1. ORGANISATION AND OPERATIONS

Café de Coral Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company under the Companies Act 1981 of Bermuda with limited liability on 1st October, 1990.

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in the operation of quick service restaurants, fast casual dining, institutional catering and specialty restaurant chains, and the food processing and distribution business.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain properties and investments in securities are stated at fair value.

In the current year, the Group adopted the Statement of Standard Accounting Practice No. 12 "Income Taxes" ("SSAP 12") issued by the HKSA which is effective for accounting periods commencing on or after 1st January, 2003.

The changes to the Group's accounting policy and the effect of adopting this new policy are set out in Note 2(l) below.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(b) Group accounting *(Cont'd)*

(i) Consolidation (Cont'd)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill (net of accumulated amortisation) on acquisition.

(iii) Associated company

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of an associated company for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated company on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(b) Group accounting *(Cont'd)*

(iv) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries, jointly controlled entities and an associated company expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at average rates. Exchange differences are dealt with as a movement in reserves.

(c) Intangibles

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/jointly controlled entities/business.

Goodwill on acquisitions occurring on or after 1st April, 2001 is recognised as an asset in the balance sheet and amortised using the straight-line method over its estimated useful life of 10 to 20 years. With respect to investment in jointly controlled entities accounted for under the equity method of accounting, goodwill is included in the carrying amount of the investment.

Goodwill on acquisitions that occurred prior to 1st April, 2001 was eliminated against reserves. Any impairment arising on such goodwill is accounted for in the profit and loss account.

(ii) Trademarks

Expenditure on acquired trademarks is capitalised and amortised using the straight-line method over their useful lives, but not exceeding 20 years. Trademarks are not revalued as there is no active market for these assets.

(iii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(d) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are valued annually by independent professional valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the property revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the property revaluation reserve realised in respect of previous valuations is released from the property revaluation reserve to the profit and loss account.

(ii) Other properties

Other properties are interests in land and buildings other than investment properties and are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Other fixed assets

Leasehold improvements, furniture, restaurant and other equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Initial purchases of utensils, cutlery and glassware are capitalised at original historical cost and are included in restaurant equipment. Costs of subsequent replacements are charged to the profit and loss account in the year of expenditure.

2. **PRINCIPAL ACCOUNTING POLICIES** *(Cont'd)*

(d) **Fixed assets** *(Cont'd)*

(iv) Depreciation

No depreciation is provided for investment properties unless the unexpired lease term is 20 years or less, in which case depreciation is provided on the then carrying value over the unexpired lease term.

Freehold land is not depreciated. Leasehold land of other properties is depreciated over the period of the lease while other fixed assets (except for utensils, cutlery and glassware) are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land	Over the remaining period of the lease
Buildings	2.5%
Leasehold improvements	Over the unexpired period of the lease
Furniture, restaurant and other equipment	12.5% to 20%

(v) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in other properties and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any property revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

(e) **Assets under operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(f) Investment in securities

(i) Other investments

Other investments are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amounts of such securities will be reduced to their fair values. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) Short-term investments

Short-term investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of short-term investments are recognised in the profit and loss account. Profits or losses on disposal of short-term investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(iii) Held-to-maturity securities

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(g) Stocks

Stocks comprise mainly food and consumable stores and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Trade and other debtors

Provision is made against trade and other debtors to the extent they are considered to be doubtful. Trade and other debtors in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(k) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(k) Employee benefits *(Cont'd)*

(ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligations

The Group operates a defined benefit and certain defined contribution schemes, the assets of which are held in separate trustee-administered funds. The pension schemes are funded by payments from employees and by the relevant group companies, taking account of the recommendations of independent qualified actuaries.

The Group's contributions to the defined contribution schemes are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

For the defined benefit scheme, pension costs are assessed using the projected unit credit method. The cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a valuation of the scheme each year. The pension obligation is measured as the present value of the estimated future cash outflows using a discount rate determined by reference to market yields on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised by amortising the amount by which the cumulative unrecognised gains and losses exceed 10% of the greater of the scheme's assets and defined benefit obligations over the average expected future working lifetime of the members of the scheme. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

2. **PRINCIPAL ACCOUNTING POLICIES** *(Cont'd)*

(k) **Employee benefits** *(Cont'd)*

(iv) Long service payments

The Group's net obligation in respect of long service payments on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement schemes that are attributable to contributions made by the Group. The discount rate is the yield at balance sheet date on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised by amortising the amount by which the cumulative unrecognised gains and losses exceed 10% of the long service payment obligations over the average expected future working lifetime of the relevant employees.

