



## **2003/04 INTERIM REPORT**

For the six months ended 30 September 2003



香港飲食管理有限公司

HONG KONG CATERING MANAGEMENT LIMITED



The board of directors (the "Board") of Hong Kong Catering Management Limited (the "Company") is pleased to present to shareholders the unaudited interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2003.

## RESULTS

Turnover reduced by 7.2% to HK\$467.0 million (2002: HK\$503.3 million) while the Group earned a profit of HK\$8.1 million for the six months ended 30 September 2003 as compared to loss of HK\$16.8 million last year.

## INTERIM DIVIDEND

The directors have declared an interim dividend of HK1 cent (2002: Nil) per ordinary share for the six months ended 30 September 2003 to shareholders whose names appear in the register of members of the Company on 9 January 2004. The dividend will be payable on or about 28 January 2004.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 January 2004 to 15 January 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 9 January 2004.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

#### *Restaurant operation*

We experienced a most tempestuous first half year. The outbreak of Severe Acute Respiratory Syndrome ("SARS") was a big blow to the entire economy and our restaurants recorded an average drop in sales of about 20% for the months of April and May 2003. We closed Pak Fook Chinese Restaurant located in Sceneway Plaza in April 2003 when SARS was at its peak. We decided subsequently that it is in the interest of the Group to diversify our business risk in this shopping complex, so we leased the premises out rather than re-opened the restaurant. Though improved market sentiment induced by the Individual Visit Scheme has lured some customers back towards the second quarter of our financial year, loss of turnover during SARS period, respective closure of Pak Fook Chinese Restaurant and Hong Fook Chinese Restaurant in April 2003 and since October 2002 led to a decrease in turnover of HK\$64.7 million or 25.4% to HK\$190.3 million (2002: HK\$255.1 million).

Closure of loss-making shops has reduced our operating expenses in all aspects including the one-off shop closure costs incurred in last year. Rent concession offered by our landlords in the first quarter of our financial year also contributed to lower rental expenses.



## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

### Business review (Cont'd)

#### *Restaurant operation (Cont'd)*

The remaining associated company that runs Japanese restaurants contributed a profit of HK\$0.5 million to the Group as compared to a net loss of HK\$0.2 million reported in last year largely due to loss from another associated company, Arges Limited, which has since been liquidated.

#### *Bakery operation*

The improved economy in Hong Kong coupled with the successful marketing and promotion strategy and improving product quality resulted in moderate growth for our normal cake and bread business while mooncake sales were maintained at last year level. Overall turnover has increased by 11.3%. Our gross profit margin slightly decreased from 70.5% to 69.7% due to the higher discounts offered to customers. Benefits from migration of certain production lines to Shenzhen began to show effect whereby our staff costs increased by a mere 4.7% despite of turnover increase of 11.3%. The outlet image upgrading program is still continued with five more outlets being renovated during the period. The migration of certain production lines to Shenzhen and outlet renovation increased our depreciation charge by 10.4%. Although we gained in total of five outlets, our rental expenses decreased slightly by 2.3% due to certain landlords agreed to temporarily reduce the rental charge during the outbreak of SARS.

The exploration of the PRC market, especially for the festive product, is on schedule. Our mooncake products have obtained various awards such as the 'Famous Mooncake' and 'National Hygiene Quality Standard' issued by the PRC authorities. The turnover generated from the PRC grew by 140%.

### Prospect

The Individual Visit Scheme has successfully boosted retail business recently. Though our restaurant business may not benefit directly from this scheme, the improved market sentiment has stimulated local spending as well. Nevertheless we view the current economic rebound with caution, as we are still uncertain that it can build up enough stamina to sustain a full recovery. The face-lift of our Chinese restaurants was substantially completed and the change was widely accepted by most customers. Three remaining restaurants will also be refurbished by the end of the fiscal year.

In September 2003, we agreed to sell an investment property at Hysan Road to a third party. The disposal was completed in November 2003 and the financial effect of this transaction will be recorded in the second half year.



## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

### Liquidity and financial resources

As at 30 September 2003, the Group's freehold cash on hand increased by HK\$13.1 million to HK\$216.1 million (31 March 2003: HK\$203.0 million) with zero gearing. The capital commitment of HK\$37.3 million as at 30 September 2003 included HK\$18.2 million for the purchase of an investment property at Yuen Long while the remaining portion was mainly for the shops renovation. All the above projects will be financed internally.

### Pledge of assets

No assets were pledged as at 30 September 2003.

### Employees

As at 30 September 2003, the Group employed about 2,830 (2002: 2,900) employees. Employees are remunerated based on basic salaries and sales incentives are payable to some operational staff. Bonuses are discretionary in nature and are based on the performance of the employees and the Group. The Group and its subsidiary, Saint Honore Holdings Limited ("SHHL"), also have share option schemes to provide incentive to their working staff.

### Contingent liabilities

The Group had no significant contingent liabilities as at 30 September 2003.

### Exposure to fluctuations in exchange rates and related hedge

The Group's operating activities are primarily denominated in Hong Kong dollars. In order to get a higher yield on our cash reserve, the Group had placed some foreign currency deposits mainly in US Dollar and Euro. However, it is considered that the exposure to foreign exchange fluctuations is not significant.

### PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

**SHARE OPTIONS**

The Company adopted a share option scheme (“HKCM Option Scheme”) and the details of the movements of share options granted under HKCM Option Scheme (“HKCM Options”) during the period are as follows:

Participants	Grant date	Exercise period		Exercise price HK\$	Number of HKCM Options			As at 30 Sept. 2003
		From	To		As at 1 Apr. 2003	Exercised during the period	Lapsed during the period	
<b>Directors</b>								
Chan Ka Lai, Joseph	30 Aug. 2001	1 Oct. 2001	30 Sept. 2011	0.48	1,000,000	-	-	1,000,000
	30 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.48	1,000,000	-	-	1,000,000
	30 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.48	1,000,000	-	-	1,000,000
			Total		<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>3,000,000</u>
Chiu Wai	30 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.48	600,000	-	-	600,000
	30 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.48	600,000	-	-	600,000
			Total		<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>1,200,000</u>
Ng Sai Hung	30 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.48	200,000	-	-	200,000
	30 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.48	200,000	-	-	200,000
			Total		<u>400,000</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
Wong Tsui Yue, Lucy	30 Aug. 2001	1 Oct. 2001	30 Sept. 2011	0.48	700,000	-	-	700,000
	30 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.48	400,000	-	-	400,000
	30 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.48	280,000	-	-	280,000
		Total		<u>1,380,000</u>	<u>-</u>	<u>-</u>	<u>1,380,000</u>	
<b>Continuous contract employees</b>	30 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.48	8,925,000	-	(1,035,000)	7,890,000
	30 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.48	9,075,000	-	(1,185,000)	7,890,000
			Total		<u>18,000,000</u>	<u>-</u>	<u>(2,220,000)</u>	<u>15,780,000</u>
		Grand total		<u>23,980,000</u>	<u>-</u>	<u>(2,220,000)</u>	<u>21,760,000</u>	

**SHARE OPTIONS** (Cont'd)

SHHL, a subsidiary of the Company, also adopted its own share option scheme ("SHHL Option Scheme"). The details of the movements of share options granted under SHHL Option Scheme ("SHHL Options") during the period are as follows:

