to operating loss by principal markets is as follows:

	Turnover		Operating loss	
	2001 <i>HK\$</i>	2000 <i>HK\$</i>	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Principal markets:				
Hong Kong	54,536,704	96,280,703	2,384,182	26,382,407
People's Republic of China excluding Hong Kong	10,502,569	11,663,047	1,120,080	2,390,887
	<u>65,039,273</u>	<u>107,943,750</u>	<u>3,504,262</u>	<u>28,773,294</u>

No analysis of the Group's turnover and contribution to operating loss for the year by principal activities is provided as less than 10% of such amounts are derived from activities other than restaurant operations.

### 3 Operating loss

Operating loss is stated after charging the following:

	Group	
	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Depreciation of fixed assets	4,451,557	6,246,347
Staff costs (excluding directors' emoluments)	17,712,013	34,990,910
Operating lease rentals in respect of land and buildings	1,236,878	4,906,060
Outgoings in respect of investment properties	33,815	6,776
Auditors' remuneration	500,000	660,000
Provision for doubtful debts	91,442	–
Loss on disposal of fixed assets	822,052	420,892
Provision for closure costs of certain restaurant operations	<u>2,286,757</u>	<u>10,386,781</u>

Provision for closure costs of certain restaurant operations included fixed assets written off amounted to HK\$653,226 (2000: HK\$5,101,004).

### 4 Finance costs

	Group	
	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Interest on bank loans and overdrafts	<u>1,778,886</u>	<u>11,431,126</u>



## Notes to the Accounts *(continued)*

For the year ended 31st March 2001

### 5 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year.

The amount of taxation (charge)/credit accounted for in the consolidated profit and loss account represents:

	<b>2001</b>	<b>Group</b>
	<i>HK\$</i>	<b>2000</b>
		<i>HK\$</i>
Hong Kong profits tax	(7,845)	(42,385)
Overprovision in prior years	42,385	406,548
	<u>34,540</u>	<u>364,163</u>

The Group's subsidiaries in People Republic of China ("PRC") have not made any assessable income and accordingly no provision for PRC taxation has been made in the accounts.

As at 31st March 2001, deferred tax asset has not been accounted for in respect of the following:

	<b>2001</b>	<b>Group</b>
	<i>HK\$</i>	<b>2000</b>
		<i>HK\$</i>
Timing difference on depreciation allowances	1,295,975	1,809,580
Tax losses and other timing differences	7,131,025	6,478,674
	<u>8,427,000</u>	<u>8,288,254</u>

No provision for deferred tax asset has been made in the accounts as it is uncertain whether the asset will crystallise in the foreseeable future. Save for the above, there was no material unprovided deferred taxation for the year and as at 31st March 2001.

The net surplus arising on revaluation of investment properties and leasehold land and buildings does not constitute a timing difference and accordingly there are no deferred tax implications.

### 6 Loss attributable to shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to extent of HK\$77,027,716 (2000: HK\$5,666,925).

### 7 Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$83,248,608 (2000: HK\$47,341,960) and the weighted average of 1,094,000,000 (2000: 823,513,661) ordinary shares in issue during the year.

No diluted loss per share is disclosed as the exercise of the Company's share options would not have a dilutive effect on the loss per share.



## Notes to the Accounts *(continued)*

For the year ended 31st March 2001

### 8 Retirement benefit costs

The Group did not provide retirement benefits for its employees in Hong Kong before 1st December 2000. With effect from 1st December 2000, a mandatory provident fund scheme has been set up for all the eligible employees of the Group in Hong Kong. The mandatory provident fund scheme is a defined contribution retirement scheme and the contributions to the fund by the Group and the employees are calculated as a percentage of employees' basic salaries.

The Group's total contributions paid for the above scheme during the year are HK\$218,660 (2000: HK\$Nil).

### 9 Directors' and senior management's emoluments

#### (a) Directors' remuneration

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

	2001 HK\$	Group	2000 HK\$
As directors	–		–
Other emoluments			
Basic salaries, housing allowances, other allowances and benefits in kind	993,525		–
	<u>993,525</u>		<u>–</u>

No directors' fees were paid to independent non-executive directors.

The emoluments of the directors fell within the following bands:

	Number of directors	
	2001	2000
HK\$Nil – HK\$1,000,000	<u>7</u>	<u>11</u>

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2000: Nil) directors. The emoluments payable to the five highest paid individuals during the year are as follows:

	2001 HK\$	Group	2000 HK\$
Basic salaries, housing allowances, other allowances and benefits in kind	3,694,038		3,234,463
	<u>3,694,038</u>		<u>3,234,463</u>

The emoluments fell within the following bands:

	Number of individuals	
	2001	2000
HK\$Nil – HK\$1,000,000	4	4
HK\$1,000,001 – HK\$1,500,000	<u>1</u>	<u>1</u>



# Notes to the Accounts *(continued)*

For the year ended 31st March 2001

## 9 Directors' and senior management's emoluments *(continued)*

### (c) Share options

During the year, share options were granted to directors and senior management as detailed in note 17 to the accounts. No share options were exercised during the year.