(l) **Deferred taxation**

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated company and jointly controlled entities, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 27 to the accounts, opening retained profits at 1st April, 2002 and 2003 have been increased by approximately HK$9,192,000 and HK$6,730,000 respectively, which represent the unrecognised net deferred tax assets. This change has resulted in an increase in deferred tax assets and decrease in deferred tax liabilities at 31st March, 2003 by approximately HK$3,769,000 and HK$2,961,000 respectively. The profit attributable to shareholders for the year ended 31st March, 2003 has been reduced by approximately HK$2,462,000.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts, where necessary, when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(n) Turnover

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

(o) Revenue recognition

(i) Sales of goods and services

Sales of goods and services are recognised on the transfer of risks and rewards of ownership of the goods, which generally coincides with the time when the goods are delivered to customers and title has passed and when services are rendered.

(ii) Rental income

Operating lease rental income is recognised on a straight-line basis.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(o) Revenue recognition *(Cont'd)*

(iii) Management and service fee income

Management and service fee income are recognised when services are rendered.

(iv) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(p) Cost of sales

Cost of sales represents costs which vary directly or indirectly with the level of sales of the Group. It comprises cost of stocks and operating costs incurred to generate sales of goods and services, and rental income. The operating costs include mainly operating lease rentals, staff costs, utility costs and depreciation of fixed assets incurred by quick service restaurants, fast casual dining, institutional catering and specialty restaurant chains, and outgoings for rental income.

(q) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

3. SEGMENT INFORMATION

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

4. TURNOVER AND OTHER INCOME

	2004	2003
	HK$'000	*HK$'000*
Sales of goods and services	**2,696,705**	2,592,801
Rental income	**26,590**	28,746
Total turnover	**2,723,295**	2,621,547
Interest income	**13,075**	19,244
Management and service fee income	**3,863**	4,715
Net gain related to investments	**5,076**	–
Net gain on disposals of fixed assets other than investment properties	**–**	18,814
Net gain on disposal of an investment property	**150**	567
Sundry income, net	**7,171**	7,141
Total other income, net	**29,335**	50,481
	2,752,630	2,672,028

5. FINANCE COSTS

	2004	2003
	HK$'000	*HK$'000*
Interest expense on bank loans wholly repayable within five years	**237**	9,485

6. PROFIT BEFORE TAXATION

The consolidated profit before taxation was determined after charging and crediting the following:

	2004	2003
	HK$'000	*HK$'000*
Charging:		
Depreciation of fixed assets	**132,380**	125,986
Net loss on disposal of fixed assets other than investment properties	**4,566**	–
Deficit on revaluation of investment properties	**–**	7,696
Cost of stocks sold	**810,906**	784,984
Staff costs (including directors' emoluments) *(Note 11)*	**709,066**	704,673
Operating lease rentals in respect of rented premises (including contingent rentals of HK$16,538,000 (2003: HK$16,479,000))	**302,759**	298,493
Net loss related to investments	**–**	4,470
Amortisation of trademarks (included in administrative expenses)	**2,704**	2,704
Amortisation of goodwill (included in administrative expenses)	**113**	–
Amortisation of premium on acquisition of jointly controlled entities (included in share of results of jointly controlled entities)	**1,750**	1,520
Net exchange loss	**–**	109
Auditors' remuneration	**2,008**	1,662
Crediting:		
Gross rental income from investment properties	**11,543**	11,165
Less: Outgoings	**(406)**	(22)
	11,137	11,143
Other rental income less outgoings	**8,181**	10,983
Net exchange gain	**445**	–
Net gain on disposal of fixed assets other than investment properties	**–**	18,814
Net gain on disposal of an investment property	**150**	567
Net gain related to investments	**5,076**	–
Surplus on revaluation of investment properties	**2,600**	–
Dividend income from other investments	**345**	333

7. TAXATION

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

		As restated
	2004	2003
	HK$'000	*HK$'000*
Current taxation:		
Hong Kong profits tax	**56,565**	40,379
Overseas taxation	**2,147**	2,169
Under/(Over) provision in prior years	**1,158**	(575)
Deferred taxation relating to the origination and reversal of temporary differences *(Note 24)*	**(1,882)**	3,891
Deferred taxation resulting from an increase in tax rate	**–**	1,025
	57,988	46,889
Share of taxation attributable to:		
Associated company	**209**	84
Jointly controlled entities	**(2,902)**	(1,683)
Taxation charge	**55,295**	45,290

