

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2001

	<b>1.4.2001 to 30.9.2001 HK\$'000 (unaudited)</b>	1.4.2000 to 30.9.2000 HK\$'000 (unaudited)
Net cash outflow from operating activities	<b>(4,916)</b>	(12,864)
Net cash inflow (outflow) from returns on investments and servicing of finance	<b>56</b>	(812)
Hong Kong Profits Tax paid	<b>(220)</b>	(160)
Net cash outflow from investing activities	<b>(1,596)</b>	(1,844)
Net cash outflow before financing	<b>(6,676)</b>	(15,680)
Net cash (outflow) inflow from financing	<b>(2,348)</b>	40,730
(Decrease) increase in cash and cash equivalents	<b>(9,024)</b>	25,050
Cash and cash equivalents at beginning of the period	<b>35,131</b>	14,855
Cash and cash equivalents at end of the period	<b>26,107</b>	39,905

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2001

**1. BASIS OF PREPARATION**

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**2. PRINCIPAL ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2001 except as described below.

The Group has adopted a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants for the first time in the current period. The adoption of these new or revised SSAPs does not have any effect on the current or previous periods' financial statements.

At 31 March 2001, the Group did not have any goodwill or negative goodwill. Following the adoption of SSAP 30 "Business Combinations", goodwill arising on acquisitions after 1 April 2001 is capitalised and amortised on a straight line basis following an assessment of its useful life. Negative goodwill arising on acquisitions after 1 April 2001 is presented as a deduction from assets and will be released to the income statement based on an analysis of the circumstances from which the balance resulted.

### 3. SEGMENT INFORMATION

#### Business segments

	Restaurant and hotel operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 September 2001:					
Turnover					
External	106,667	372	596	–	107,635
Inter-segment	–	1,200	–	(1,200)	–
	<u>106,667</u>	<u>1,572</u>	<u>596</u>	<u>(1,200)</u>	<u>107,635</u>
Loss from operations	<u>(11,246)</u>	<u>(251)</u>	<u>31</u>		<u>(11,466)</u>
Six months ended 30 September 2000:					
Turnover					
External	135,551	–	–	–	135,551
Inter-segment	–	1,200	–	(1,200)	–
	<u>135,551</u>	<u>1,200</u>	<u>–</u>	<u>(1,200)</u>	<u>135,551</u>
Loss from operations	<u>(3,413)</u>	<u>(480)</u>	<u>–</u>		<u>(3,893)</u>

#### Geographical segments

	Turnover		Loss from operations	
	1.4.2001 to 30.9.2001 <i>HK\$'000</i>	1.4.2000 to 30.9.2000 <i>HK\$'000</i>	1.4.2001 to 30.9.2001 <i>HK\$'000</i>	1.4.2000 to 30.9.2000 <i>HK\$'000</i>
Hong Kong	<u>97,054</u>	123,339	<u>(10,694)</u>	(5,218)
Elsewhere in the People's Republic of China	<u>10,581</u>	12,212	<u>(772)</u>	1,325
	<u>107,635</u>	<u>135,551</u>	<u>(11,466)</u>	<u>(3,893)</u>

**4. LOSS FROM OPERATIONS**

	<b>1.4.2001 to 30.9.2001 HK\$'000</b>	1.4.2000 to 30.9.2000 HK\$'000
Loss from operations has been arrived at after charging:		
Depreciation	<b>3,447</b>	3,209
Impairment loss recognised in respect of property, plant and equipment	<b>657</b>	-
Interest on bank borrowings wholly repayable within five years	<b>392</b>	<u>1,101</u>

**5. TAXATION**

No provision for Hong Kong Profits Tax has been made in the condensed financial statements as the Company and its subsidiaries do not have assessable profit for the current period. The amount in the prior period represented Hong Kong Profits Tax calculated at 16% on the estimated assessable profits for that period.