## 10 Fixed assets

	Group					Total HK\$
	Investment properties HK\$	Leasehold land and buildings HK\$	Furniture and fixtures HK\$	Motor vehicles HK\$	Cutlery, utensils, table- linen and uniforms HK\$	
<b>Cost or valuation</b>						
At 1st April 2000	9,000,000	173,100,000	39,613,352	1,141,672	568,081	223,423,105
Additions	–	–	723,780	–	–	723,780
Transfers	43,000,000	(43,000,000)	–	–	–	–
Revaluation	(6,600,000)	500,000	–	–	–	(6,100,000)
Write offs/disposals	–	(4,400,000)	(693,867)	(522,000)	–	(5,615,867)
<b>At 31st March 2001</b>	<u>45,400,000</u>	<u>126,200,000</u>	<u>39,643,265</u>	<u>619,672</u>	<u>568,081</u>	<u>212,431,018</u>
<b>Accumulated depreciation</b>						
At 1st April 2000	–	–	36,114,192	519,684	–	36,633,876
Charge for the year	–	3,979,068	317,143	155,346	–	4,451,557
Transfers	946,000	(946,000)	–	–	–	–
Revaluation	(946,000)	(2,963,400)	–	–	–	(3,909,400)
Write offs/disposals	–	(69,668)	(40,641)	(112,500)	–	(222,809)
<b>At 31st March 2001</b>	<u>–</u>	<u>–</u>	<u>36,390,694</u>	<u>562,530</u>	<u>–</u>	<u>36,953,224</u>
<b>Net book value</b>						
At 31st March 2001	<u>45,400,000</u>	<u>126,200,000</u>	<u>3,252,571</u>	<u>57,142</u>	<u>568,081</u>	<u>175,477,794</u>
At 31st March 2000	<u>9,000,000</u>	<u>173,100,000</u>	<u>3,499,160</u>	<u>621,988</u>	<u>568,081</u>	<u>186,789,229</u>

The analysis of the cost or valuation at 31st March 2001 of the above assets is as follows:

At cost	–	–	39,643,265	619,672	568,081	40,831,018
At 2001 professional valuation	45,400,000	126,200,000	–	–	–	171,600,000
	<u>45,400,000</u>	<u>126,200,000</u>	<u>39,643,265</u>	<u>619,672</u>	<u>568,081</u>	<u>212,431,018</u>

The analysis of the cost or valuation at 31st March 2000 of the above assets is as follows:

At cost	–	–	39,613,352	1,141,672	568,081	41,323,105
At 2000 professional valuation	9,000,000	173,100,000	–	–	–	182,100,000
	<u>9,000,000</u>	<u>173,100,000</u>	<u>39,613,352</u>	<u>1,141,672</u>	<u>568,081</u>	<u>223,423,105</u>





## Notes to the Accounts *(continued)*

For the year ended 31st March 2001

### 10 Fixed assets *(continued)*

	<b>Leasehold land and buildings <i>HK\$</i></b>	<b>Company Furniture and fixtures <i>HK\$</i></b>	<b>Total <i>HK\$</i></b>
<b>Cost or valuation</b>			
At 1st April 2000 and 31st March 2001	51,200,000	77,900	51,277,900
<b>Accumulated depreciation</b>			
At 1st April 2000	–	34,238	34,238
Charge for the year	1,126,400	15,580	1,141,980
Revaluation	(1,126,400)	–	(1,126,400)
<b>At 31st March 2001</b>	<u>–</u>	<u>49,818</u>	<u>49,818</u>
<b>Net book value</b>			
At 31st March 2001	<u>51,200,000</u>	<u>28,082</u>	<u>51,228,082</u>
At 31st March 2000	<u>51,200,000</u>	<u>43,662</u>	<u>51,243,662</u>

The analysis of the cost or valuation at 31st March 2001 of the above assets is as follows:

At cost	–	77,900	77,900
At 2001 professional valuation	51,200,000	–	51,200,000
	<u>51,200,000</u>	<u>77,900</u>	<u>51,277,900</u>

The analysis of the cost or valuation at 31st March 2000 of the above assets is as follows:

At cost	–	77,900	77,900
At 2000 professional valuation	51,200,000	–	51,200,000
	<u>51,200,000</u>	<u>77,900</u>	<u>51,277,900</u>

The Group's and Company's interests in investment properties and leasehold land and buildings which are all located in Hong Kong, are analysed at their net book values as follows:

	<b>2001 <i>HK\$</i></b>	<b>Group 2000 <i>HK\$</i></b>	<b>2001 <i>HK\$</i></b>	<b>Company 2000 <i>HK\$</i></b>
Leases over 50 years	132,400,000	137,900,000	50,000,000	50,000,000
Leases between 10 to 50 years	39,200,000	44,200,000	1,200,000	1,200,000
	<u>171,600,000</u>	<u>182,100,000</u>	<u>51,200,000</u>	<u>51,200,000</u>