Participants	Grant date	Exercise period		Exercise price HK\$	Number of SHHL Options			As at 30 Sept. 2003
		From	To		As at 1 Apr. 2003	Exercised during the period	Lapsed during the period	
<b>Director</b>								
Shum Wing Hon	15 Jan. 2001	1 May 2001	31 May 2010	0.50	1,000,000	-	-	1,000,000
	15 Jan. 2001	1 May 2002	31 May 2010	0.50	1,000,000	-	-	1,000,000
	31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	300,000	-	-	300,000
	31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	300,000	-	-	300,000
			Total		<u>2,600,000</u>	<u>-</u>	<u>-</u>	<u>2,600,000</u>
<b>Other directors of SHHL and continuous contract employees</b>								
Other directors of SHHL and continuous contract employees	15 Jan. 2001	1 May 2001	31 May 2010	0.50	4,820,000	(408,000)	(2,000)	4,410,000
	15 Jan. 2001	1 May 2002	31 May 2010	0.50	2,000,000	-	-	2,000,000
	31 Aug. 2001	1 Mar. 2002	30 Sept. 2011	0.55	4,615,000	(190,000)	(195,000)	4,230,000
	31 Aug. 2001	1 Sept. 2002	30 Sept. 2011	0.55	4,615,000	(190,000)	(195,000)	4,230,000
			Total		<u>16,050,000</u>	<u>(788,000)</u>	<u>(392,000)</u>	<u>14,870,000</u>
			Grand total		<u>18,650,000</u>	<u>(788,000)</u>	<u>(392,000)</u>	<u>17,470,000</u>

Note: There were 788,000 SHHL Options exercised during the period. The weighted average closing price on the day before the options were exercised was HK\$0.89 per share.



## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2003, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Company	Name of director	Number of ordinary shares held			Number of underlying ordinary shares held under equity derivatives	Total shareholding	Percentage of %
		Personal interest	Family interest	Trust interest			
The Company	Chan Wai Cheung, Glenn	-	-	113,742,609 <i>(Note a)</i>	-	113,742,609	36.34
	Chan King Catherine	-	113,742,609 <i>(Note a)</i>	-	-	113,742,609	36.34
	Chan Ka Lai, Joseph	1,200,000 <i>(Note b)</i>	-	113,742,609 <i>(Note c)</i>	3,000,000 <i>(Note d)</i>	117,942,609	37.68
	Chiu Wai	112,000 <i>(Note b)</i>	-	-	1,200,000 <i>(Note d)</i>	1,312,000	0.42
	Ng Sai Hung	-	-	-	400,000 <i>(Note d)</i>	400,000	0.13
	Wong Tsui Yue, Lucy	-	-	-	1,380,000 <i>(Note d)</i>	1,380,000	0.44
SHHL	Chan Wai Cheung, Glenn	-	-	146,463,750 <i>(Note e)</i>	-	146,463,750	74.34
	Chan King Catherine	-	146,463,750 <i>(Note f)</i>	-	-	146,463,750	74.34
	Chan Ka Lai, Joseph	182,000 <i>(Note b)</i>	-	146,463,750 <i>(Note c)</i>	-	146,645,750	74.43
	Chiu Wai	28,000 <i>(Note b)</i>	-	-	-	28,000	0.01
	Shum Wing Hon	-	-	-	2,600,000 <i>(Note g)</i>	2,600,000	1.32

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)**

Note:

- (a) These shares are held by Well-Positioned Corporation ("Well-Positioned"), a company beneficially owned by a trust established for the benefit of the family members of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine. Mr. Chan Wai Cheung, Glenn is interested in these shares in the capacity as founder of the trust and Mrs. Chan King Catherine, being the spouse of Mr. Chan Wai Cheung, Glenn is also deemed to be interested in these shares .
- (b) These shares are held by the directors as beneficial owners.
- (c) Mr. Chan Ka Lai, Joseph, being an eligible beneficiary of the family trust established by Mr. Chan Wai Cheung, Glenn, is also deemed to be interested in the shares held by Well-Positioned.
- (d) These are underlying shares in respect of share options granted by the Company, the details of which are stated in the preceding section under the heading "Share Options". The aforesaid interests are held by respective directors as beneficial owners.
- (e) Being the founder of the trust, Mr. Chan Wai Cheung, Glenn has the trust interest in SHHL as follows:

	<b>Number of SHHL ordinary shares held</b>
Shares held by Well-Positioned as beneficial owner	28,435,652
Shares held by Well-Positioned through its wholly owned subsidiary, Albion Agents Limited	118,028,098
	<hr/>
	146,463,750
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- (f) Mrs. Chan King Catherine, being the spouse of Mr. Chan Wai Cheung, Glenn is also deemed to be interested in SHHL shares held by Well-Positioned.
- (g) These are underlying shares in respect of share options granted by SHHL, a subsidiary of the Company, the details of these options are stated in the preceding section under the heading "Share Options". The aforesaid interests are held by Mr. Shum Wing Hon as beneficial owner.

