

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, the operation of a hotel in the PRC, and the manufacture and sales of environmental friendly paper tableware.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, Hong Kong Financial Reporting Standards ("HKFRS") – Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants ("HKSA"). The term of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA.

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 amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (Revised) has no significant 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any identified impairment loss.

Depreciation is provided to write off the cost of 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 from restaurant and hotel operations, including service charge and gratuity income, revenue from sales of environmental friendly paper tableware, and rental income received and receivable during the year.

The amount comprises:

	2004	2003
	HK\$'000	HK\$'000
Restaurant and hotel operations	111,031	127,452
Sales of environmental friendly paper tableware	3,894	4,215
Rental income	—	311
	114,925	131,978

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three main operating divisions – restaurant and hotel operations, environmental friendly paper tableware and property investment.

Segment information about these businesses is presented below.

(a) Year 2004:

(i) Income statement

	Restaurant and hotel operations HK\$'000	Environmental friendly paper tableware HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
TURNOVER	<u>111,031</u>	<u>3,894</u>	<u>-</u>	<u>114,925</u>
RESULTS				
Segment results	<u>(5,163)</u>	<u>(4,285)</u>	<u>(4,591)</u>	<u>(14,039)</u>
Unallocated corporate expenses				<u>(234)</u>
Loss from operations				<u>(14,273)</u>
Finance costs				<u>(262)</u>
Loss before taxation				<u>(14,535)</u>
Taxation				<u>1</u>
Loss before minority interests				<u>(14,534)</u>
Minority interests				<u>1,821</u>
Net loss for the year				<u>(12,713)</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

(a) Year 2004: (continued)

(ii) Balance sheet

	Restaurant and hotel operations HK\$'000	Environmental friendly paper tableware HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	35,005	9,813	60,702	105,520
Unallocated corporate assets				296
Consolidated total assets				105,816
LIABILITIES				
Segment liabilities	14,157	2,102	136	16,395
Loans from minority shareholders	5,000	-	35,234	40,234
Loans from a related company				8,410
Unallocated corporate liabilities				6,086
Consolidated total liabilities				71,125

(iii) Other information

	Restaurant and hotel operations HK\$'000	Environmental friendly paper tableware HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Capital additions	5,736	778	-	6,514
Depreciation	5,258	1,779	-	7,037
Allowance for doubtful debts	39	206	-	245
Deficit arising on revaluation of investment properties	-	-	4,300	4,300

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

(b) Year 2003:

(i) Income statement

	Restaurant and hotel operations HK\$'000	Environmental friendly paper tableware HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER					
External	127,452	4,215	311	–	131,978
Inter-segment	–	–	1,200	(1,200)	–
Total	127,452	4,215	1,511	(1,200)	131,978
RESULTS					
Segment results	(14,526)	(3,956)	(20,291)	–	(38,773)
Unallocated corporate expenses					(212)
Loss from operations					(38,985)
Finance costs					(529)
Loss before taxation					(39,514)
Taxation					43
Loss before minority interests					(39,471)
Minority interests					1,224
Net loss for the year					(38,247)

Inter-segment sales are charged at prevailing market price.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

(b) Year 2003: (continued)

(ii) Balance sheet

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

(b) Year 2003: (continued)

(iii) Other information

	Restaurant and hotel operations HK\$'000	Environmental friendly paper tableware HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Capital additions	1,356	1,308	–	2,664
Depreciation	4,143	1,362	381	5,886
Loss on disposal of leasehold land and buildings	–	–	16,109	16,109
Loss on disposal of property, plant and equipment other than leasehold land and buildings	824	–	–	824
Allowance for doubtful debts	162	–	–	162
Deficit arising on revaluation of investment properties	–	–	2,500	2,500

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

An analysis of the Group's turnover by geographical market is as follows:

	Turnover	
	2004 HK\$'000	2003 HK\$'000
Hong Kong	98,205	115,426
The PRC	16,720	16,552
	<u>114,925</u>	<u>131,978</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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	20,714	20,203	5,390	302
The PRC	85,102	92,302	1,124	2,362
	<u>105,816</u>	<u>112,505</u>	<u>6,514</u>	<u>2,664</u>

6. LOSS FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Loss from operations has been arrived at after charging:		
Directors' remuneration (<i>note 8</i>)	3,396	3,450
Other staff costs, including retirement benefits costs	<u>33,427</u>	<u>44,103</u>
Total staff costs	<u>36,823</u>	<u>47,553</u>
Allowance for doubtful debts	245	162
Auditors' remuneration	400	400
Depreciation	7,037	5,886
Loss on disposal of property, plant and equipment other than leasehold land and buildings	–	824
and after crediting:		
Interest income	<u>21</u>	<u>86</u>

7. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank borrowings	152	529
Loans from a related company	<u>110</u>	<u>–</u>
	<u>262</u>	<u>529</u>

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Information regarding directors' emoluments

	2004	2003
	HK\$'000	HK\$'000
Directors' fees:		
Executive	–	–
Independent non-executive	138	144
Non-executive	72	72
	<u>210</u>	<u>216</u>
Other emoluments paid to executive directors:		
Salaries and other benefits	3,150	3,198
Retirement benefits costs	36	36
	<u>3,186</u>	<u>3,234</u>
Total directors' emoluments	<u>3,396</u>	<u>3,450</u>

The emoluments of the directors fall within the following bands:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	5	4
HK\$1,000,001 to HK\$1,500,000	2	2
	<u>7</u>	<u>6</u>

8. 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:

	2004	2003
	HK\$'000	HK\$'000
Salaries and other benefits	1,667	1,659
Retirement benefits costs	36	36
	<u>1,703</u>	<u>1,695</u>

The emoluments of each of the aforesaid employees were less than HK\$1,000,000.

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.

9. TAXATION

No provision for taxation has been made in the financial statements as the Company and its subsidiaries have no assessable profit for the year. The credit is attributable to the Company and its subsidiaries and represents overprovision of Hong Kong Profits Tax in prior years. PRC subsidiaries are subject to Enterprise Income Tax at prevailing rates in the PRC.

The tax credit for the year can be reconciled to the results per the consolidated income statement as follows:

	2004	2003
	HK\$'000	HK\$'000
Loss before taxation	(14,535)	(39,514)
Tax credit of Hong Kong Profits Tax at 17.5% (2003: 16%)	(2,544)	(6,322)
Tax effect of expenses not deductible for tax purpose	1,253	2,768
Tax effect of income not taxable for tax purpose	(123)	(149)
Tax effect of utilisation of tax losses previously not recognised	(290)	(3)
Tax effect of tax losses not recognised	1,651	4,079
Overprovision in prior years	(1)	(43)
Others	53	(373)
Tax credit for the year	(1)	(43)

At 31 March 2004, the Group has unused tax losses of approximately HK\$113,700,000 (2003: HK\$107,100,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such unused tax losses due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of approximately HK\$20,600,000 that will expire in year 2009 (2003: HK\$15,700,000 expiring in year 2008). Other losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the balance sheet date.

The Company had no significant unrecognised deferred tax during the year and at the balance sheet date.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss for the year of HK\$12,713,000 (2003: HK\$38,247,000) and on the 484,853,527 shares (2003: 484,853,527 shares) in issue during the year.

No diluted loss per share has been presented for the year ended 31 March 2004 as there were no potential ordinary shares during the year.

No diluted loss per share has been presented for the year ended 31 March 2003 as the exercise of the share options would result in a decrease in the loss per share.

11. 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	Total HK\$'000
THE GROUP					
COST					
At 1 April 2003	20,033	56,496	6,551	3,933	87,013
Additions	280	5,454	780	–	6,514
Disposals	–	(4,491)	–	–	(4,491)
	<u>20,313</u>	<u>57,459</u>	<u>7,331</u>	<u>3,933</u>	<u>89,036</u>
At 31 March 2004	20,313	57,459	7,331	3,933	89,036
DEPRECIATION					
At 1 April 2003	5,560	50,071	961	3,637	60,229
Provided for the year	1,334	4,246	1,355	102	7,037
Eliminated on disposals	–	(4,491)	–	–	(4,491)
	<u>6,894</u>	<u>49,826</u>	<u>2,316</u>	<u>3,739</u>	<u>62,775</u>
At 31 March 2004	6,894	49,826	2,316	3,739	62,775
NET BOOK VALUE					
At 31 March 2004	<u>13,419</u>	<u>7,633</u>	<u>5,015</u>	<u>194</u>	<u>26,261</u>
At 31 March 2003	<u>14,473</u>	<u>6,425</u>	<u>5,590</u>	<u>296</u>	<u>26,784</u>

The Group's leasehold land and buildings are held under medium-term leases and are situated in the PRC.

12. INVESTMENT PROPERTIES

	THE GROUP
	HK\$'000
AT VALUATION	
At 1 April 2003	65,000
Revaluation deficit	<u>(4,300)</u>
At 31 March 2004	<u>60,700</u>

The Group's investment properties were revalued at 31 March 2004 by RHL Appraisal Ltd., a firm of independent professional property valuers, on an open market existing use basis. The revaluation deficit of HK\$4,300,000 has been charged to the income statement.

