

NOTES TO FINANCIAL STATEMENTS

31 March 2002

1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- restaurant operations
- property investment

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”)

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year’s financial statements:

- SSAP 9 (Revised): “Events after the balance sheet date”
- SSAP 14 (Revised): “Leases”
- SSAP 18 (Revised): “Revenue”
- SSAP 26: “Segment reporting”
- SSAP 28: “Provisions, contingent liabilities and contingent assets”
- SSAP 29: “Intangible assets”
- SSAP 30: “Business combinations”
- SSAP 31: “Impairment of assets”
- SSAP 32: “Consolidated financial statements and accounting for investments in subsidiaries”
- Interpretation 12: “Business combinations – subsequent adjustment of fair values and goodwill initially reported”
- Interpretation 13: “Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves”

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group’s accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretations which have had a significant effect on the financial statements are summarised as follows:

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 20 and 28 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (Continued)

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group’s predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. Provisions are now disclosed as a separate line item on the face of the balance sheet and note 22 to the financial statements “Provision for long service payments” has been revised to include the new required additional disclosures.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, certain fixed assets and equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company’s interests in subsidiaries are stated at cost less any impairment losses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control over the joint venture company;
- (b) a jointly controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;
- (c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and neither has joint control of, nor is in a position to exercise significant influence over the joint venture company.

Jointly controlled entities

A jointly controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

The Group's share of the post-acquisition results and reserves of jointly controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associates

An associate is a company, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment losses. 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 fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 asset, the expenditure is capitalised as an additional cost of that asset.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation (Continued)

In the prior years, the Group's leasehold land and buildings were carried at cost less any accumulated depreciation and any impairment losses. The Group changed this accounting policy on 31 March 2002 and thereafter leasehold land and buildings are carried at their revalued amounts less any subsequent accumulated depreciation and impairment losses. In the opinion of the directors, this change in accounting policy has resulted in more relevant information about the financial position of the Group. The change has been applied prospectively because the amount of any resulting adjustment that relates to prior years is not reasonably determinable. The effects of the change in respect of the current year are an increase in the carrying amount of leasehold land and buildings by HK\$89,396,000, an increase in fixed asset revaluation reserve by HK\$91,259,000 and a revaluation deficit of HK\$1,863,000 charged to the profit and loss account during the year.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the fixed asset revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2%
Furniture and fixtures	15 – 20%
Air-conditioning plant	15 – 20%
Electrical appliances	20%
Office equipment	20%
Motor vehicles	20%

Kitchen utensils, linen and uniforms

No depreciation is provided on the initial purchase of kitchen utensils, linen and uniforms which are capitalised at cost. The cost of subsequent replacements of these items is charged directly to the profit and loss account in the year in which such expenditure is incurred.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Long term investment

Long term investment is a non-trading investment in unlisted equity securities intended to be held on a long term basis and is stated at its estimated fair value at the balance sheet date. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account in the period in which they arise.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories comprise mainly food and beverages and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs necessary to make the sale.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Provision for long service payments are made based on past experience and the directors' knowledge of the business and work force.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) receipts from restaurant operations, upon the delivery of food and beverages to customers;
- (b) rental income, on a time proportion basis over the lease terms; and
- (c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency transactions

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the Scheme. The Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash and bank balances represent assets which are not restricted as to use.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by business segment. The Group's revenues, results and assets are principally derived from operations carried out in Hong Kong.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the restaurant segment comprises restaurant operations;
- (b) the property segment comprises property investment; and
- (c) the corporate segment comprises corporate income and expense items.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

