

CAFÉ DE CORAL HOLDINGS LIMITED

(Incorporated in Bermuda with Limited Liability)

大家樂集團有限公司

NOTES TO THE ACCOUNTS

As at 30th September, 2002

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim accounts have not been audited by the auditors of Café de Coral Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") but have been reviewed by the Group's Audit Committee.

These unaudited consolidated accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants (the "HKSA"), and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These accounts should be read in conjunction with the 2002 annual financial statements.

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31st March, 2002 except for the adoption of the following new SSAPs as is required by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised)	: Presentation of financial statements
SSAP 11 (revised)	: Foreign currency translation
SSAP 15 (revised)	: Cash flow statements
SSAP 25 (revised)	: Interim financial reporting
SSAP 33	: Discontinuing operations
SSAP 34	: Employee benefits

In accordance with the new SSAP 34 "Employee benefits" pension costs for the defined benefit scheme are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries. The pension obligation is measured as the present value of the estimated future cash outflows using a discount rate determined by reference to market yields on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognized by amortizing the amount by which the cumulative unrecognized gains and losses exceed 10% of the greater of the scheme's assets and defined benefit obligations over the average expected future working lifetime of the members of the scheme. Past service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested. In the prior years, the Group's contributions to the defined benefit scheme are charged to the profit and loss account in the period to which the contributions relate.

As at 1st April, 2002, the date of adoption of SSAP 34, there was a transitional liability of HK\$20,443,000 which was recognized immediately representing the excess of the present value of the defined benefit obligation over the fair value of the scheme's assets. This has been accounted for retrospectively with the effect that the retained profits of the Group as at 1st April, 2001 and 1st April, 2002 were both decreased by HK\$20,443,000. The adoption of new accounting policy has no impact on the prior period profit and loss account as contributions paid during the prior period were in line with the charge required under SSAP 34.

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NOTES TO THE ACCOUNTS (CONT'D)

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1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONT'D)

The adoption of SSAP 1 (revised), SSAP 11 (revised), SSAP 15 (revised), SSAP 25 (revised) and SSAP 33 had no material impact on the reported financial results of the Group except for certain presentational changes.

Unless otherwise stated, the 2001 comparative figures presented herein have incorporated the effect of adjustments, where applicable, resulting from the adoption of the new accounting standards above.

2. TURNOVER

Turnover comprises (i) the value of sales in the normal course of restaurant and catering businesses and (ii) rental income.

3. SEGMENT INFORMATION

No segment information is provided as over 90% of the turnover and contribution to the Group's results are attributable to the restaurants and catering services in Hong Kong.

4. TAXATION

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2002	2001
	HK\$'000	HK\$'000
Company and subsidiaries:		
Hong Kong profits tax	14,365	11,073
Overseas taxation	1,534	142
Deferred taxation	1,775	3,850
	17,674	15,065
Associate:		
Hong Kong taxation	46	136
Jointly controlled entities:		
Overseas taxation	(814)	572
	16,906	15,773

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As at 30th September, 2002

5. DIVIDENDS

	<u>2002</u>	<u>2001</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, proposed, of 6.4 cents per share (2001: 4.4 cents per share)	<u>34,425</u>	<u>24,044</u>

Notes:

- (a) At a meeting held on 9th July, 2002, the directors proposed a final dividend of 17.1 cents per share for the year ended 31st March, 2002 and has been reflected as an appropriation of retained profits for the six months ended 30th September, 2002.
- (b) At a meeting held on 16th December, 2002, the directors declared an interim dividend of 6.4 cents per share for the year ending 31st March, 2003. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2003.

6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of approximately HK\$126,150,000 (2001: HK\$123,620,000).

The basic earnings per share are based on the weighted average of 545,782,864 (2001: 546,810,503) ordinary shares in issue during the period. The diluted earnings per share is based on 557,971,462 (2001: 553,320,651) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the effect of dilutive potential ordinary shares of 12,188,598 (2001: 6,510,148) ordinary shares if all outstanding share options had been exercised.

7. FIXED ASSETS AND TRADEMARKS

	<u>Fixed assets</u>	<u>Trademarks</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net book value, 1st April, 2002	953,846	25,458
Additions	65,196	–
Disposals	(8,630)	–
Depreciation / Amortization	<u>(60,268)</u>	<u>(1,352)</u>
Net book value, 30th September, 2002	<u>950,144</u>	<u>24,106</u>

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NOTES TO THE ACCOUNTS (CONT'D)

As at 30th September, 2002

8. INVESTMENT IN AN ASSOCIATE

	<u>30th September, 2002</u>	<u>31st March, 2002</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets of the associate	898	776
Due from the associate	<u>60</u>	<u>60</u>
	<u>958</u>	<u>836</u>

The amount due from the associate is unsecured, non-interest bearing and has no fixed repayment terms. The Group's share of net profit from the associate during the period was approximately HK\$242,000 (2001: HK\$553,000). The Group also received a dividend of approximately HK\$120,000 (2001: HK\$1,120,000) from the associate during the period.

9. INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	<u>30th September, 2002</u>	<u>31st March, 2002</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net liabilities of the jointly controlled entities	(7,766)	(6,615)
Premium on acquisition of a jointly controlled entity less amortization	29,063	29,823
Due from jointly controlled entities	<u>7,496</u>	<u>2,509</u>
	<u>28,793</u>	<u>25,717</u>

The amounts due from the jointly controlled entities are unsecured, non-interest bearing and not repayable within the next twelve months. The Group's share of net loss from the jointly controlled entities during the period was approximately HK\$1,662,000 (2001: net profit of HK\$739,000).

10. HELD-TO-MATURITY INVESTMENTS, UNLISTED

Held-to-maturity securities are stated in the balance sheet at cost plus / less any discount / premium amortized to date. The discount or premium is amortized over the period to maturity and included as interest income / expense in the profit and loss account. Provision is made when there is an impairment in value other than temporary.

The carrying amounts of individual held-to-maturity securities or holdings of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognized in the profit and loss account as an expense immediately.

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As at 30th September, 2002

11. TRADE DEBTORS AND CREDITORS – CREDIT POLICY AND AGING ANALYSIS

The Group's sales to customers are mainly on a cash basis. The Group also grants a credit period which is usually less than 90 days to certain customers for the sales of the Group's institutional catering services and food processing and distribution businesses.

At 30th September, 2002, approximately 95% (31st March, 2002: 87%) of the Group's trade debtors were aged less than 60 days and over 99% (31st March, 2002: 99%) of the trade creditors were aged less than 60 days.

12. NET CURRENT ASSETS AND TOTAL ASSETS LESS CURRENT LIABILITIES

As at 30th September, 2002, the net current assets and total assets less current liabilities of the Group were approximately HK\$403,489,000 (31st March, 2002: HK\$482,113,000) and HK\$1,460,762,000 (31st March, 2002: HK\$1,506,503,000) respectively.

13. SHARE CAPITAL AND SHARE OPTIONS

a. Share capital

	30th September, 2002		31st March, 2002	
	Number of shares	Nominal value	Number of shares	Nominal value
	'000	HK\$'000	'000	HK\$'000
Authorized				
Ordinary shares of HK\$0.10 each	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>
Issued and fully paid				
Beginning of period/year	545,726	54,573	546,888	54,689
Shares issued under the share option schemes (Note 13.b)	100	10	1,460	146
Shares purchased and cancelled by the Company	-	-	(2,622)	(262)
End of period/year	<u>545,826</u>	<u>54,583</u>	<u>545,726</u>	<u>54,573</u>

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As at 30th September, 2002

13. SHARE CAPITAL AND SHARE OPTIONS (CONT'D)

b. Share options

Details of executive share options were as follows:

Date of grant	Subscription price	Number of shares			
		As at 1st April, 2002	Exercised during the period	Lapsed as a result of termination of employment	As at 30th September, 2002
1st November, 1994	HK\$2.232	100,000	(100,000)	-	-
4th November, 1999	HK\$2.950	24,400,000	-	(300,000)	24,100,000
		<u>24,500,000</u>	<u>(100,000)</u>	<u>(300,000)</u>	<u>24,100,000</u>

The outstanding share options are exercisable during the period from 1st April, 2003 to 31st March, 2013.

14. COMMITMENTS AND CONTINGENT LIABILITIES

a. Lease commitments

At 30th September, 2002, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<u>30th September, 2002</u>	<u>31st March, 2002</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings		
– Within one year	244,339	258,992
– In the second to fifth year inclusive	369,030	389,081
– After the fifth year	26,848	9,571
	<u>640,217</u>	<u>657,644</u>

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rentals payable, if any, when turnover of individual restaurants exceeds a pre-determined level as it is not possible to determine in advance the amount of such additional rentals.

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As at 30th September, 2002

14. COMMITMENTS AND CONTINGENT LIABILITIES (CONT'D)

b. Capital commitments

	30th September, 2002	31st March, 2002
	<u>HK\$'000</u>	<u>HK\$'000</u>
Contracted but not provided for	7,591	6,943
Authorized but not contracted for	62,104	122,843
	<u>69,695</u>	<u>129,786</u>

c. Guarantees

At 30th September, 2002, the banking facilities granted by financial institutions to the Company's subsidiaries and jointly controlled entities were secured by:

- (i) guarantees given by the Company totaling approximately HK\$950,904,000 (31st March, 2002: HK\$861,000,000); and
- (ii) pledge of shares of jointly controlled entities.

15. COMPARATIVE FIGURES

The comparative figures presented incorporate the presentational changes and effect of adjustment resulting from the adoption of new accounting policies as described in Note 1.