Save as disclosed above, as at 30 September 2003, the Company has not received notice of any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.





## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

In addition, other than disclosed in section under heading "Share Options" above, at no time during the period was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its holding company a party to any arrangement to enable the directors and chief executives of the Company to hold any interests or short positions in the shares, underlying shares and debentures of the Company or its associated companies.

## SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30 September 2003, the Company had been notified of the following substantial shareholder's interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

<b>Name of substantial shareholder</b>	<b>Number of ordinary shares held</b>	<b>Capacity</b>	<b>Percentage of shareholding %</b>
Well-Positioned ( <i>Note</i> )	113,742,609	Beneficial owner	36.34

*Note:* The 113,742,609 shares are held by Well-Positioned, a wholly owned subsidiary which is held by a trust established by Mr. Chan Wai Cheung, Glenn for the benefits of family members of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the Group's unaudited interim accounts for the six months ended 30 September 2003.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the period, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules except in relation to guideline No. 7 that the service contracts of non-executive directors were renewed with no specific terms, but they are determinable by either parties with at least one month written notice in advance.



## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited Six months ended 30 September	
	Note	2003 HK\$'000	2002 HK\$'000
Turnover	2	<b>467,013</b>	503,265
Other revenues	3	<b>3,135</b>	2,206
Cost of inventories consumed		<b>(138,606)</b>	(147,098)
Staff costs		<b>(157,970)</b>	(171,750)
Operating lease rentals		<b>(43,807)</b>	(53,766)
Depreciation of fixed assets		<b>(23,575)</b>	(26,151)
Other operating expenses		<b>(84,425)</b>	(93,736)
Amortisation of intangible assets		<b>(2,339)</b>	(2,322)
One-off expenses incurred on restaurant closure	4	–	(10,195)
Impairment of goodwill		–	(10,067)
Operating profit/(loss)	4	<b>19,426</b>	(9,614)
Share of net profit/(loss) of associated companies		<b>474</b>	(209)
Profit/(loss) before taxation		<b>19,900</b>	(9,823)
Taxation	5	<b>(3,570)</b>	(3,148)
Profit/(loss) after taxation		<b>16,330</b>	(12,971)
Minority interests		<b>(8,263)</b>	(3,780)
Profit/(loss) attributable to shareholders		<b>8,067</b>	(16,751)
Dividend – interim	6	<b>3,178</b>	–
Earnings/(loss) per share	7		
Basic		<b>2.6 cents</b>	(5.4 cents)
Diluted		<b>2.4 cents</b>	N/A