4. SEGMENT INFORMATION (Continued)

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

	Restaurant		Property		Corporate		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Turnover	314,264	388,192	5,450	1,907	-	-	319,714	390,099
Other revenue	1,591	1,158	-	-	-	-	1,591	1,158
Total	315,855	389,350	5,450	1,907	-	-	321,305	391,257
Segment results	(6,463)	1,054	3,693	539	(16,463)	(16,435)	(19,233)	(14,842)
Interest income							301	1,128
Impairment of a long term investment							(2,300)	(900)
Loss from operating activities							(21,232)	(14,614)
Finance costs							(18,910)	(22,290)
Share of profits/(losses) of:								
Jointly controlled entities	-	416	(5)	-	-	-	(5)	416
Associates	-	-	252	-	-	-	252	-
Provision for an amount due from a jointly controlled entity	(749)	(1,250)	-	-	-	-	(749)	(1,250)
Loss on disposal of an associate	-	-	(10,000)	-	-	-	(10,000)	-
Loss before tax							(50,644)	(37,738)
Tax							(425)	(293)
Loss before minority interests							(51,069)	(38,031)
Minority interests							1,192	(1,238)
Net loss from ordinary activities attributable to shareholders							(49,877)	(39,269)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

4. SEGMENT INFORMATION (Continued)

	Restaurant		Property		Corporate		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	303,598	256,064	112,914	58,998	(7,591)	(8,123)	408,921	306,939
Interests in jointly controlled entities	-	471	3,504	-	-	-	3,504	471
Interests in associates	-	-	5,598	25,294	-	-	5,598	25,294
Unallocated assets	-	-	-	-	-	-	7	2,681
Bank overdrafts included in segment assets	2,654	2,180	-	-	20,067	23,500	22,721	25,680
Total assets							440,751	361,065
Segment liabilities	31,431	36,791	1,833	728	2,714	1,958	35,978	39,477
Unallocated liabilities	-	-	-	-	-	-	256,059	240,892
Bank overdrafts included in segment assets	2,654	2,180	-	-	20,067	23,500	22,721	25,680
Total liabilities							314,758	306,049
Other segment information:								
Depreciation	8,917	12,167	1,090	1,101	161	198	10,168	13,466
Impairment of fixed assets recognised in the profit and loss account	2,495	-	-	-	-	-	2,495	-
Deficit on revaluation recognised in the profit and loss account	-	-	-	-	1,863	-	1,863	-
Surplus on revaluation recognised directly in equity	91,259	-	30,787	-	-	-	122,046	-
Capital expenditure	2,263	22,874	303	-	-	127	2,566	23,001

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

5. TURNOVER

Turnover represents the receipts from restaurant operations and gross rental income received and receivable from investment properties during the year. Revenue from the following activities has been included in turnover:

	GROUP	
	2002 HK\$'000	2001 HK\$'000
Receipts from restaurant operations	314,264	388,192
Gross rental income	5,450	1,907
	319,714	390,099

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	GROUP	
	2002 HK\$'000	2001 HK\$'000
Minimum lease payments under operating leases in respect of land and buildings	23,352	22,473
Foreign exchange losses, net	13	1,808
Auditors' remuneration	680	680
Staff costs (including directors' remuneration – note 8):		
Wages, salaries and bonuses	108,748	124,670
Provision for long service payments, net	8,182	9,225
Pension scheme contributions	5,040	2,257
Total staff costs	121,970	136,152
Loss on disposal of fixed assets	1,061	1,854
Impairment of fixed assets	2,495	–
Impairment of a long term investment	2,300	900
Revaluation deficit on fixed assets	1,863	–
Gross rental income	(5,450)	(1,907)
Less: Outgoings	1,833	1,250
Net rental income	(3,617)	(657)
Interest income	(301)	(1,128)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

7. FINANCE COSTS

	GROUP	
	2002 HK\$'000	2001 HK\$'000
Interest on bank loans and overdrafts, and other loans wholly repayable within five years	18,832	22,208
Interest on finance leases	78	82
	18,910	22,290

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance is as follows:

	GROUP			
	Executive		Independent non-executive	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Fees	–	–	–	–
Other emoluments:				
Salaries, allowances and benefits in kind	1,037	1,345	160	160
Pension scheme contributions	18	6	–	–
Long service payments	–	280	–	–
	1,055	1,631	160	160