**6. LOSS PER SHARE**

The calculation of loss per share is based on the net loss for the period of HK\$15,800,000 (six months ended 30 September 2000: HK\$5,513,000) and on the 484,853,527 shares (six months ended 30 September 2000: weighted average number of 263,887,493 shares) in issue throughout the period. The loss per share for the six months ended 30 September 2000 has been adjusted for the effects of the rights issue of shares on 18 August 2000.

No diluted loss per share has been presented for the period as the exercise and conversion of the share options would result in a decrease in the loss per share for the period. The share options were granted on 19 March 2001.

**7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group spent HK\$1,468,000 (six months ended 30 September 2000: HK\$1,505,000) on additions to property, plant and equipment.

**8. DEPOSITS PAID FOR PROPERTY ACQUISITIONS**

	<b>30.9.2001</b> <i>HK\$'000</i>	31.3.2001 <i>HK\$'000</i>
Deposits paid	–	95,000
Less: Impairment loss recognised	–	<u>(36,845)</u>
	<u>–</u>	<u>58,155</u>

The amount represented deposits paid to the developer, net of impairment loss recognised, in connection with the acquisitions of properties at Wen Jin Square, Shenzhen, the People's Republic of China (the "PRC") for an aggregate consideration of HK\$105,245,000.

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. After several court actions in the PRC, 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 in the delivery of the completed properties to the Group. At 31 March 2001, the Group was negotiating with the developer to offset the above amounts and was in the process of obtaining the legal title to the properties. An impairment loss was recognised, at 31 March 2001, so as to reduce the carrying amount of the deposits paid to the estimated recoverable amount in realising the properties with reference to the valuations of the properties made by a firm of independent professional property valuers, on an open market basis.

During the current period, the Group reached an agreement with the developer to offset the financial obligations of each other. The Group also obtained legal title to the properties. As the properties were acquired for rental purposes, the carrying amount of the deposits was reclassified to investment properties during the current period. These properties were vacant as at 30 September 2001.

**9. TRADE AND OTHER 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 trade receivables at the reporting date:

	<b>30.9.2001</b> <i>HK\$'000</i>	31.3.2001 <i>HK\$'000</i>
0 – 60 days	<b>3,588</b>	3,186
61 – 90 days	<b>99</b>	194
More than 90 days	<b>1,306</b>	196
	<u><b>4,993</b></u>	<u>3,576</u>

**10. TRADE AND OTHER PAYABLES**

The following is an aged analysis of trade payables at the reporting date:

	<b>30.9.2001</b> <i>HK\$'000</i>	31.3.2001 <i>HK\$'000</i>
0 – 60 days	<b>8,791</b>	7,049
More than 60 days	<b>1,827</b>	1,085
	<b><u>10,618</u></b>	<u>8,134</u>

**11. SHARE CAPITAL**

	Number of shares		Amount	
	30.9.2001	31.3.2001	30.9.2001 <i>HK\$'000</i>	31.3.2001 <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each				
Authorised:				
At beginning of the period/year	<b>5,000,000,000</b>	300,000,000	<b>500,000</b>	30,000
Increase on 27 July 2000	–	4,700,000,000	–	470,000
At end of the period/year	<b><u>5,000,000,000</u></b>	<u>5,000,000,000</u>	<b><u>500,000</u></b>	<u>500,000</u>
Issued and fully paid:				
At beginning of the period/year	<b>484,853,527</b>	193,941,411	<b>48,485</b>	19,394
Rights issue on 18 August 2000	–	290,912,116	–	29,091
At end of the period/year	<b><u>484,853,527</u></b>	<u>484,853,527</u>	<b><u>48,485</u></b>	<u>48,485</u>

There was no movement in the authorised, issued and fully paid share capital of the Company during the current period.

