

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The ultimate holding company of the Company is Kong Fai International Limited, a company incorporated in the British Virgin Islands.

The Company is an investment holding company. Its subsidiaries are principally engaged in the operation of a chain of Chinese restaurants in Hong Kong and elsewhere in the People's Republic of China (the "PRC") which specialise in Chiu Chow cuisine, and in the operation of a hotel in the PRC.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP"s) issued by the Hong Kong Society of Accountants. The new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the previous year have been restated in order to achieve a consistent presentation. The adoption of the new and revised SSAPs has no material effect on the results for the current or prior accounting periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of the investment properties, and have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or up to the effective date of acquisition or disposal as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Investment in subsidiaries

Investment in subsidiaries is included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Interests in associates

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any identified impairment loss in the value of individual investments.

Revenue recognition

Revenue from restaurant and hotel operations is recognised when goods are sold and services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Sales of goods are recognised when goods are delivered and title has passed.

Rental income, including rental invoiced in advance for properties under operating leases, is recognised on a straight line basis over the lease terms.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation and any identified impairment loss.

Initial purchases of crockery and utensils, table cloths, towels and uniforms are capitalised and no depreciation is provided thereon. Costs of subsequent replacements of these items are charged to the income statement as and when incurred.

Construction in progress is not depreciated until completion of construction. Cost on completed construction works is transferred to other categories of property, plant and equipment.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Leasehold land	Over the unexpired term of lease
Buildings	Over the duration of the leases or fifty years, whichever is the shorter
Furniture and restaurant equipment	12.5% – 50%
Plant and equipment	20%
Motor vehicles	15% – 20%

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income derived therefrom being negotiated at arm's length.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Investment properties are stated at their open market values based on independent professional valuation at the balance sheet date. Any surplus or deficit arising on revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance in the reserve is insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance in the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, any balance in the investment property revaluation reserve which is attributable to that property is credited to the income statement and included in the determination of the gain or loss on disposal.

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than twenty years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of food and beverage items is calculated using the first-in, first-out method. Cost of other items is calculated using the weighted average method.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

Translation of foreign currency financial statements

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Operating leases

Rental expenses under operating leases are charged to the income statement on a straight line basis over the terms of the relevant leases.

Retirement benefits costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

4. TURNOVER

Turnover represents the aggregate of the revenue (net of relevant business tax) from restaurant and hotel operations, including service charge and gratuity income, revenue from sales of environmental friendly containers, and rental income received and receivable during the year.

The amount comprises:

Resturant and hotel operations
Sales of environmental friendly containers
Rental income

2003 HK\$'000	2002 HK\$'000
127,452	209,271
4,215	955
311	315
<u>131,978</u>	<u>210,541</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two main operating divisions – restaurant and hotel operations, and property investment.

Segment information about these businesses is presented below.

(a) Year 2003:

(i) Income statement

	Restaurant and hotel operations HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External revenue	127,452	311	4,215	-	131,978
Inter-segment revenue	-	1,200	-	(1,200)	-
Total revenue	<u>127,452</u>	<u>1,511</u>	<u>4,215</u>	<u>(1,200)</u>	<u>131,978</u>
RESULT					
Segment result	<u>(14,526)</u>	<u>(20,291)</u>	<u>(3,956)</u>	-	(38,773)
Unallocated corporate expenses					<u>(212)</u>
Loss from operations					(38,985)
Finance costs					<u>(529)</u>
Loss before taxation					(39,514)
Taxation credit					<u>43</u>
Loss before minority interests					(39,471)
Minority interests					<u>1,224</u>
Net loss for the year					<u>(38,247)</u>

Inter-segment revenue are charged at prevailing market price.

