NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1 Basis of preparation

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Society of Accountants ("HKSA"). KPMG's independent review report to the board of directors is included on page 12.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the HKSA.

The financial information relating to the financial year ended 31 March 2003 included in the interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2003 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 17 July 2003.

The same accounting policies adopted in the financial statements for the year ended 31 March 2003 have been applied to the interim financial report, except as disclosed in note 1(a) below.

(a) *Income taxes*

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt.

With effect from 1 April 2003, in order to comply with SSAP 12 (revised) issued by the HKSA, deferred tax is calculated using the balance sheet liability method in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, using the appropriate current rates of taxation ruling in countries in which the Group operates.

As a result of the adoption of this accounting policy, the Group's net assets at 30 September 2003 have been decreased by $865,000 (31 March 2003: $665,000) and the Group's loss attributable to shareholders for the period increased by $200,000 (2002: the Group's profit attributable to shareholders decreased by $195,000). The new accounting policy has been adopted retrospectively, with the balance of accumulated losses at 1 April 2002 and the comparative information adjusted for the amounts relating to prior periods as disclosed in the unaudited consolidated statement of changes in equity.

2 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group's main business segments comprise:

Restaurants operation : The selling of food and beverages in restaurants.
Property leasing : The leasing of premises to generate rental income.

	Restaurants operation		**Property leasing**		**Inter-segment elimination**		**Consolidated**	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002 restated
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**346,111**	364,978	**8,570**	12,479	**–**	–	**354,681**	377,457
Inter-segment revenue	**–**	1,650	**6,790**	5,147	**(6,790)**	(6,797)	**–**	–
Total	**346,111**	366,628	**15,360**	17,626	**(6,790)**	(6,797)	**354,681**	377,457
Segment result	**(9,618)**	(3,637)	**8,498**	8,520	**–**	–	**(1,120)**	4,883
Unallocated operating income and expenses							**236**	70
(Loss)/profit from operations							**(884)**	4,953
Finance costs							**(1,040)**	(1,464)
Taxation							**(718)**	(965)
Minority interests							**–**	–
(Loss)/profit attributable to shareholders							**(2,642)**	2,524

2 Segment reporting *(continued)*

Geographical segments

Hong Kong is a major market for all of the Group's businesses.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Group turnover Six months ended 30 September	
	2003	2002
	$'000	*$'000*
Hong Kong	**337,046**	360,638
The People's Republic of China (the "PRC")	**17,635**	16,819
	354,681	377,457

3 (Loss)/profit from ordinary activities before taxation

(Loss)/profit from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended 30 September	
	2003	2002
	$'000	*$'000*
Cost of inventories	**89,889**	93,189
Interest on borrowings	**1,040**	1,464
Depreciation	**13,079**	12,899
Net loss on disposal of fixed assets		
– leasehold land and buildings	**37**	–
– leasehold improvements and other assets	**1,058**	–
Amortisation of goodwill	**(118)**	–

4 Taxation

	Six months ended 30 September	
	2003	2002 restated
	$'000	*$'000*
Current tax		
Provision for Hong Kong Profits Tax for the period	**100**	400
Overseas taxation	**418**	370
	518	770
Deferred tax		
Origination and reversal of temporary differences	**200**	195
Total income tax expense	**718**	965

The provision for Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profits for the six months ended 30 September 2003. Overseas taxation represents the overseas withholding tax for the period, and is charged at the appropriate current rates of taxation ruling in the relevant countries.

5 (Loss)/earnings per share

(a) *Basic (loss)/earnings per share*

The calculation of basic (loss)/earnings per share is based on the loss attributable to shareholders of $2,642,000 (2002 restated: profit attributable to shareholders of $2,524,000) and the weighted average of 123,354,000 shares (2002: 123,354,000 shares) in issue during the period.

(b) *Diluted (loss)/earnings per share*

Diluted (loss)/earnings per share is not presented as there are no dilutive potential ordinary shares as at both period ends.