7. TAXATION *(Cont'd)*

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2004	2003
	HK$'000	*HK$'000*
Profit before taxation	**313,369**	288,102
Calculated at a taxation rate of 17.5% (2003: 16%)	**54,840**	46,096
Effect of different taxation rates in other countries	**1,025**	(1,126)
Income not subject to taxation	**(5,640)**	(6,523)
Expenses not deductible for taxation purposes	**3,937**	6,464
Utilisation of previously unrecognised tax losses	**(25)**	(261)
Increase in net closing deferred tax liabilities resulting from an increase in tax rate	**–**	1,025
Under/(over) provision in prior years	**1,158**	(575)
Tax losses not recognised	**–**	190
Taxation charge	**55,295**	45,290

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of approximately HK$228,000,000 (2003: HK$128,000,000).

9. DIVIDENDS

	2004	2003
	HK$'000	*HK$'000*
Interim, paid, of 6.4 cents (2003: 6.4 cents) per ordinary share	**33,996**	34,425
Special, paid, of 6.4 cents (2003: Nil) per ordinary share	**33,996**	–
Final, proposed, 18 cents (2003: 18 cents) per ordinary share	**96,263**	95,515
Special, proposed, 6.55 cents (2003: Nil) per ordinary share	**35,029**	–
	199,284	129,940

At a meeting held on 13th July, 2004, the directors proposed a final dividend of 18 cents per ordinary share and a special dividend of 6.55 cents per ordinary share. These proposed dividends are not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2005.

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of approximately HK$258,074,000 (2003: HK$242,812,000).

The basic earnings per share is based on the weighted average of 530,777,563 (2003: 542,510,932) ordinary shares in issue during the year. The diluted earnings per share is based on 541,535,007 (2003: 553,446,296) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the effect of dilutive potential ordinary shares of 10,757,444 (2003: 10,935,364) ordinary shares if all outstanding options had been exercised.

11. STAFF COSTS

Staff costs, including directors' emoluments, were as follows:

	2004	2003
	HK$'000	*HK$'000*
Wages and salaries	**672,533**	666,946
Unutilised annual leave	–	1,350
Pension costs – defined contribution schemes	**29,337**	28,315
Pension costs – defined benefit scheme *(Note 23(b))*	**6,804**	7,550
Long service payments expense *(Note 23(c))*	**392**	512
	709,066	704,673

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2004	2003
	HK$'000	*HK$'000*
Fees		
– Executive directors	**200**	200
– Non-executive directors and independent non-executive directors	**400**	400
Other emoluments for executive directors		
– Basic salaries, gratuities and other allowances	**4,931**	5,011
– Contributions to pension schemes	**401**	408
– Discretionary bonuses	**6,144**	6,887
	12,076	12,906

No directors waived any emoluments during the year.

During the year, no emoluments were paid by the Group to the directors as inducement to join or as compensation for loss of office.

The emoluments of the executive directors fell within the following bands:

	Number of directors	
	2004	2003
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$4,500,001 to HK$5,000,000	**1**	–
HK$5,000,001 to HK$5,500,000	**1**	2
	4	4

The emoluments of all non-executive directors were below HK$1,000,000.

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS *(Cont'd)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2003: four) directors whose emoluments are reflected in the analysis presented in Note 12(a). The emoluments payable to the remaining two (2003: one) individual during the year are as follows:

	2004	2003
	HK$'000	*HK$'000*
Basic salaries, gratuities and other allowances	**1,092**	467
Benefits from share options exercised	**370**	392
Contributions to pension schemes	**75**	50
Discretionary bonuses	**291**	–
	1,828	909

The emoluments fell within the following bands:

	Number of individuals	
	2004	2003
Nil to HK$1,000,000	**2**	1

13. **FIXED ASSETS**

(a) Movements in fixed assets of the Group are as follows:

	Investment properties *HK$'000*	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture, restaurant and other equipment *HK$'000*	Total *HK$'000*
Cost or valuation:					
At 1st April, 2003	104,900	531,424	245,777	860,827	1,742,928
Revaluation	2,600	–	–	–	2,600
Acquisition of a business	–	–	–	2,000	2,000
Additions	–	545	20,145	90,579	111,269
Disposals	(800)	(23)	(13,855)	(54,974)	(69,652)
At 31st March, 2004	106,700	531,946	252,067	898,432	1,789,145
Accumulated depreciation:					
At 1st April, 2003	–	89,634	184,210	567,960	841,804
Charge for the year	–	10,401	17,972	104,007	132,380
Disposals	–	–	(13,499)	(47,877)	(61,376)
At 31st March, 2004	–	100,035	188,683	624,090	912,808
Net book value:					
At 31st March, 2004	106,700	431,911	63,384	274,342	876,337
At 31st March, 2003	104,900	441,790	61,567	292,867	901,124
The analysis of the cost or valuation is as follows:					
At 31st March, 2004					
At cost	–	531,946	252,067	898,432	1,682,445
At valuation	106,700	–	–	–	106,700
	106,700	531,946	252,067	898,432	1,789,145
At 31st March, 2003					
At cost	–	531,424	245,777	860,827	1,638,028
At valuation	104,900	–	–	–	104,900
	104,900	531,424	245,777	860,827	1,742,928

13. FIXED ASSETS *(Cont'd)*

(b) The Group's interests in investment properties and land and buildings at their net book values are analysed as follows:

	Investment properties		Land and buildings	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
In Hong Kong, held on:				
Leases of over 50 years	**73,000**	72,500	**168,315**	171,248
Leases of between 10 to 50 years	**33,700**	32,400	**198,893**	204,073
Outside Hong Kong, held on:				
Freehold	**–**	–	**16,887**	16,993
Leases of over 50 years	**–**	–	**–**	–
Leases of between 10 to 50 years	**–**	–	**47,816**	49,476
	106,700	104,900	**431,911**	441,790

The investment properties were revalued at 31st March, 2004 on the basis of their open market values by FPD Savills (Hong Kong) Limited, independent professional valuers. As a result of the appraisal, the revaluation surplus amounted to approximately HK$2,600,000 (2003: deficit of HK$10,300,000). The amount was credited to the consolidated profit and loss account (2003: charge of HK$7,696,000) as decreases in valuation in prior years had been debited to the consolidated profit and loss account. As at 31st March, 2004, the revaluation deficits charged to consolidated profit and loss account on earlier valuations less subsequent revaluation surplus credited amounted to approximately HK$5,096,000.

14. INTANGIBLES

Movements in intangibles of the Group are as follows:

	Trademarks	Goodwill	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
As at 1st April, 2003	64,694	–	64,694
Acquisition of a business	–	1,352	1,352
As at 31st March, 2004	64,694	1,352	66,046
Accumulated amortisation:			
As at 1st April, 2003	41,940	–	41,940
Amortisation for the year	2,704	113	2,817
As at 31st March, 2004	44,644	113	44,757
Net book value:			
As at 31st March, 2004	20,050	1,239	21,289
As at 31st March, 2003	22,754	–	22,754

The trademarks mainly represent the intellectual properties relating to the 'Ah Yee Leng Tong' and 'The Spaghetti House' operations.

The goodwill arises from the purchase of the "Oliver's Super Sandwiches" restaurant chain business.

The directors are of the opinion that the underlying values of the intangibles were not less than their carrying values as at 31st March, 2004.

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	*HK$'000*
Investment in unlisted shares, at cost	**331,802**	331,802
Due from subsidiaries	**65,000**	25,094
Due to subsidiaries	**(2,039)**	–
	394,763	356,896

Details of principal subsidiaries as at 31st March, 2004 are set out on pages 82 to 86.

The balances with subsidiaries are unsecured, non-interest bearing and not repayable within the next twelve months.

The directors are of the opinion that the underlying values of the subsidiaries were not less than their carrying values as at 31st March, 2004.

16. INVESTMENT IN AN ASSOCIATED COMPANY

	Group	
	2004	2003
	HK$'000	*HK$'000*
Investment in unlisted shares, at cost	**200**	200
Share of retained profits	**920**	578
Due from the associated company	**60**	60
	1,180	838

(a) Details of the associated company at 31st March, 2004 are as follows:

Name	**Place of incorporation and operations**	**Principal activity**	**Particulars of issued shares held**	**Interest held indirectly**
Miracle Time Enterprises Limited	Hong Kong	Operation of a restaurant	Ordinary shares of HK$1 each	20%

(b) The amount due from the associated company is unsecured, non-interest bearing and has no fixed repayment terms.