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For the year ended 31 March 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

(a) Year 2003: (continued)

(ii) Balance sheet

	Restaurant and hotel operations HK\$'000	Property investment HK\$'000	Others HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	37,291	65,042	9,827	112,160
Unallocated corporate assets				<u>345</u>
Consolidated total assets				<u>112,505</u>
LIABILITIES				
Segment liabilities	12,122	136	1,889	14,147
Loans from minority shareholders	5,000	35,144	–	40,144
Unallocated corporate liabilities				<u>8,989</u>
Consolidated total liabilities				<u>63,280</u>

(iii) Other information

	Restaurant and hotel operations HK\$'000	Property investment HK\$'000	Others HK\$'000	Consolidated HK\$'000
Capital additions	1,356	–	1,308	2,664
Depreciation	4,143	381	1,362	5,886
Other non-cash expenses	986	18,609	–	19,595

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

(b) Year 2002:

(i) Income statement

	Restaurant and hotel operations HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External revenue	209,271	315	955	–	210,541
Inter-segment revenue	–	1,800	83	(1,883)	–
	<u>209,271</u>	<u>2,115</u>	<u>1,038</u>	<u>(1,883)</u>	<u>210,541</u>
Total revenue					
RESULT					
Segment result	<u>(24,942)</u>	<u>(86)</u>	<u>(1,015)</u>	<u>–</u>	(26,043)
Unallocated corporate expenses					<u>(4,181)</u>
Loss from operations					(30,224)
Finance costs					(606)
Share of results of associates			(2)		<u>(2)</u>
Loss before taxation					(30,832)
Taxation					<u>(73)</u>
Loss before minority interests					(30,905)
Minority interests					<u>149</u>
Net loss for the year					<u>(30,756)</u>

Inter-segment revenue are charged at prevailing market price.

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For the year ended 31 March 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

(b) Year 2002: (continued)

(ii) Balance sheet

	Restaurant and hotel operations HK\$'000	Property investment HK\$'000	Others HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	45,951	102,057	8,831	156,839
Unallocated corporate assets				<u>348</u>
Consolidated total assets				<u>157,187</u>
LIABILITIES				
Segment liabilities	17,029	856	1,281	19,166
Loans from minority shareholders	5,000	34,994	–	39,994
Unallocated corporate liabilities				<u>9,331</u>
Consolidated total liabilities				<u>68,491</u>

(iii) Other information

	Restaurant and hotel operations HK\$'000	Property investment HK\$'000	Others HK\$'000	Consolidated HK\$'000
Capital additions	1,954	–	7,361	9,315
Depreciation	5,846	761	–	6,607
Other non-cash expenses	1,873	1,655	4,000	7,528

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

An analysis of the Group's turnover and loss from operations by geographical market are as follows:

	Turnover		Loss from operations	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	115,426	190,870	(28,582)	(27,033)
The PRC, other than in Hong Kong	<u>16,552</u>	<u>19,671</u>	<u>(10,403)</u>	<u>(3,191)</u>
	<u>131,978</u>	<u>210,541</u>	<u>(38,985)</u>	<u>(30,224)</u>

An analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located is as follows:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	20,203	61,551	302	1,348
The PRC, other than in Hong Kong	<u>92,302</u>	<u>95,636</u>	<u>2,362</u>	<u>7,967</u>
	<u>112,505</u>	<u>157,187</u>	<u>2,664</u>	<u>9,315</u>

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For the year ended 31 March 2003

6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2003 HK\$'000	2002 HK\$'000
Directors' remuneration (note 7)	3,450	3,948
Other staff costs, including retirement benefits costs	<u>44,103</u>	<u>73,428</u>
Total staff costs	<u>47,553</u>	<u>77,376</u>
Auditors' remuneration	400	474
Depreciation	5,886	6,607
Interest on bank borrowings wholly repayable within five years	529	606
Loss on disposal of property, plant and equipment other than leasehold land and buildings	824	1,873
and after crediting:		
Interest income	<u>86</u>	<u>587</u>

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Information regarding directors' emoluments

	2003 HK\$'000	2002 HK\$'000
Directors' fees:		
Executive	-	-
Independent non-executive	144	144
Non-executive	<u>72</u>	<u>72</u>
	<u>216</u>	<u>216</u>
Other emoluments paid to executive directors:		
Salaries and other benefits	3,198	3,696
Retirement benefits costs	<u>36</u>	<u>36</u>
	<u>3,234</u>	<u>3,732</u>
Total directors' emoluments	<u>3,450</u>	<u>3,948</u>

The emoluments of the directors fall within the following bands:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	4	4
HK\$1,000,001 to HK\$1,500,000	2	-
HK\$1,500,001 to HK\$2,000,000	<u>-</u>	<u>2</u>

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Information regarding employees' emoluments

The five highest paid individuals of the Group in both years included two executive directors. The emoluments of the remaining three highest paid individuals, not being directors, are as follows:

	2003	2002
	HK\$'000	HK\$'000
Salaries and other benefits	1,659	2,437
Retirement benefits costs	36	36
	1,695	2,473

The emoluments of these three employees fall within the following bands:

	Number of employees	
	2003	2002
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	-	1

During both years, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during both years, no director waived any emoluments.

