

## CONDENSED CONSOLIDATED CASHFLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2001 – UNAUDITED

	Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
Net cash inflow from operating activities	39,532	17,561
Net cash outflow from returns on investments and servicing of finance	(1,848)	(6,333)
Tax paid	(402)	(1,059)
Net cash outflow from investing activities	(17,002)	(16,368)
Net cash inflow/(outflow) before financing	20,280	(6,199)
Net cash inflow from financing	3,566	25,545
Increase in cash and cash equivalents	23,846	19,346
Cash and cash equivalents at 1 April	57,669	66,480
Cash and cash equivalents at 30 September	81,515	85,826
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash at bank and in hand	81,542	86,225
Bank overdrafts	(27)	(399)
	81,515	85,826

Notes:

**1. Basis of preparation**

The unaudited interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The accounting policies and method of computation used in the preparation of the interim financial report are consistent with those used in the annual accounts for the year ended 31 March 2001.

**2. Principal activities**

The analysis of the principal activities and geographical locations of the operations of the Group during the period are as follows:

(a) *Principal activities*

	Group turnover Six months ended 30 September		Contribution to (loss)/ profit from operations Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Restaurants	388,414	429,736	(14,768)	6,502
Property rental	13,277	14,907	551	571
	<b>401,691</b>	<b>444,643</b>	<b>(14,217)</b>	<b>7,073</b>

(b) *Geographical locations of operations*

	Group turnover Six months ended 30 September		Contribution to (loss)/ profit from operations Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong	387,347	425,172	(16,584)	2,819
The People's Republic of China and Macau, other than Hong Kong (the "PRC")	14,344	19,471	2,367	4,254
	<b>401,691</b>	<b>444,643</b>	<b>(14,217)</b>	<b>7,073</b>

### 3. Income

	Six months ended 30 September	
	2001	2000
	HK\$'000	HK\$'000
<b>Other revenue</b>		
Interest income	747	1,705
<b>Other net income</b>		
Recharges to tenants	339	1,327
Others	1,023	1,091
	<b>1,362</b>	<b>2,418</b>

### 4. Depreciation

During the period, depreciation of HK\$17,195,096 (2000: HK\$15,680,000) was charged in respect of the Group's fixed assets.

### 5. Taxation

Taxation in the consolidated profit and loss account represents:

	Six months ended 30 September	
	2001	2000
	HK\$'000	HK\$'000
Provision for Hong Kong profits tax for the period	300	1,000
Overseas taxation	411	395
Taxation charge	<b>711</b>	<b>1,395</b>

The provision for Hong Kong profits tax is calculated at 16% (2000 : 16%) of the estimated assessable profits for the six months ended 30 September 2001. Overseas taxation represents the overseas withholding tax for the period.

### 6. (Loss)/earnings per share

#### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the period attributable to shareholders of HK\$17,523,000 (2000: Profit HK\$3,535,000) and the weighted average of 1,211,824,917 shares (2000: 1,199,370,000 shares) in issue during the period.

#### (b) Diluted (loss)/earnings per share

The diluted loss per share for the period is not presented as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

The calculation of diluted earnings per share for corresponding period last year is based on the profit attributable to shareholders of HK\$3,535,000 and the weighted average of 1,212,959,000 shares after adjusting for the effects of all dilutive potential shares.

## 7. Fixed assets

(a) Investment properties were revalued at 30 September 2001 by RHL Appraisal Limited, independent professional valuers, on an open market value basis. The net revaluation deficit of HK\$13,000,000 (at 31 March 2001: Surplus HK\$2,333,000) for the period has been transferred to the investment properties revaluation reserve.

(b) At 30 September 2001, the net book value of fixed assets pledged as security for liabilities amounted to HK\$197,369,000 (at 31 March 2001: HK\$211,204,000).

## 8. Inventories

Included in inventories are consumables of HK\$765,000 (at 31 March 2001: HK\$700,000), stated net of a general provision of HK\$850,000 (at 31 March 2001: HK\$850,000), made in order to state these inventories at the lower of their cost and estimated net realisable value.

## 9. Trade and other receivables

	At 30 September 2001 HK\$'000	At 31 March 2001 HK\$'000
Debtors	3,379	6,188
Deposits and prepayments	59,127	55,652
	<b>62,506</b>	<b>61,840</b>

Apart from certain deposits of HK\$46,880,000 (at 31 March 2001: HK\$41,547,000), the amount of trade and other receivables are expected to be recovered within one year.

Included in trade and other receivables are trade debtors (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	At 30 September 2001 HK\$'000	At 31 March 2001 HK\$'000
Current to 30 days	2,420	1,944
31 – 90 days	155	1,410
91 to 180 days	0	1,779
	<b>2,575</b>	<b>5,133</b>

The Group's sales to customers are mainly on cash basis. The Group also grants certain customers for the sales of the Group's catering services with varying credit terms 30 to 90 days.

## 10. Trade and other payables

	At 30 September 2001 HK\$'000	At 31 March 2001 HK\$'000
Creditors and accrued expenses	136,557	98,134

Apart from certain deposits received of HK\$11,781,000 (at 31 March 2001: HK\$12,339,000), the amount of trade and other payables are expected to be settled within one year.

**10. Trade and other payables (continued)**

Included in trade and other payables are trade creditors with the following ageing analysis.