The number of directors whose remuneration fell within the following band is as follows:

	Number of directors	
	2002	2001
Nil to HK\$1,000,000	6	7

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2001: two) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2001: three) non-directors, highest paid employees are as follows:

	GROUP	
	2002	2001
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	1,663	1,406
Pension scheme contributions	39	12
	1,702	1,418

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2002	2001
Nil to HK\$1,000,000	4	3

10. TAX

	GROUP	
	2002	2001
	HK\$'000	HK\$'000
Provision for the year	149	220
Under/(over) provision in prior years	(98)	73
Deferred (note 23)	374	–
Tax charge for the year	425	293

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year.

There was no unprovided deferred tax in respect of the year (2001: Nil).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year dealt with in the financial statements of the Company was HK\$77,797,000 (2001: HK\$32,809,000).

12. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$49,877,000 (2001: HK\$39,269,000) and 300,053,220 (2001: weighted average of 300,052,835) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2002 and 2001 have not been disclosed as the warrants outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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13. FIXED ASSETS

GROUP

	Investment properties	Leasehold land and buildings	Furniture and fixtures	Air- conditioning plant	Electrical appliances	Office equipment	Motor vehicles	Kitchen utensils, linen and uniforms	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:									
At beginning of year	56,500	216,720	121,527	14,790	24,206	2,306	728	6,493	443,270
Additions	303	-	642	-	1,355	162	-	104	2,566
Disposals	-	-	(10,307)	(2,214)	(3,433)	(240)	(328)	(1,392)	(17,914)
Transfers	22,910	(27,072)	-	-	-	-	-	-	(4,162)
Surplus on revaluation	30,787	65,202	-	-	-	-	-	-	95,989
At 31 March 2002	110,500	254,850	111,862	12,576	22,128	2,228	400	5,205	519,749
Analysis of cost or valuation:									
At cost	-	-	111,862	12,576	22,128	2,228	400	5,205	154,399
At 31 March 2002 valuation	110,500	254,850	-	-	-	-	-	-	365,350
	110,500	254,850	111,862	12,576	22,128	2,228	400	5,205	519,749
Accumulated depreciation and impairment:									
At beginning of year	-	25,760	98,079	12,141	21,522	1,814	631	-	159,947
Provided during the year	-	2,596	5,628	664	1,089	167	24	-	10,168
Disposals	-	-	(10,162)	(2,126)	(3,397)	(234)	(328)	-	(16,247)
Transfers	-	(4,162)	-	-	-	-	-	-	(4,162)
Surplus on revaluation	-	(24,194)	-	-	-	-	-	-	(24,194)
Impairment	-	-	1,432	109	353	-	-	601	2,495
At 31 March 2002	-	-	94,977	10,788	19,567	1,747	327	601	128,007
Net book value:									
At 31 March 2002	110,500	254,850	16,885	1,788	2,561	481	73	4,604	391,742
At 31 March 2001	56,500	190,960	23,448	2,649	2,684	492	97	6,493	283,323

The net book value of the fixed assets held under finance leases included in the total amount of electrical appliances and motor vehicles at 31 March 2002 amounted to HK\$1,065,000 (2001: HK\$449,000) and HK\$73,000 (2001: HK\$81,000), respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

13. FIXED ASSETS (Continued)

Certain of the leasehold land and buildings and investment properties were pledged to secure credit facilities granted to the Group (note 19).

The Group's leasehold land and buildings and investment properties were revalued on 31 March 2002 by CS Surveyors Limited, independent professionally qualified valuers, on an open market, existing use basis.

An analysis of the leasehold land and buildings, which are situated in Hong Kong, is as follows:

	GROUP	
	2002	2001
	HK\$'000	HK\$'000
	At valuation	At cost
Long term leases	251,000	182,912
Medium term leases	3,850	33,808
	254,850	216,720

Had the land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been HK\$165,454,000 at 31 March 2002.