**CONDENSED CONSOLIDATED BALANCE SHEET**

		<b>Unaudited 30 September 2003 HK\$'000</b>	Audited 31 March 2003 HK\$'000
	<i>Note</i>		
<b>Non-current assets</b>			
Intangible assets	8	<b>34,616</b>	36,800
Fixed assets	9	<b>334,950</b>	321,474
Investments		<b>8,722</b>	8,486
Rental deposits paid		<b>21,253</b>	23,290
Deferred tax assets		<b>773</b>	–
		<b>400,314</b>	390,050
<b>Current assets</b>			
Inventories		<b>17,904</b>	15,175
Amount due from an associated company		–	3
Trade receivables	10	<b>8,536</b>	2,729
Deposits, prepayments and other receivables		<b>13,952</b>	15,727
Taxation recoverable		<b>1,680</b>	1,728
Bank balances and cash		<b>216,185</b>	202,973
		<b>258,257</b>	238,335
<b>Current liabilities</b>			
Trade payables	11	<b>30,583</b>	26,063
Other payables and accrued charges		<b>97,225</b>	74,397
Provision for long service payments – current portion		–	1,472
Taxation payable		<b>8,516</b>	4,462
Cake coupon liabilities – current portion		<b>36,542</b>	39,847
		<b>172,866</b>	146,241
<b>Net current assets</b>		<b>85,391</b>	92,094
<b>Total assets less current liabilities</b>		<b>485,705</b>	482,144
<b>Financed by:</b>			
Share capital	12	<b>31,303</b>	31,303
Reserves		<b>280,406</b>	276,598
Dividend reserve		<b>3,178</b>	4,695
<b>Shareholders' funds</b>		<b>314,887</b>	312,596
<b>Minority interests</b>		<b>70,382</b>	65,231
<b>Non-current liabilities</b>			
Cake coupon liabilities – non-current portion		<b>82,730</b>	87,519
Rental deposits received		<b>1,290</b>	381
Provision for long service payments – non-current portion		<b>14,262</b>	15,067
Deferred tax liabilities		<b>2,154</b>	1,350
		<b>100,436</b>	104,317
		<b>485,705</b>	482,144

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash inflow from operating activities	<b>55,726</b>	19,357
Net cash outflow from investing activities	<b>(34,552)</b>	(18,549)
Net cash outflow from financing activities	<b>(7,962)</b>	(13,965)
Increase/(decrease) in cash and cash equivalents	<b>13,212</b>	(13,157)
Cash and cash equivalents at 1 April 2003/2002	<b>202,973</b>	200,281
Cash and cash equivalents at 30 September 2003/2002	<b>216,185</b>	187,124
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<b>216,185</b>	189,624
Bank deposits pledged	<b>-</b>	(2,500)
	<b>216,185</b>	187,124



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	Dividend reserve HK\$'000	Total HK\$'000
At 1 April 2002	31,280	119,139	69	210,104	10,948	371,540
Write-back of unclaimed dividend	-	-	-	49	-	49
Write-back for impairment loss of goodwill previously charged against reserve	-	-	-	10,067	-	10,067
Loss for the period	-	-	-	(16,751)	-	(16,751)
2001/02 final dividend paid	-	-	-	-	(10,948)	(10,948)
Issue of shares upon exercise of share options	23	86	-	-	-	109
At 30 September 2002	<u>31,303</u>	<u>119,225</u>	<u>69</u>	<u>203,469</u>	<u>-</u>	<u>354,066</u>
<b>At 1 April 2003</b>	<b>31,303</b>	<b>119,225</b>	<b>69</b>	<b>157,304</b>	<b>4,695</b>	<b>312,596</b>
Recognition of deferred tax liabilities on adopting SSAP 12 (Revised)	-	-	-	(1,081)	-	(1,081)
Profit for the period	-	-	-	8,067	-	8,067
2002/03 final dividend paid	-	-	-	-	(4,695)	(4,695)
2003/04 interim dividend proposed	-	-	-	(3,178)	3,178	-
At 30 September 2003	<u>31,303</u>	<u>119,225</u>	<u>69</u>	<u>161,112</u>	<u>3,178</u>	<u>314,887</u>



## NOTES TO THE ACCOUNTS

### 1. Basis of preparation and accounting policies

The condensed interim accounts have not been audited by the Company's auditors but have been reviewed by the Company's Audit Committee. They are prepared in accordance with the 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. They should be read in conjunction with the 2003 annual accounts.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2003 except that the Group has adopted SSAP 12 (Revised) "Income tax" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has not had material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### 2. Turnover and segment information

The Group is principally engaged in two main business segments:

- Restaurant operation – operating restaurants of different cuisine
- Bakery operation – manufacturing and selling bakery products and operating eateries which are undertaken by SHHL and its subsidiaries

**2. Turnover and segment information (Cont'd)**

An analysis of the Group's turnover and results for the period by business segments is as follows:

	Unaudited			Unaudited		
	Six months ended 30 September 2003	Six months ended 30 September 2002	Group	Six months ended 30 September 2003	Six months ended 30 September 2002	Group
	Restaurant	Bakery	Group	Restaurant	Bakery	Group
	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000
Turnover	190,320	279,551	469,871	255,058	251,196	506,254
Inter-segment sales	-	(2,858)	(2,858)	-	(2,989)	(2,989)
Segment turnover	<u>190,320</u>	<u>276,693</u>	<u>467,013</u>	<u>255,058</u>	<u>248,207</u>	<u>503,265</u>
Segment results	<u>(5,617)</u>	<u>23,195</u>	<u>17,578</u>	<u>(19,903)</u>	<u>9,439</u>	<u>(10,464)</u>
Unallocated revenue			<u>1,848</u>			<u>850</u>
Operating profit/(loss)			<u>19,426</u>			<u>(9,614)</u>
Share of net profit/(loss) of associated companies	474	-	<u>474</u>	(209)	-	<u>(209)</u>
Profit/(loss) before taxation			<u>19,900</u>			<u>(9,823)</u>
Taxation			<u>(3,570)</u>			<u>(3,148)</u>
Profit/(loss) after taxation			<u>16,330</u>			<u>(12,971)</u>
Minority interests			<u>(8,263)</u>			<u>(3,780)</u>
Profit/(loss) attributable to shareholders			<u>8,067</u>			<u>(16,751)</u>
Segment assets	242,900	352,588	595,488	335,455	308,564	644,019
Investments in associated companies	3,725	-	3,725	5,965	-	5,965
Unallocated assets			<u>63,083</u>			<u>23,231</u>
Total assets			<u>662,296</u>			<u>673,215</u>
Segment liabilities	72,847	189,785	262,632	72,505	178,828	251,333
Unallocated liabilities			<u>10,670</u>			<u>6,166</u>
Total liabilities			<u>273,302</u>			<u>257,499</u>
Capital expenditure	28,364	10,393	38,757	3,520	16,687	20,207
Depreciation	8,152	15,423	23,575	12,178	13,973	26,151
Amortisation charge	39	2,300	2,339	22	2,300	2,322

**2. Turnover and segment information (Cont'd)**

The geographical analysis of the Group's turnover for the period are as follows:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong and Macau	<b>455,046</b>	495,949
PRC	<b>8,688</b>	3,622
Other countries	<b>3,279</b>	3,694
	<b><u>467,013</u></b>	<u>503,265</u>

No geographical analysis in respect of consolidated operating results is provided as less than 10% of the consolidated operating results of the Group is attributable to markets outside Hong Kong.

**3. Other revenues**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income	<b>1,287</b>	1,057
Rental income from investment properties	<b>1,848</b>	850
Restaurant management and administrative fees	<b>–</b>	299
	<b><u>3,135</u></b>	<u>2,206</u>

**4. Operating profit/(loss)**

Operating profit/(loss) is stated after (crediting)/charging the following:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(Gain)/loss on disposal of fixed assets	<b>(1,061)</b>	147
One-off expenses incurred on restaurant closure		
Write-off of fixed assets	–	4,292
Compensation for early termination of lease	–	4,292
Severance pay and other termination wages	–	1,611
	<b>–</b>	<b>10,195</b>
Provision for long service payments included in staff costs	<b>539</b>	5,963
Retirement benefit costs included in staff costs	<b>6,317</b>	6,840
	<b><u>6,317</u></b>	<u>6,840</u>



**5. Taxation**

	<b>Unaudited Six months ended 30 September</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current taxation		
Hong Kong profits tax	<b>3,241</b>	2,087
Overseas taxation	<b>1,294</b>	1,006
Deferred taxation	<b>(1,052)</b>	(87)
	<b>3,483</b>	3,006
Share of taxation attributable to associated companies	<b>87</b>	142
Taxation charge	<b>3,570</b>	3,148

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

**6. Dividend**

	<b>Unaudited Six months ended 30 September</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend, declared on 16 December 2003, of HK1 cent (2002: Nil) per ordinary share	<b>3,178</b>	-