	<b>At 30 September 2001 HK\$'000</b>	At 31 March 2001 HK\$'000
Current to 30 days	19,282	26,751
31 – 90 days	17,170	1,789
91 – 180 days	334	334
	<b>36,786</b>	<b>28,874</b>

**11. Share capital**

The movements in issued and fully paid share capital of the Company were as follows:

	<b>No. of shares (‘000)</b>	<b>Amount HK\$'000</b>
Issued and fully paid:		
At 1 April 2001	1,204,535	120,454
Shares issued under the share option scheme (note a)	29,000	2,900
At 30 September 2001	<b>1,233,535</b>	<b>123,354</b>

(a) During the period, options were exercised to subscribe for 29,000,000 shares in the Company at subscription price of HK\$0.1 per share. The total consideration of HK\$2,900,000 was credited to share capital.

**12. Reserves**

	<b>Share premium HK\$'000</b>	<b>Revaluation reserves Investment properties HK\$'000</b>	<b>Other properties HK\$'000</b>	<b>Exchange reserves HK\$'000</b>	<b>Accumulated losses HK\$'000</b>	<b>Contributed surplus HK\$'000</b>	<b>Total HK\$'000</b>
At 1 April 2001	429,510	20,164	(271)	(7,249)	(268,574)	712	174,292
Share issue expenses	(4)	-	-	-	-	-	(4)
Deficit arising on revaluation of investment properties	-	(13,000)	-	-	-	-	(13,000)
Loss for the period	-	-	-	-	(17,523)	-	(17,523)
<b>At 30 September 2001</b>	<b>429,506</b>	<b>7,164</b>	<b>(271)</b>	<b>(7,249)</b>	<b>(286,097)</b>	<b>712</b>	<b>143,765</b>

### 13. Off-balance sheet financial instruments

The Group enters into interest rate swaps to manage its interest rate risk. The Group does not hold or issue financial instruments for trading purposes. At 30 September 2001, the total notional principal amount of such swap was HK\$30,000,000 (at 31 March 2001: HK\$30,000,000). The net loss arising on such transactions during the period, recognised in the profit and loss account, amounted to HK\$314,215 (2000: HK\$136,083). The Group does not have significant market risk with respect to interest rate movements.

### 14. Commitments

(a) The Group had outstanding capital commitments not provided for in the accounts as follows:

	At 30 September 2001 HK\$'000	At 31 March 2001 HK\$'000
Authorised but not contracted for	1,230	2,030

(b) The Group had the following annual commitments under operating leases to make payments in respect of property as follows:

	At 30 September 2001 HK\$'000	At 31 March 2001 HK\$'000
<b>Leases expiring:</b>		
Within 1 year	20,962	17,245
After 1 year but within 5 years	104,167	112,946
After 5 years	5,697	-
	<b>130,826</b>	<b>130,191</b>

The above analysis includes the base rentals on several lease commitments, the final rentals of which vary with the level of sales of these restaurants.

### 15. Contingent liabilities

At 30 September 2001, there were contingent liabilities in respect of guarantees given to banks in respect of banking facilities extended to certain subsidiaries amounting to HK\$153,000,000 (at 31 March 2001: HK\$183,000,000).

### 16. Material related party transaction

Except for the transaction noted below, the Group and the Company have not been a party to any material related party transaction during the period ended 30 September 2001.

During the period, a subsidiary leased a property from Ms Lee Kwee Fuen, the wife of Mr Lo Fong Seong, and incurred rental expense of HK\$498,000 (2000: HK\$498,000).

### 17. Post balance sheet event

Subsequent to balance sheet date, the Group has entered into agreements to sell certain investment properties. The directors anticipate that subject to completion, these transactions will give rise to profits totalling HK\$800,000 which will be accounted for in the accounts of the Group for the year ending 31 March 2002.

## **18. Comparative figures**

Certain comparative figures have been reclassified to conform with the current period's presentation.

## **INTERIM DIVIDEND**

The directors have recommended that no dividend be paid for the six months ended 30 September 2001 (2000: nil).

## **FINANCIAL REVIEW**

For the six months ended 30 September 2001, the Group recorded a turnover of HK\$401,691,000 compared to HK\$444,643,000 for the corresponding period in 2000. Loss attributable to shareholders was HK\$17,523,000 against a profit of HK\$3,535,000 for the last corresponding period. Loss per share was HK1.45 cents while earnings per share for the last corresponding period was HK0.29 cent. It had been a period full of challenge. The Group had suffered from the adverse economic conditions which had affected earnings generally.

## **BUSINESS REVIEW**

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### **HONG KONG OPERATIONS**

The Group recorded a turnover of HK\$387,347,000 from the Hong Kong operations against HK\$425,172,000 for the last corresponding period. The decrease in sales during the period was mainly due to the closure of non-performing outlets coupled with global economic downturn and rising unemployment in Hong Kong. In addition, the implementation of the Mandatory Provident Fund Scheme had further weakened consumer spending power, not to mention its impact on operation costs.

To cope with the harsh economic environment, the Group had pursued different strategies for increasing sales and improving profit margins. In September 2001, the Group moved a major part of its back office operations, including the accounts, human resources and purchasing departments, to the PRC. It is expected that this would result in a significant reduction in costs. The Group had also launched several high value and innovative menus to attract new customers.

As at 30 September 2001, the Group operated a total of 86 outlets in Hong Kong, including 69 fast food outlets, 7 institutional catering outlets and 10 specialty restaurants.

For the core fast food business, the Group has renovated 12 existing stores and opened 2 new outlets at Regentville, Fanling and King Wah Centre, Mongkok during the period under review. In response to the changing demands and tastes of customers, the Group has also introduced special and innovative menus for different seasons and for special occasions at reasonable prices and will continue to develop fresh, healthy and balanced meals for customers.

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### **PRC OPERATIONS**

The increased trade and commercial activities in the PRC had stimulated consumer spending. The Group recorded steady sales growth on same store basis in its PRC operations during the period under review. As at 30 September 2001, the Group operated 2 outlets in the PRC.