The investment properties are situated in Hong Kong and are held under medium term leases. They are leased to third parties under operating leases, further summary details of which are included in note 28 to the financial statements. Details of the investment properties are as follows:

Location	Use
Shop No. G30 on Ground Floor, Portion A on 15th Floor, the Whole of 16th Floor and Portion of Flat Roof on 16th Floor, Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong, Kowloon.	Commercial
Lot No. 710 in Demarcation District No. 332 and Lot No. 237 in Demarcation District No. 331, Cheung Sha, Lantau Island, New Territories.	Residential

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

14. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	–	–
Loans to jointly controlled entities	3,504	1,721
Less: Provision against loan to a jointly controlled entity	–	(1,250)
	3,504	471

The loans to the jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the unlisted jointly controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group		Principal activities
			2002	2001	
Golden Wise Properties Limited	Corporate	Hong Kong	50	–	Property development
Shenzhen Tack Hsin Chinese Restaurant Co., Ltd.	Corporate	The People's Republic of China	–	55	Restaurant operations

15. INTERESTS IN ASSOCIATES

	GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	–	(252)
Loans to associates	5,598	25,546
	5,598	25,294

The loans to the associates are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

15. INTERESTS IN ASSOCIATES (Continued)

Particulars of the unlisted associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group		Principal activities
			2002	2001	
Billion Gain Limited	Corporate	Hong Kong	33	33	Property Development
Golden Net Limited	Corporate	Hong Kong	–	20	Property Investment

The associates were not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

16. LONG TERM INVESTMENT

	GROUP	
	2002 HK\$'000	2001 HK\$'000
Unlisted equity investment, at fair value	–	2,300

17. INTERESTS IN SUBSIDIARIES

	COMPANY	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	238,075	238,075
Less: Provision for impairment	(194,000)	(117,000)
	44,075	121,075
Loan to a subsidiary	80,000	80,000
Due to subsidiaries	(4,112)	(3,316)
	119,963	197,759

The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

17. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and operations [®]	Nominal value of issued capital	Percentage of equity interest attributable to the Company		Principal activities
			2002	2001	
Charmwide Development Limited	Hong Kong	HK\$10,000*	100	100	Property investment
Citycrown Investment Limited	Hong Kong	HK\$2*	51	51	Restaurant operations
Conyick Investments Limited	Hong Kong	HK\$100* HK\$600,000 [#]	100	100	Property holding
First Charm Development Limited	Hong Kong	HK\$100*	100	100	Property investment
Full Client Limited	Hong Kong	HK\$100* HK\$2 [#]	100	100	Property holding
Grandward Limited	Hong Kong	HK\$100* HK\$2 [#]	100	100	Property holding
Jade Terrace Restaurant (Causeway Bay) Limited	Hong Kong	HK\$100*	62	62	Restaurant operations
Paon Investment Limited	Hong Kong	HK\$100* HK\$2 [#]	100	100	Property investment
Rainbow World Enterprises Limited	Hong Kong	HK\$3,900*	61	61	Restaurant operations
Real Bright Asia Limited	Hong Kong	HK\$100*	57	57	Restaurant operations
Royal Power Investment Limited	Hong Kong	HK\$4,600,000*	51	51	Restaurant operations