8. TAXATION CREDIT (CHARGE)

The taxation credit (charge) of the Company and its subsidiaries comprises:

Hong Kong Profits Tax calculated at 16%

on the estimated assessable profits of the year

– current year

– overprovision in prior years

	2003	2002
	HK\$'000	HK\$'000
– current year	-	(90)
– overprovision in prior years	43	17
	43	(73)

No provision for taxation has been made in the financial statements as the Company and its subsidiaries have no assessable profit for the year.

Details of the potential deferred taxation not provided for in the year are set out in note 22.

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For the year ended 31 March 2003

9. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss for the year of HK\$38,247,000 (2002: HK\$30,756,000) and on the 484,853,527 shares (2002: 484,853,527 shares) in issue during the year.

No diluted loss per share has been presented for both years as the exercise of the share options would result in a decrease in the loss per share.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture and restaurant equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP						
COST						
At 1 April 2002	56,584	67,665	5,441	3,933	1,873	135,496
Additions	836	718	1,110	–	–	2,664
Reclassification	1,873	–	–	–	(1,873)	–
Disposals	(39,260)	(11,887)	–	–	–	(51,147)
At 31 March 2003	<u>20,033</u>	<u>56,496</u>	<u>6,551</u>	<u>3,933</u>	<u>–</u>	<u>87,013</u>
DEPRECIATION						
At 1 April 2002	9,327	57,694	–	3,536	–	70,557
Provided for the year	1,384	3,440	961	101	–	5,886
Eliminated on disposals	(5,151)	(11,063)	–	–	–	(16,214)
At 31 March 2003	<u>5,560</u>	<u>50,071</u>	<u>961</u>	<u>3,637</u>	<u>–</u>	<u>60,229</u>
NET BOOK VALUE						
At 31 March 2003	<u>14,473</u>	<u>6,425</u>	<u>5,590</u>	<u>296</u>	<u>–</u>	<u>26,784</u>
At 31 March 2002	<u>47,257</u>	<u>9,971</u>	<u>5,441</u>	<u>397</u>	<u>1,873</u>	<u>64,939</u>

The Group's leasehold land and buildings are held under medium-term leases and are situated:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
In Hong Kong	–	34,490
In the PRC, other than in Hong Kong	<u>14,473</u>	<u>12,767</u>
	<u>14,473</u>	<u>47,257</u>

11. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
AT VALUATION	
At 1 April 2002	67,500
Revaluation deficit	<u>(2,500)</u>
At 31 March 2003	<u>65,000</u>

The Group's investment properties were revalued at 31 March 2003 by RHL Appraisal Ltd., a firm of independent professional property valuers, on an open market existing use basis.

The Group's investment properties are situated in the PRC and are held under leases as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Long leases (note (a))	55,500	58,000
Medium-term leases (note (b))	<u>9,500</u>	<u>9,500</u>
	<u>65,000</u>	<u>67,500</u>

Notes:

- (a) The investment properties were held for a term of seventy years expiring in May 2063. They were vacant as at 31 March 2003.
- (b) The investment properties are held for a term of fifty years expiring in January 2039. They are rented out under operating leases up to December 2002 and were vacant as at 31 March 2003. The Group is in the process of applying for the relevant land use rights certificate.

12. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	124,543	124,543
Amounts due from subsidiaries	<u>211,645</u>	<u>211,795</u>
Less: Impairment loss recognised	<u>336,188</u> (269,187)	336,338 <u>(229,187)</u>
	<u>67,001</u>	<u>107,151</u>

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, repayment of the amounts will not be demanded by the Company within the twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current assets in the balance sheet.

During the year, the Group reviewed the carrying amounts of interests in subsidiaries and identified that the estimated discounted net future cash flows from the subsidiaries ("recoverable amounts") are less than the carrying amounts. Accordingly, the carrying amounts of these subsidiaries are reduced to their respective recoverable amounts which are estimated using market borrowing rates.