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

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Long leases (note (a))	51,200	55,500
Medium-term leases (note (b))	9,500	<u>9,500</u>
	<u>60,700</u>	<u>65,000</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 2004.
- (b) The investment properties are held for a term of fifty years expiring in January 2039. They were vacant as at 31 March 2004. The Group is in the process of applying for the relevant land use rights certificate.

13. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	124,543	124,543
Amounts due from subsidiaries	211,482	211,645
	336,025	336,188
Less: Impairment loss recognised	(279,187)	(269,187)
	56,838	67,001

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.

13. INTERESTS IN SUBSIDIARIES (continued)

Details of the Company's principal subsidiaries at 31 March 2004 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
Handsome Choice Trading Limited	Hong Kong	Ordinary HK\$100 (Non-voting deferred HK\$10,000)*	100%	Trading of environmental friendly paper tableware
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

13. INTERESTS IN SUBSIDIARIES (continued)

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
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
Vejen Trading Limited	Hong Kong	Ordinary HK\$100 (Non-voting deferred HK\$5,000,000)*	100%	Trading of environmental friendly paper tableware
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

* 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 except for 1,200,000 deferred shares of Hover City Chiu Chow Restaurant Limited which were owned by outside parties.

13. INTERESTS IN SUBSIDIARIES (continued)

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 foreign owned 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.

14. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Share of net liabilities (<i>note (a)</i>)	(70)	(70)
Advances to associates (<i>note (b)</i>)	13,800	13,800
	13,730	13,730
Less: Allowance for advances to associates	(13,730)	(13,730)
	-	-

14. INTERESTS IN ASSOCIATES (continued)

Details of the Group's associates at 31 March 2004 are as follows:

Name of associate	Place of incorporation/ registration 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.

15. INVENTORIES

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Food and beverage items	2,799	2,606
Other items		
Raw materials and consumables	242	215
Finished goods	1,476	774
	4,517	3,595

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

16. 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	
	2004	2003
	HK\$'000	HK\$'000
0 – 60 days	1,612	1,261
61 – 90 days	87	136
More than 90 days	170	73
	1,869	1,470

17. TRADE PAYABLES

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

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0 – 60 days	3,781	2,533
More than 60 days	1,315	2,848
	<u>5,096</u>	<u>5,381</u>

18. BANK LOANS

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

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Within one year	5,800	3,000
More than one year but not exceeding two years	–	5,800
Total	5,800	8,800
Less: Amount due within one year shown under current liabilities	<u>(5,800)</u>	<u>(3,000)</u>
Amount due after one year	<u>–</u>	<u>5,800</u>

19. SHARE CAPITAL

	2004 HK\$'000	2003 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.

20. 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.

20. SHARE OPTION SCHEMES (continued)

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.

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 year ended 31 March 2003. No option was granted under the 1992 Scheme during the year ended 31 March 2003.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

21. RESERVES

	Share premium	Contributed surplus	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE COMPANY				
At 1 April 2002	90,676	113,143	(145,156)	58,663
Net loss for the year	—	—	(40,150)	(40,150)
	<u>90,676</u>	<u>113,143</u>	<u>(145,156)</u>	<u>58,663</u>
At 31 March 2003	90,676	113,143	(185,306)	18,513
Net loss for the year	—	—	(10,163)	(10,163)
	<u>90,676</u>	<u>113,143</u>	<u>(185,306)</u>	<u>18,513</u>
At 31 March 2004	<u>90,676</u>	<u>113,143</u>	<u>(195,469)</u>	<u>8,350</u>

- (a) 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.

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:

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
 - (ii) 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.
- (b) The Company has no reserve available for distribution to shareholders as at 31 March 2004 and 2003.
- (c) 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.
- (d) The accumulated losses of the Group included losses of HK\$71,000 (2003: HK\$71,000) attributable to associates of the Group.

22. MINORITY INTERESTS/LOANS FROM MINORITY SHAREHOLDERS

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Share of net liabilities of subsidiaries	<u>(21,844)</u>	<u>(20,023)</u>
Loans from minority shareholders of subsidiaries	<u>40,234</u>	<u>40,144</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.

23. LOANS FROM A RELATED COMPANY

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Principal	8,300	–
Accrued interest	<u>110</u>	<u>–</u>
	<u>8,410</u>	<u>–</u>

The loans are borrowed from Hover City Industrial Limited (“Hover City”). The loans are unsecured, bear interest at 3% below the best lending rate quoted by a bank in Hong Kong and are repayable in one lump sum (including accrued interest) by 24 April 2005. On 9 July 2004, the Group renewed the loan agreement and extended the final repayment date to 30 June 2006.