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

17. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and operations [®]	Nominal value of issued capital	Percentage of equity interest attributable to the Company		Principal activities
			2002	2001	
Tack Hsin (BVI) Holdings Limited	British Virgin Islands/ Hong Kong	HK\$17,763,202*	100	100	Investment holding
Tack Hsin Restaurant (Causeway Bay) Limited	Hong Kong	HK\$100* HK\$2 [#]	100	100	Restaurant operations
Tack Hsin Restaurant (Happy Valley) Limited	Hong Kong	HK\$2*	100	100	Restaurant operations
Tack Hsin Restaurant (Kwun Tong) Limited	Hong Kong	HK\$100* HK\$1,245,000 [#]	100	100	Restaurant operations
Tack Hsin Restaurant (London) Limited	Hong Kong	HK\$100* HK\$2 [#]	100	100	Restaurant operations
Tack Hsin Restaurant (Mongkok) Limited	Hong Kong	HK\$100* HK\$680,000 [#]	100	100	Restaurant operations
Tack Hsin Restaurant (Peninsula) Limited	Hong Kong	HK\$100* HK\$2,380,000 [#]	100	100	Restaurant operations
Tack Hsin Restaurant (Western) Limited	Hong Kong	HK\$100*	80	80	Restaurant operations
Tack Hsin Restaurant (YMT) Limited	Hong Kong	HK\$2*	100	100	Restaurant operations
Vastpro Developments Limited	Hong Kong	HK\$2*	100	100	Property holding
Wealth Glory Investment Limited	Hong Kong	HK\$100* HK\$30,000 [#]	100	100	Property investment

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

17. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and operations [@]	Nominal value of issued capital	Percentage of equity interest attributable to the Company		Principal activities
			2002	2001	
Win China Industries Limited	Hong Kong	HK\$2*	51	51	Restaurant operations
Worlden Industries Limited	Hong Kong	HK\$100*	62	62	Restaurant operations

[@] Unless otherwise stated, the place of operations is the place of incorporation

^{*} Ordinary shares

[#] Non-voting deferred shares

All subsidiaries are indirectly held by the Company except Tack Hsin (BVI) Holdings Limited.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	GROUP	
	2002 HK\$'000	2001 HK\$'000
Within 3 months	1,203	860
4 to 6 months	268	79
7 to 12 months	650	739
Over 1 year	163	23
	2,284	1,701

The Group's trading terms with customers are mainly on cash and credit card settlement, except for certain well established customers where the terms vary with customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

19. BANK AND OTHER BORROWINGS

	GROUP	
	2002 HK\$'000	2001 HK\$'000
Bank overdrafts:		
Secured	20,067	23,499
Unsecured	2,654	2,181
	22,721	25,680
Bank loans:		
Secured	240,930	235,579
Unsecured	3,629	4,537
	244,559	240,116
Other loan, secured	10,000	–
	277,280	265,796
Bank overdrafts repayable within one year	22,721	25,680
Bank loans repayable:		
Within one year	23,822	47,933
In the second year	23,419	52,012
In the third to fifth years, inclusive	76,165	127,908
Beyond five years	121,153	12,263
	244,559	240,116
Other loan repayable:		
Within one year	10,000	–
	277,280	265,796
Portion classified as current liabilities	(56,543)	(73,613)
Long term portion	220,737	192,183

At 31 March 2002, certain of the bank and other borrowings were secured by the Group's leasehold land and buildings, investment properties and bank deposits with a carrying value of HK\$251,000,000 (2001: HK\$185,123,000), HK\$110,500,000 (2001: HK\$47,000,000) and HK\$6,121,000 (2001: HK\$5,911,000), respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

19. BANK AND OTHER BORROWINGS (Continued)

Subsequent to the balance sheet date, the Group entered into the following new financing arrangements:

- (a) In April 2002, the other loan from a financial intermediary of HK10 million, which bore interest at 1% per month and was repayable in April 2002, was replaced by a new loan for the same amount granted by that financial intermediary. The new loan is repayable by 24 monthly instalments up to April 2004; and
- (b) In April 2002, the Group obtained a bank loan of HK\$20 million, which is repayable in April 2004.

20. FINANCE LEASE PAYABLES

The Group leases certain of its electrical appliances and motor vehicle for its restaurant operations. These leases are classified as finance leases and have remaining lease terms ranging from one to three years. Upon the expiry of the leases, the Group has the options to renew the leases or purchase the leased assets at nominal prices.

