

NOTES TO THE ACCOUNTS

1. Basis of preparation and accounting policies

The interim accounts have not been audited by the Company's auditors but have been reviewed by the Company's Audit Committee. They are prepared in accordance with the SSAP 25, "Interim financial reporting" issued by the Hong Kong Society of Accountants (the "HKSA") and Appendix 16 of the Listing Rules. They should be read in conjunction with the 2001 annual accounts.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2001 except that the Group has adopted SSAP 9 (revised) "Events after the balance sheet date" and SSAP 29 "Intangible assets" issued by the HKSA in the preparation of the interim accounts and applies them retrospectively so that the comparatives presented have been restated to conform with the changes in accounting policies. In addition the Group has taken advantage of the transitional provisions in SSAP 30 "Business combination" and not to restate goodwill on acquisitions that has been previously charged or credited to capital reserves.

The effect of adopting these new policies is set out below:

(a) *SSAP 9 (revised): Events after the balance sheet date*

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. The proposed final dividend for the year ended 31st March 2001 of HK\$12,512,144 and the interim dividend for the six months ended 30th September 2001 of HK\$4,692,054 were reclassified from current liabilities to dividend reserve which forms part of the shareholders' funds.

1. **Basis of preparation and accounting policies** (Cont'd)

(b) *SSAP 29: Intangible assets*

Trademarks

The Group's trademarks were previously capitalized at cost and reviewed annually by the directors for possible diminution in value where provisions would be made. With the adoption of SSAP 29, trademarks are now capitalised at cost and amortised over the estimated useful life of 20 years by straight-line method. Subsequent expenditure incurred in respect of the trademarks which does not meet the recognition and measurement criteria prescribed in the new standard is charged to the profit and loss account when incurred.

The intangible assets stated on the balance sheet have been reduced respectively by HK\$33,664,153 and HK\$31,364,153 at 30th September 2001 and 31st March 2001 having adjusted for the accumulated amortisation that should have been provided for on the costs up to the reporting dates. At 31st March 2001, retained earnings and minority interests were reduced by HK\$18,865,538 and HK\$7,806,780 respectively to reflect the attributable share of each of the shareholders and the minority interests in the accumulated amortisation. The corresponding decrease in retained earnings and minority interests as at 30th September 2001 amounted to HK\$20,248,988 and HK\$8,723,330 respectively. The operating profits for both periods were reduced by an amount of HK\$2,300,000 which is the periodic amortisation charge for 6 months.

2. **Segmental information**

The Group's turnover and contribution to profit before taxation for the period by business segments are as follows:

	Turnover Unaudited Six months ended 30th September		Profit before taxation Unaudited Six months ended 30th September (Restated)	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Restaurant operation	286,215	297,334	4,023	5,316
Bakery operation	255,071	236,878	13,981	18,396
	<u>541,286</u>	<u>534,212</u>	<u>18,004</u>	<u>23,712</u>
Less: intra-group sales	(2,142)	(1,488)		
	<u>539,144</u>	<u>532,724</u>		

2. Segmental information (Cont'd)

The geographical analysis of the Group turnover for the period are as follows:

	Unaudited	
	Six months ended 30th September	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong and Macau	530,520	524,524
PRC	2,717	3,081
Other countries	5,907	5,119
	<u>539,144</u>	<u>532,724</u>

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

3. Other revenue

	Unaudited	
	Six months ended 30th September	
	2001	2000
	HK\$'000	HK\$'000
Interest income	2,507	4,806
Rental income from investment properties	950	1,276
Management fee income	604	612
	<u>4,061</u>	<u>6,694</u>

4. Operating profit

Unaudited
Six months ended 30th September

	2001	2000
	HK\$'000	HK\$'000

Operating profit is stated after charging/(crediting) the following:

Loss on disposal of fixed assets	283	619
Loss on shop closure	–	3,436
Provision for diminution in value of other properties	425	–
(Reversal)/provision for long service payment	(347)	1,728
Retirement benefit costs	7,178	3,474
Write off of setup cost for Singapore joint venture	744	–

5. Taxation

Unaudited
Six months ended 30th September

	2001	2000
	HK\$'000	HK\$'000

Hong Kong profits tax	3,844	3,281
Overseas taxation	825	880
Deferred taxation	155	(35)
	4,824	4,126
Share of taxation attributable to associated companies	80	155
	4,904	4,281

Hong Kong profits tax has been provided at the rate of 16% (2000:16%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates. The Group has not recognised deferred taxation assets in respect of excess of depreciation over tax allowances and tax losses which amounted to approximately HK\$3,500,000 (2000: HK\$2,300,000) as of the reporting date.

6. Dividends

	Unaudited	
	Six months ended 30th September	
	2001	2000
	HK\$'000	HK\$'000
Interim dividend, proposed on 6th December 2001, of HK 1.5 cents (2000: HK 3 cents) per ordinary share	<u>4,692</u>	<u>9,384</u>

7. Earnings per share

	Unaudited	
	Six months ended 30th September	
	2001	2000
	HK\$'000	HK\$'000
Earnings		
Earnings for the purpose of the calculation of basic earnings per share	7,987	18,582
Adjustment to the share of results of a subsidiary based on the dilution of this subsidiary's earnings per share	<u>(106)</u>	<u>—</u>
Earnings for the purpose of the calculation of diluted earnings per share	<u>7,881</u>	<u>18,582</u>
Number of shares	2001	2000
Weighted average number of ordinary shares for the purpose of the calculation of basic earnings per share	312,803,609	310,550,057
Effect of dilutive potential ordinary shares	<u>1,456,195</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share	<u>314,259,804</u>	<u>310,550,057</u>