12. INTERESTS IN SUBSIDIARIES (continued)

Details of the Company's principal subsidiaries at 31 March 2003 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued share/ registered capital	Proportion of nominal value of issued share/ registered capital held by the Company	Principal activities
CCC Holdings (BVI) Limited (note (a))	British Virgin Islands ("BVI")	Ordinary HK\$187,325,513	100%	Investment holding
CCC Investments (BVI) Limited	BVI	Ordinary US\$1	100%	Investment holding
CCC Overseas Investments (BVI) Limited	BVI	Ordinary US\$1	100%	Investment holding
City Chiu Chow Investment Development Limited	Hong Kong/ PRC	Ordinary HK\$2	100%	Property holding
City Chiu Chow Management & Consultants Company Limited	Hong Kong	Ordinary HK\$100 (Non-voting deferred HK\$10,000)*	100%	Provision of management services
City Chiu Chow Restaurant Limited	Hong Kong	Ordinary HK\$100 (Non-voting deferred HK\$2,000,000)*	100%	Restaurant operations
G-Tech International (Holdings) Limited	Hong Kong	Ordinary HK\$2	100%	Investment holding
Hansen Enterprises Limited	BVI/Hong Kong	Ordinary US\$100	65%	Investment holding
Hover City Chiu Chow Restaurant Limited	Hong Kong	Ordinary HK\$100 (Non-voting deferred HK\$6,000,000)*	100%	Restaurant operations
Lucky Nation Investment Limited	Hong Kong/ PRC	Ordinary HK\$2	65%	Property holding
Lucky Power Investment Limited	Hong Kong/ PRC	Ordinary HK\$2	65%	Property holding
Nation Dragon Investment Limited	Hong Kong/ PRC	Ordinary HK\$2	65%	Property holding
Smart Success Investment Limited	Hong Kong/ PRC	Ordinary HK\$2	65%	Property holding
Tanson Development Limited	Hong Kong/ PRC	Ordinary HK\$10,000	90%	Investment holding
惠州君豪大酒店 (note (b))	PRC	Registered US\$5,000,000	90%	Hotel operations
綠科環保製品(東莞)有限公司 ("G-Tech Dongguan") (note (c))	PRC	Registered HK\$5,000,000	100%	Manufacture and sale of environmental friendly paper tableware

12. INTERESTS IN SUBSIDIARIES (continued)

- * The non-voting deferred shares carry no rights to receive notice of or to attend or vote at any general meeting and have practically no rights to dividends or to participate in any distribution on winding up. These deferred shares were indirectly held by the Company other than 1,200,000 deferred shares of Hover City Chiu Chow Restaurant Limited which were owned by outside parties.

Notes:

- (a) CCC Holdings (BVI) Limited is directly held by the Company. The Company's interest in all other subsidiaries is held through CCC Holdings (BVI) Limited.
- (b) 惠州君豪大酒店 is a joint venture enterprise established in the PRC, to be operated for 29 years up to June 2023. Under the joint venture agreement, the PRC joint venture partner is entitled to pre-determined rental payments and is not entitled to share any of the profit of the joint venture.
- (c) G-Tech Dongguan is a wholly-owned foreign enterprise established in the PRC, to be operated for 30 years up to December 2031.

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

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

13. INTERESTS IN ASSOCIATES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Share of net liabilities (note (a))	(70)	(70)
Advances to associates (note (b))	13,800	13,800
	13,730	13,730
Less: Allowance for advances to associates	(13,730)	(13,730)
	-	-

13. INTERESTS IN ASSOCIATES (continued)

Details of the Group's associates at 31 March 2003 are as follows:

Name of associate	Place of incorporation and operation	Percentage of equity interest held	Principal activities
City Chiu Chow Restaurant (Shantou) Limited	Hong Kong	25%	Investment holding
Fameline Limited	Hong Kong	50%	Inactive
Shantou City Chiu Chow Shark's Fin and Bird's Nest Restaurant Limited ("Shantou CCC") (note (c))	PRC	20%	Inactive

Notes:

- (a) Share of net liabilities by the Group represents the Group's binding obligations to make good losses incurred by one of the associates. The Group does not have any obligations or made any payments to satisfy obligations of the remaining two associates that the Group has guaranteed or otherwise committed. Accordingly, the Group's investment in these two associates has been reduced to a zero value and the Group has discontinued the recognition of the losses of these two associates.
- (b) The advances to associates are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, repayment of the amounts will not be demanded by the Group within the twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current assets in the balance sheet.
- (c) Shantou CCC is a joint venture enterprise established in the PRC.

14. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Food and beverage items	2,606	3,674
Other items		
Raw materials and consumables	215	214
Finished goods	774	105
	<u>3,595</u>	<u>3,993</u>

All inventories were carried at cost at the balance sheet date.

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15. TRADE 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 the Group's trade receivables at the balance sheet date:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
0 – 60 days	1,261	2,733
61 – 90 days	136	128
More than 90 days	73	138
	<u>1,470</u>	<u>2,999</u>

16. TRADE PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
0 – 60 days	2,533	6,267
More than 60 days	2,848	1,411
	<u>5,381</u>	<u>7,678</u>

17. BANK LOANS

The bank loans bear interest at prevailing market rates and are repayable as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within one year	3,000	2,580
More than one year but not exceeding two years	5,800	2,580
More than two years but not exceeding five years	–	3,983
Total	<u>8,800</u>	<u>9,143</u>
Less: Amount due within one year shown under current liabilities	<u>(3,000)</u>	<u>(2,580)</u>
Amount due after one year	<u>5,800</u>	<u>6,563</u>
Analysed as:		
Secured	–	9,143
Unsecured	<u>8,800</u>	<u>–</u>
	<u>8,800</u>	<u>9,143</u>

18. SHARE CAPITAL

	2003 HK\$'000	2002 HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.10 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
484,853,527 ordinary shares of HK\$0.10 each	<u>48,485</u>	<u>48,485</u>

There was no movement in the authorised, issued and fully paid share capital of the Company in both years.

19. SHARE OPTION SCHEMES

The Company had a share option scheme (the "1992 Scheme"), which was approved on 14 October 1992, pursuant to which options might be granted to executive directors of the Company to subscribe for shares in the Company. The purpose of the 1992 Scheme was to recognise the contribution of the executive directors of the Company. No consideration was payable on grant of option. The subscription price should be determined by the Company's board of directors, and should not be less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the option. The maximum number of shares in respect of which options may be granted under the 1992 Scheme might not exceed 10% of the issued share capital of the Company from time to time. The 1992 Scheme expired on 13 October 2002.

A new share option scheme (the "New Scheme") was approved and adopted on 22 August 2002. The New Scheme is valid and effective for a period of 10 years after the date of adoption.

The purpose of the New Scheme is to enable the Company to grant options to employees, directors, consultants, advisers and/or agents of the Company or any of its subsidiaries as incentives or rewards for their contribution to the Company or such subsidiaries. No consideration is payable on grant of option. The exercise price of the option shares shall at least be the highest of (i) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; (ii) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which shall be a business day; and (iii) the nominal value of the shares of the Company.

The total number of shares in respect of which options may be granted under the New Scheme shall not in aggregate exceed 48,485,352 shares unless further shareholders' approval has been obtained. The overall limit in the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other schemes shall not exceed 30% of the shares of the Company in issue from time to time.

19. SHARE OPTION SCHEMES (continued)

Each grant of options to any director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by all independent non-executive directors of the Company. Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares of the Company issued and to be issued upon exercise of all options already granted or to be granted to such person in the 12-month period representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value, based on the closing price of the shares, in excess of HK\$5,000,000, such further grant of options must be approved by the shareholders with the connected persons of the Company abstaining from voting.

Subject to the aforesaid, the total number of shares issued and to be issued upon exercise of the options granted and to be granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the limit shall be subject to the shareholders' approval with such grantee abstaining from voting.

Options granted under the New Scheme must be accepted in writing within 30 days from the date of grant.

No option has been granted under the New Scheme since its adoption.

On 19 March 2001, options to subscribe for 36,300,000 shares in the Company at HK\$0.10 per share, with an exercisable period up to 13 October 2002, were granted to certain directors of the Company under the 1992 Scheme. The closing price of the Company's shares on 16 March 2001, being the trading day immediately before the date of grant of these options, was HK\$0.10. None of these share options was exercised since the date of grant and all these share options lapsed during the current year. No option was granted under the 1992 Scheme during the year ended 31 March 2003.

20. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY				
At 1 April 2001	90,676	113,143	(113,054)	90,765
Net loss for the year	—	—	(32,102)	(32,102)
At 31 March 2002	90,676	113,143	(145,156)	58,663
Net loss for the year	—	—	(40,150)	(40,150)
At 31 March 2003	90,676	113,143	(185,306)	18,513

The contributed surplus of the Company represents the difference between the value of the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the share capital issued by the Company under the group reorganisation in October 1992.

20. RESERVES (continued)

Under the laws of Bermuda, the contributed surplus account of a company is available for distribution to shareholders. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company has no reserve available for distribution to shareholders as at 31 March 2003 and 2002.

The capital reserve of the Group arose as a result of the group reorganisation in October 1992. It represents the difference between the aggregate nominal amount of the share capital issued by the Company in exchange for the aggregate nominal amount of the share capital of subsidiaries.

The accumulated losses of the Group included losses of HK\$71,000 (2002: HK\$71,000) attributable to associates of the Group.

21. MINORITY INTERESTS/LOANS FROM MINORITY SHAREHOLDERS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Share of net liabilities of subsidiaries	<u>(20,023)</u>	<u>(18,799)</u>
Loans from minority shareholders of subsidiaries	<u>40,144</u>	<u>39,994</u>

The loans from minority shareholders of subsidiaries are unsecured and non-interest bearing. The respective minority shareholders are entitled to repayment only after their share of losses in relevant subsidiaries are made good. Accordingly, the loans are shown as non-current liabilities in the consolidated balance sheet.

22. UNRECOGNISED DEFERRED TAXATION

At 31 March 2003, the Group had estimated tax losses carried forward of approximately HK\$89,300,000 (2002: HK\$75,600,000), representing a future tax benefit of approximately HK\$14,300,000 (2002: HK\$12,100,000), which can be carried forward indefinitely to relieve future assessable profits. No deferred tax asset has been recognised in respect of the tax losses carried forward as it is not certain that the tax benefit will be realised in the foreseeable future. There were no other significant timing differences arising during the year or at the balance sheet date.

In the opinion of the directors of the Company, the Group will not be disposing of its properties in the PRC in the foreseeable future. Accordingly, no deferred taxation has been provided on valuation surpluses or deficits relating to properties in the PRC.

The Company did not have any significant unprovided deferred taxation arising during the year or at the balance sheet date.

For the year ended 31 March 2003

23. CAPITAL COMMITMENTS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	<u>257</u>	<u>118</u>

The Company did not have any significant capital commitments at the balance sheet date.

24. OPERATING LEASE ARRANGEMENTS**The Group as lessee**

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Minimum lease payments under operating leases for premises charged to the income statement during the year	<u>12,728</u>	<u>21,014</u>

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases for premises which fall due as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within one year	<u>9,204</u>	9,610
In the second to fifth year inclusive	<u>5,360</u>	<u>7,207</u>
	<u>14,564</u>	<u>16,817</u>

At 31 March 2002, in addition to the above commitments, the Group might pay additional rental expenses in respect of certain premises which were dependent upon the level of sales achieved by particular restaurants. There is no such arrangement at 31 March 2003.

Operating lease payments mainly represent rental payable by the Group for its restaurants. Leases are negotiated for an average term of three years.

The Company did not have any significant operating lease commitments at the balance sheet date.

24. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Rental income credited to the income statement during the year	<u>315</u>	<u>315</u>

The Group's investment properties are held for rental purposes. At the balance sheet date, the Group had contracted with tenants to receive the following future minimum lease payments:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within one year	-	491
In the second to fifth year inclusive	<u>-</u>	<u>2,059</u>
	<u>-</u>	<u>2,550</u>

25. OTHER COMMITMENT

Under the joint venture agreement of a subsidiary established in the PRC, the Group has committed to pay a pre-determined rental payment to the PRC joint venture partner during the period from October 1993 to June 2023 (see note 12(b)). At the balance sheet date, the amount of rental payable falls due as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within one year	605	593
In the second to fifth year inclusive	2,534	2,809
After five years	<u>14,540</u>	<u>15,727</u>
	<u>17,679</u>	<u>19,129</u>

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26. PLEDGE OF ASSETS

At the balance sheet date, the Group's banking facilities were secured by the following:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Bank deposits	926	1,168
Leasehold land and buildings	—	34,490
	<u>926</u>	<u>35,658</u>