At the balance sheet date, the total future minimum lease payments under finance leases and their present values were as follows:

GROUP

	Minimum lease payments 2002 HK\$'000	Minimum lease payments 2001 HK\$'000	Present value of minimum lease payments 2002 HK\$'000	Present value of minimum lease payments 2001 HK\$'000
Amounts repayable:				
Within one year	574	311	500	273
In the second year	320	270	290	248
In the third to fifth years, inclusive	129	8	125	7
Total minimum finance lease payments	1,023	589	915	528
Future finance charges	(108)	(61)		
Total net finance lease payables	915	528		
Portion classified as current liabilities	(500)	(273)		
Long term portion	415	255		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

20. FINANCE LEASE PAYABLES (Continued)

SSAP 14 was revised and implemented during the year, as detailed in notes 2 and 28 to the financial statements. Certain new disclosures are required and have been included above. The prior year's comparative amounts for the new disclosures have also been included where appropriate.

21. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within 3 months	13,085	19,776
4 to 6 months	235	290
7 to 12 months	6	59
Over 1 year	138	108
	13,464	20,233

22. PROVISION FOR LONG SERVICE PAYMENTS

	GROUP
	HK\$'000
At beginning of year	2,270
Provision for the year	8,415
Unutilised amounts written back	(233)
Amounts utilised during the year	(3,957)
At 31 March 2002	6,495

Certain of the Group's employees had completed the required number of years of service under the Hong Kong Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is liable to make such payments if the termination of employment meets the circumstances specified in the Ordinance. The amount of the provision for long service payments is estimated based on past experience and the directors' knowledge of the business and work-force.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

23. DEFERRED TAX

	GROUP	
	2002 HK\$'000	2001 HK\$'000
Charge for the year (note 10) and at 31 March	374	–

The principal components of the Group's provision for deferred tax and the net deferred tax asset not recognised in the financial statements are as follows:

	Provided		Not provided	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Accelerated/(reversing) depreciation allowances	374	–	(5,373)	(6,257)
Tax losses	–	–	(13,348)	(7,468)
	374	–	(18,721)	(13,725)

The revaluation of the Group's investment properties and leasehold land and buildings does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

The Group and the Company have no significant potential deferred tax liabilities for which provision has not been made at the balance sheet date.

24. SHARE CAPITAL

Shares

	2002 HK\$'000	2001 HK\$'000
Authorised:		
500,000,000 ordinary shares of HK\$0.10 each	50,000	50,000
Issued and fully paid:		
300,053,220 ordinary shares of HK\$0.10 each	30,005	30,005

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

24. SHARE CAPITAL (Continued)

The movements of the Company's ordinary share capital during the prior year are as follows:

	Carrying amount <i>HK\$</i>	Shares issued
At 1 April 2000	30,005,280	300,052,800
Issue of new shares upon exercise of warrants	42	420
At 31 March 2001 and 2002	30,005,322	300,053,220

Share options

The Company operates a share option scheme, further details of which are set out under the heading "Share option scheme" in the Report of the Directors on page 10 of the Annual Report.

No share options were granted during the year and there were no share options outstanding at the balance sheet date.

Warrants

At the balance sheet date, the Company had 60,010,140 warrants outstanding. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK\$0.10 at a subscription price of HK\$1.45 per share, payable in cash and subject to adjustment, from 31 January 2001 to 30 January 2004. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 60,010,140 additional shares of HK\$0.10 each and cash proceeds of approximately HK\$87,015,000 before related issue expenses.

No warrants were exercised during the year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

25. RESERVES

GROUP

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Fixed asset revaluation reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Retained by the Company and subsidiaries:					
At 1 April 2000	37,271	23,282	–	6,037	66,590
Issue of shares	1	–	–	–	1
At 31 March 2001 and 1 April 2001	37,272	23,282	–	6,037	66,591
Surplus on revaluation	–	–	91,259	30,787	122,046
At 31 March 2002	37,272	23,282	91,259	36,824	188,637

The contributed surplus of the Group represents the excess of the nominal value of the shares and the share premium account of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

COMPANY

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2000	37,271	237,875	275,146
Issue of shares	1	–	1
At 31 March 2001 and 2002	37,272	237,875	275,147