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 in Hover City.

24. CAPITAL COMMITMENTS

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	-	257
	<u> </u>	<u> </u>

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

25. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Minimum lease payments under operating leases for premises charged to the income statement during the year	11,478	12,728
	<u> </u>	<u> </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	
	2004	2003
	HK\$'000	HK\$'000
Within one year	10,443	9,204
In the second to fifth year inclusive	10,778	5,360
	<u> </u>	<u> </u>
	21,221	14,564
	<u> </u>	<u> </u>

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.

25. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Rental income credited to the income statement during the year	—	311

At the balance sheet date, the Group and the Company did not have any contracts with tenants to receive future minimum lease payments.

26. 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 13(b)). At the balance sheet date, the amount of rental payable falls due as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Within one year	634	605
In the second to fifth year inclusive	2,566	2,534
After five years	13,875	14,540
	17,075	17,679

27. PLEDGE OF ASSETS

At 31 March 2004 and 2003, the Group's bank facilities were secured by the pledged bank deposits. Such bank facilities were not utilised at respective balance sheet dates.

28. CONTINGENT LIABILITIES

	THE COMPANY	
	2004	2003
	HK\$'000	HK\$'000
Corporate guarantees given to banks in respect of banking facilities granted to subsidiaries	18,000	18,000

29. RETIREMENT BENEFITS PLANS

The Group has 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\$1,326,000 (2003: HK\$1,137,000).

30. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) During the year, the Group leased certain premises for its restaurant operations from Homley Development Limited (“Homley”). 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 to 30 April 2002 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 to 30 April 2005 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\$3,000,000 (2003: HK\$3,100,000). At 31 March 2004, accrued rental payable to Homley amounted to HK\$750,000 (2003: HK\$250,000) and was included in trade and other payables.

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 in Homley.

30. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS (continued)

- (b) During the year, the Group sub-leased its office premises from Hung Yick Metal Company Limited (“Hung Yick”). On 13 June 2001, the Group entered into a sub-tenancy agreement with Hung Yick for sub-leasing from Hung Yick several units of a commercial building for a period of two years commencing 9 April 2001 to 8 April 2003 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.

On 19 May 2003, the Group renewed the sub-tenancy agreement with Hung Yick for leasing the same premises for a further period of two years commencing 9 April 2003 to 8 April 2005 at a monthly rental of HK\$42,487.50 (exclusive of rates, air-conditioning and management fees) with the rent-free period from 9 April 2003 to 22 April 2003 and a rental deposit of HK\$127,462.50.

Rental charged by Hung Yick during the year under the above agreements amounted to HK\$478,692.50 (2003: HK\$622,828). 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.

- (c) During the year, the Group leased certain premises for its operations from Hover City. On 16 March 2001, the Group entered into a tenancy agreement with Hover City for leasing from Hover City a unit of commercial building for a period of two years commencing 1 April 2001 to 31 March 2003 at a monthly rental of HK\$20,000 and a rental deposit of HK\$40,000.

On 1 April 2003, the Company renewed the tenancy agreement with Hover City for leasing the same premises for a further period of two years commencing 1 April 2003 to 31 March 2005 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 the above agreements amounted to HK\$240,000 (2003: HK\$240,000). The monthly rental was determined by both parties with reference to market rent.

30. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS (continued)

- (d) On 25 April 2003, the Group entered into a loan agreement with Hover City for a loan facility to the extent of HK\$10,000,000 offered to the Group by Hover City. The sum drawn down by the Group will bear interest at 3% below the best lending rate quoted by a bank in Hong Kong and shall be repaid in one lump sum (including accrued interest) by 24 April 2005. On 9 July 2004, the Group renewed the terms of the loan agreement with Hover City. The loan facility is extended to HK\$15,000,000 and the final repayment date to 30 June 2006. Interest expense charged to the income statement during the year amounted to HK\$109,759. At 31 March 2004, accrued interest payable to and the principal sum outstanding of the loans from Hover City amounted to HK\$109,759 and HK\$8,300,000, respectively.
- (e) During the year, the Group made rental payments of HK\$604,800 (2003: HK\$576,000), under a joint venture agreement, to the PRC joint venture partner of 惠州君豪大酒店 (see note 13(b)).
- (f) During the year ended 31 March 2003, the Group paid approximately HK\$606,000, comprising retainer fee of HK\$240,000 and reimbursement of disbursements of approximately HK\$366,000, 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. There was no similar arrangement for the year ended 31 March 2004.