27. CONTINGENT LIABILITIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Corporate guarantees given to banks in respect of banking facilities granted to subsidiaries	<u>18,000</u>	<u>48,000</u>

28. LONG SERVICE PAYMENTS

At 31 March 2003, certain employees of the Group 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 only liable to make such payments if the termination of employment of these employees meets the circumstances specified in the Ordinance. If the employment of all these employees were terminated on 31 March 2003 under the circumstances meeting the requirements of the Ordinance, the liability of the Group as at that date would have been HK\$5,656,000 (2002: HK\$8,396,000). At 31 March 2003, provision of HK\$3,300,000 (2002: HK\$222,000) was made in the financial statements in respect of such long service payments.

29. RETIREMENT BENEFITS PLANS

The Group did not provide retirement benefits for its employees in Hong Kong before 1 December 2000. With effect from 1 December 2000, the Group set up a retirement benefits scheme under the mandatory provident fund scheme (the "MPF Scheme") for all the eligible employees of the Group in Hong Kong.

Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK\$1,000 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries up to a maximum of HK\$1,000 ("mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

Employees of subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

Total employers' contributions charged to the income statement of the Group amounted to HK\$1,137,000 (2002: HK\$2,536,000).

30. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) During the year, the Group leased certain premises for its restaurant operations from Homley Development Limited ("Homley"). Homley was formerly an indirect wholly-owned subsidiary of the Company. As announced by the Company on 26 March 1999 and approved by the Company's independent shareholders at a special general meeting of the Company held on 6 May 1999, the Company disposed of, among others, its entire interest in the issued share capital of Homley to Golden Toy Investments Limited, a company in which 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. On 14 May 1999, the Group entered into a tenancy agreement with Homley for leasing of Homley's premises for certain of the Group's restaurant operations for a period of three years commencing 1 May 1999 at a monthly rental of HK\$350,000 (exclusive of rates, management fees and air-conditioning charges), the then market rental as advised by a firm of independent professional valuers, and a rental deposit of HK\$700,000. Details of these are set out in the circular dated 19 April 1999 issued by the Company.

On 6 May 2002, the Group renewed the tenancy agreement with Homley for leasing the same premises for a further period of three years commencing 1 May 2002 at a monthly rental of HK\$250,000 (exclusive of rates, management fees and air-conditioning charges) and a rental deposit of HK\$750,000. The monthly rental was negotiated with Homley with reference to the market rent as at 23 April 2002 as advised by RHL Appraisal Ltd., a firm of independent professional property valuers.

Rentals charged by Homley during the year under the above tenancy agreements amounted to HK\$3,100,000 (2002: HK\$4,200,000). At 31 March 2003, accrued rental payable to Homley amounted to HK\$250,000 (2002: HK\$350,000) and was included in trade and other payables.

30. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS (continued)

- (b) On 16 March 2001, the Group entered into a tenancy agreement with Hover City Industrial Limited (“Hover City”), a company in which Mr. Cheng Hop Fai, Mrs. Cheng Kwok Kwan Yuk and Ms. Cheng Pak Ming, Judy are deemed to be beneficially interested, for leasing from Hover City a unit of commercial building for a period of two years commencing from 1 April 2001 to 31 March 2003 at a monthly rental of HK\$20,000 and a rental deposit of HK\$40,000. Rental charged by Hover City during the year under this agreement amounted to HK\$240,000. The monthly rental was determined by both parties with reference to market rent.
- (c) On 13 June 2001, the Group 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 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 year under this sub-tenancy agreement amounted to HK\$622,828 (2002: HK\$563,925).

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, are deemed to be beneficially interested in Hung Yick.

- (d) During the year, the Group paid approximately HK\$606,000 (2002: HK\$701,000), comprising retainer fee of HK\$240,000 (2002: HK\$240,000) and reimbursement of disbursements of approximately HK\$366,000 (2002: HK\$461,000), on mutually agreed terms, to Advance Leader Company Limited, a company in which Mr. Mark Yiu Tong, William, a director of the Company, has beneficial interests, for advertising and marketing services.
- (e) During the year, the Group made rental payments of HK\$576,000 (2002: HK\$593,000), under the joint venture agreement, to the PRC joint venture partner of 惠州君豪大酒店 (see note 12(b)).