The contributed surplus of the Company represents the excess of the fair value of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus in certain circumstances.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss from operating activities to net cash inflow/(outflow) from operating activities

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Loss from operating activities	(21,232)	(14,614)
Interest income	(301)	(1,128)
Depreciation	10,168	13,466
Loss on disposal of fixed assets	1,061	1,854
Impairment of fixed assets	2,495	–
Revaluation deficit on fixed assets	1,863	–
Impairment of a long term investment	2,300	900
Increase in trade receivables	(583)	(371)
Decrease in prepayments, deposits and other receivables	1,052	1,269
Decrease in inventories	1,523	164
Increase/(decrease) in trade payables	(6,769)	850
Increase/(decrease) in other payables and accruals	(955)	9,462
Increase in provision for long service payments	4,225	1,913
Net cash inflow/(outflow) from operating activities	(5,153)	13,765

(b) Analysis of changes in financing during the year

	Issued capital and share premium account <i>HK\$'000</i>	Bank and other borrowings <i>HK\$'000</i>	Finance lease payables <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
At 1 April 2000	67,276	233,929	414	3,435
Cash inflow/(outflow) from financing activities, net	1	6,187	(265)	2,648
Inception of finance lease contract	–	–	379	–
Share of profits	–	–	–	1,238
Capital contribution	–	–	–	2
At 31 March 2001 and 1 April 2001	67,277	240,116	528	7,323
Cash inflow/(outflow) from financing activities, net	–	14,443	(395)	–
Inception of finance lease contract	–	–	782	–
Share of losses	–	–	–	(1,192)
At 31 March 2002	67,277	254,559	915	6,131

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Major non-cash transaction

During the year, the Group entered into a finance lease arrangement in respect of fixed assets with a total capital value at the inception of the lease of HK\$782,000 (2001: HK\$379,000).

27. CONTINGENT LIABILITIES

At the balance sheet date, the contingent liabilities of the Group and Company not provided for in the financial statements were as follows:

- (a) The Company gave guarantees to banks in connection with facilities granted to its subsidiaries amounting to HK\$286,050,000 (2001: HK\$25,050,000), of which HK\$260,997,000 (2001: HK\$19,522,000) had been utilised at the balance sheet date; and
- (b) The Group had bank guarantees given in lieu of utility and property rental deposits amounting to HK\$4,552,000 (2001: HK\$4,566,000).

28. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 13 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to six years. The terms of the leases generally require the tenants to pay security deposits and escalation clauses are stipulated in certain leases.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	6,606	2,016
In the second to fifth years, inclusive	20,860	5,208
After five years	1,173	–
	28,639	7,224

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

28. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

The Group leases certain of its restaurant premises under operating lease arrangements. Leases are negotiated for terms ranging from one to four years. There are escalation clauses stipulated in certain leases.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> (Restated)
Within one year	12,280	21,426
In the second to fifth years, inclusive	10,317	38,918
	22,597	60,344

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above have been restated to accord with the current year's presentation.

29. PLEDGE OF ASSETS

Details of the Group's borrowings secured by the assets of the Group are set out in note 19 to the financial statements.

A time deposit of HK\$615,000 (2001: HK\$588,000) was pledged to a bank to secure guarantees given by the bank in lieu of rental deposits.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 March 2002

30. RELATED PARTY TRANSACTIONS

During the year, the Group paid rental expenses in aggregate of HK\$2,916,000 (2001: HK\$2,913,000) to a director of the Company and companies in which certain directors of the Company have beneficial interests. The rentals were determined with reference to open market rentals.

31. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation. In addition, time deposits with original maturity of less than three months when acquired, which were pledged as security for bank overdrafts amounting to HK\$5,911,000, were reclassified from investing activities to cash equivalents in the consolidated cash flow statement for the year ended 31 March 2001 since the related bank overdrafts were included in cash equivalents.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 July 2002.