**12. CAPITAL COMMITMENT**

	<b>30.9.2001</b> <i>HK\$'000</i>	31.3.2001 <i>HK\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment:		
Contracted for but not provided	<b>4,658</b>	–
Authorised but not contracted for	–	721
	<b><u>4,658</u></b>	<u>721</u>

### 13. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) On 13 June 2001, a wholly-owned subsidiary of the Company entered into a sub-tenancy agreement with Hung Yick Metal Company Limited ("Hung Yick") for sub-leasing from Hung Yick several units of a commercial building for a period of two years commencing from 9 April 2001 at a monthly rental of HK\$57,937.50 (exclusive of rates, air-conditioning and management fees) with the rent-free periods from 9 April 2001 to 8 June 2001 and from 22 February 2003 to 8 April 2003 and a rental deposit of HK\$173,812.50. Rental charged by Hung Yick during the current period under the agreement amounted to HK\$216,000.

The monthly rental was determined by both parties with reference to the rental charged by Hung Yick's landlord and the approximate floor area occupied by Hung Yick and the Group.

Mr. Cheng Hop Fai, Mrs. Cheng Kwok Kwan Yuk and Ms. Cheng Pak Ming, Judy, directors of the Company, are deemed to be beneficially interested in Hung Yick.

- (b) At 30 September 2001, 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 (31.3.2001: HK\$15,000,000) granted to the Group. The guarantee will be released upon receipt of formal title deeds of certain of the Group's properties situated in the PRC covered by the facilities and execution of formal first legal mortgage.

### INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 September 2001 (2000: Nil).

### REVIEW OF OPERATIONS

For the six months ended 30 September 2001, the Group recorded a turnover of approximately HK\$107.6 million, representing a decline of approximately HK\$27.9 million or 20.6% compared to the corresponding period last year. The main reason for such decline was that fewer number of the Group's outlets were in operation during the reporting period. Due to the unfavorable macro and micro-economic conditions, the food and beverages industry in Hong Kong experienced the toughest time ever. The shift of spending northwards to mainland China by the Hong Kong people has aggravated the problematic situations already encountered by most of the food and beverages operators in Hong Kong. The 911 Incident in United States has led to a significant decline in the number of tourists visiting Hong Kong, which in turn has a direct impact on the declining operating results of the Group.

With respect to the litigation with the developer of Wen Jin Square, the Group received the final judgment of the Superior People's Court of Guangdong Province in late November 2000. With a view to act for the best interests of the Group, the Board has agreed with the developer for the balance of the original purchase price payable by the Group, which amounted to HK\$10,245,000, to be entirely offset by the compensation in the same amount due from the developer owing to the delay of the delivery of the completed properties by the developer to the Group. The Group took possession and obtained the legal title of the properties in August 2001.

During the reporting period under review, the Group has commenced trading in environmental friendly food containers. In view of the increasing global awareness on environmental issues, as well as the growing business potential in such area, the Group has prepared to invest in the production of environmental friendly food containers. The production lines are expected to be in place by end of 2001 and official production is expected to commence in early 2002.

Due to the adverse market conditions in Hong Kong, it is necessary for the Group to continue to streamline its existing resources. In line with such policy, the Group has closed one of its loss making outlets in October 2001.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2001, the Group had in aggregate approximately HK\$10.5 million bank borrowings secured on certain properties owned by the Group. The Group's cash and bank balances (including pledged bank deposits) amounted to approximately HK\$27.8 million as at 30 September 2001.

The Group's gearing ratio as at 30 September 2001 was 8.6% (31 March 2001: 9.3%), based on bank borrowings of HK\$10.5 million (31 March 2001: HK\$12.8 million) and the shareholders' funds of HK\$122.5 million (31 March 2001: HK\$138.3 million).

## PROSPECTS

The Board anticipates the adverse market conditions will continue to affect the food and beverages industry in Hong Kong. In view of this, the Board has planned to diversify into the production of the environmental friendly food containers business. It is envisaged that such changes would bring stable income and steady growth to the Group's business.