**7. Earnings/(loss) per share**

	<b>Unaudited Six months ended 30 September</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Earnings/(loss)</b>		
Earnings/(loss) for the purpose of the calculation of basic earnings/(loss) per share	<b>8,067</b>	(16,751)
Adjustment to the share of results of a subsidiary based on the dilution of this subsidiary's earnings per share	<b>(490)</b>	N/A
Earnings for the purpose of the calculation of diluted earnings per share	<b>7,577</b>	N/A
	<b>2003</b>	2002
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of the calculation of basic earnings/(loss) per share	<b>313,028,609</b>	313,028,609
Effect of dilutive potential ordinary shares	<b>2,113,012</b>	N/A
Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share	<b>315,141,621</b>	N/A

**8. Intangible assets**

	<b>Goodwill</b> <i>HK\$'000</i>	<b>Unaudited Trademarks</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Net book value, 1 April 2003	–	36,800	36,800
Acquisition of additional interest in a subsidiary	155	–	155
Amortisation charge	(39)	(2,300)	(2,339)
Net book value, 30 September 2003	<u>116</u>	<u>34,500</u>	<u>34,616</u>
<b>Cost</b>	<b>376</b>	<b>92,000</b>	<b>92,376</b>
<b>Accumulated amortisation</b>	<b>(260)</b>	<b>(57,500)</b>	<b>(57,760)</b>
<b>Net book value, 30 September 2003</b>	<b><u>116</u></b>	<b><u>34,500</u></b>	<b><u>34,616</u></b>
Cost	221	92,000	92,221
Accumulated amortisation	(221)	(55,200)	(55,421)
Net book value, 31 March 2003	<u>–</u>	<u>36,800</u>	<u>36,800</u>

**9. Fixed assets**

	<b>Unaudited</b> <i>HK\$'000</i>
Net book value, 1 April 2003	321,474
Additions	38,602
Disposals	(1,551)
Depreciation	(23,575)
Net book value, 30 September 2003	<u>334,950</u>

**10. Trade receivables**

Details of the ageing analysis are as follows:

	<b>Unaudited 30 September 2003</b> <i>HK\$'000</i>	Audited 31 March 2003 <i>HK\$'000</i>
Current to 30 days	<b>8,048</b>	2,104
31 to 60 days	<b>336</b>	488
Over 60 days	<b>152</b>	137
	<b><u>8,536</u></b>	<u>2,729</u>

The majority of the Group's sales are conducted by cash, credit cards or through redemption of cake coupons. Credit sales are made mainly to certain local and overseas corporate customers of the bakery operation who are normally granted with respective credit terms of 30 days and 61 to 120 days. Overseas corporate customers are required to pay a deposit in the amount of 20% to 30% of their estimated purchase values.

**11. Trade payables**

Details of the ageing analysis are as follows:

	<b>Unaudited 30 September 2003 HK\$'000</b>	Audited 31 March 2003 HK\$'000
Current to 30 days	7,427	5,109
31 to 60 days	21,504	19,533
Over 60 days	1,652	1,421
	<b>30,583</b>	<b>26,063</b>

**12. Share capital**

	<b>Number of ordinary shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.10 each		
Authorized		
At 1 April 2003 and 30 September 2003	400,000,000	40,000
Issued and fully paid		
At 1 April 2003 and 30 September 2003	313,028,609	31,303

**13. Commitments**

	<b>Unaudited 30 September 2003 HK\$'000</b>	Audited 31 March 2003 HK\$'000
(a) Capital commitments for property, leasehold improvements, furniture, fixtures and equipment		
Contracted but not provided for	300	10,318
Approved but not contracted for	37,020	30,240
	<b>37,320</b>	<b>40,558</b>
(b) Commitments under operating leases for land and buildings		
Within one year	83,476	84,494
In the second to fifth year inclusive	57,400	80,479
After the fifth year	2,353	2,388
	<b>143,229</b>	<b>167,361</b>

On behalf of the Board  
**Chan Wai Cheung, Glenn**  
Chairman and Managing Director

Hong Kong, 16 December 2003