6 Fixed assets

(a) Investment properties were revalued at 30 September 2003 by RHL Appraisal Limited, independent professional valuers, on an open market value basis. No revaluation deficit or surplus has been charged to the profit and loss account for both periods.

(b) At 30 September 2003, the net book value of fixed assets pledged as security for liabilities amounted to $111,052,000 (31 March 2003: $117,665,000).

7 Trade and other receivables

	At 30 September 2003 *$'000*	At 31 March 2003 *$'000*
Trade and other debtors	**7,509**	8,277
Deposits and prepayments	**37,984**	39,550
	45,493	47,827

Included in trade and other receivables are trade debtors (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	At 30 September 2003 *$'000*	At 31 March 2003 *$'000*
Current to 30 days	**3,538**	4,681
31 to 90 days	**549**	784
91 to 180 days	**790**	–
	4,877	5,465

The Group's sales to customers are mainly on cash basis. The Group also grants certain customers of the Group's catering services with credit terms of between 30 to 90 days.

8 Cash and cash equivalents

	At 30 September 2003 *$'000*	At 31 March 2003 *$'000*
Deposits with banks	**56,093**	51,552
Cash at bank and in hand	**25,713**	21,464
	81,806	73,016

9 Trade and other payables

	At 30 September 2003 $'000	At 31 March 2003 $'000
Creditors and accrued expenses	**115,651**	102,324

Included in trade and other payables are trade creditors with the following ageing analysis:

	At 30 September 2003 $'000	At 31 March 2003 $'000
Current to 30 days	**24,437**	21,594
31 to 90 days	**15,057**	8,049
91 to 180 days	**44**	14
181 to 360 days	**214**	3
Over 360 days	**881**	977
	40,633	30,637

10 Reserves

	Share premium $'000	Properties revaluation reserve $'000	Exchange reserve $'000	Accumulated losses $'000	Contributed surplus $'000	Total $'000
At 1 April 2003						
– as previously reported	429,505	550	(7,961)	(334,971)	712	87,835
– prior period adjustment arising from change in accounting policy with respect to income taxes	–	–	–	(665)	–	(665)
– as restated	429,505	550	(7,961)	(335,636)	712	87,170
Loss for the period	–	–	–	(2,642)	–	(2,642)
At 30 September 2003	429,505	550	(7,961)	(338,278)	712	84,528

11 Capital commitments

Capital commitments outstanding at 30 September 2003 not provided for in the Group's interim financial report were as follows:

	At 30 September 2003	At 31 March 2003
	$'000	*$'000*
Contracted for	**2,148**	1,667
Authorised but not contracted for	**2,260**	–
	4,408	1,667

12 Contingent liabilities

At 30 September 2003, the Company had contingent liabilities in respect of guarantees given to banks in respect of banking facilities extended to certain subsidiaries amounting to $133,000,000 (31 March 2003: $141,000,000).

13 Material related party transactions

Except for the transactions noted below, the Group and the Company have not been a party to any material related party transaction during the period ended 30 September 2003.

(a) During the period, a subsidiary leased a property from Ms Lee Kwee Fuen, the wife of Mr Lo Fong Seong, and incurred rental expense of $318,000 (2002: $413,000).

(b) During the period, a subsidiary leased properties from New Champion International Limited ("New Champion"), paid rental deposits of $360,000 (2002: $Nil) and incurred rental expenses of $358,000 (2002: $Nil). New Champion is wholly beneficially owned by Pengto International Limited ("Pengto"), a company beneficially owned by a trust of which Mr Dennis Lo Hoi Yeung is a discretionary object. In addition, Mr Dennis Lo Hoi Yeung and his wife, Ms Cindy Lau Shuk Ching are directors of New Champion.

14 Comparative figures

Comparative figures have been changed due to the adoption of the requirements of SSAP 12 (revised) during the period as described in note 1(a).