(c) The directors are of the opinion that the underlying value of the associated company was not less than its carrying amount as at 31st March, 2004.

17. INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	Group	
	2004	2003
	HK$'000	*HK$'000*
Investment in unlisted shares, at cost	**56,250**	18,014
Share of accumulated losses	**(25,877)**	(2,236)
Due from jointly controlled entities	**24,951**	9,739
Cumulative translation differences	**8,273**	2,740
	63,597	28,257

(a) Details of the jointly controlled entities at 31st March, 2004 are as follows:

Name	**Place of incorporation/ operations**	**Principal activities**	**Percentage of interest in ownership/ voting power/ profit sharing**
Manchu Wok Enterprises, Inc ("MWEI")	Canada/The United States and Canada	Operation of restaurants	48%
Manchu Wok Enterprises II Inc ("MWEII")	Canada/The United States	Operation of restaurants	48%
Beijing Spaghetti Catering Co., Ltd	The People's Republic of China	Operation of restaurants	33%
# Café de New Asia Group Co., Limited	The People's Republic of China	Operation of restaurants	50%

 # Acquired in July 2003

(b) The amounts due from the jointly controlled entities are unsecured, non-interest bearing and not repayable within the next twelve months.

(c) The directors are of the opinion that the underlying values of the jointly controlled entities were not less than their carrying values as at 31st March, 2004.

18. OTHER INVESTMENTS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Unlisted club debentures, at cost	**350**	350
Unlisted equity securities, at cost	**2,522**	–
Equity securities listed in Hong Kong, at cost	**372**	18,181
Provision for impairment in value	**–**	(12,174)
	3,244	6,357
Quoted market value of listed investments	**448**	5,753

19. HELD-TO-MATURITY SECURITIES

Held-to-maturity securities represent investments in bonds and range notes which the Group intends to hold them to maturity and will be able to recover substantially all of their recorded investment cost.

	Group	
	2004	2003
	HK$'000	*HK$'000*
Debt securities listed overseas, at amortised cost	**1,526**	7,824
Unlisted debt securities, at amortised cost	**165,787**	78,155
	167,313	85,979
Quoted market value of listed debt securities	**1,511**	7,828

20. SHORT-TERM INVESTMENTS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong	**9,103**	7,365
Unlisted equity securities	**7,795**	–
Debt securities listed overseas	**7,824**	–
	24,722	7,365

21. TRADE DEBTORS AND CREDITORS

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

As at 31st March, 2004, approximately 90% (2003: 86%) of the Group's trade debtors were aged less than 60 days while over 99% (2003: 99%) of the trade creditors were aged less than 60 days.

22. SHORT-TERM BANK LOANS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Short-term bank loans, unsecured	**10,000**	220,000

23. RETIREMENT BENEFIT LIABILITIES AND PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Retirement benefit liabilities		
Defined contribution schemes *(note (a))*	**4,232**	4,104
Defined benefit scheme *(note (b))*	**15,835**	21,303
	20,067	25,407
Provision for long service payments *(note (c))*	**8,536**	9,033
	28,603	34,440

The retirement benefit liabilities and provision for long service payments are included in other creditors and accrued liabilities.

(a) Defined contribution schemes

The Group operates the Mandatory Provident Fund Scheme ("MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The scheme is administered by an independent trustee.

Under the MPF scheme, each of the Group and the eligible employees make monthly mandatory contributions to the scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance. The mandatory contributions by each party are subject to a maximum of HK$1,000 per month. Contributions to the scheme vest immediately upon the completion of service in the relevant service period.

The Group also operates defined contribution schemes for employees in the PRC. The Group is required to make contributions to the schemes at various applicable rates of monthly salary that are in accordance with the local practice and regulations.

(b) Defined benefit scheme

The Group operates a defined benefit scheme for its employees in Hong Kong. The benefit entitlement under the scheme is calculated based on the final salary of the staff and the length of service with the Group. The scheme assets are administered by an independent trustee and are maintained independently of the Group's finance.

The scheme is funded by contributions from the Group and the employees in accordance with qualified independent actuary's recommendation from time to time on the basis of periodic valuations.

23. RETIREMENT BENEFIT LIABILITIES AND PROVISION FOR LONG SERVICE PAYMENTS *(Cont'd)*

(b) Defined benefit scheme *(Cont'd)*

The latest independent actuarial valuation of the scheme, in accordance with SSAP 34 (revised), was carried out on 31st March, 2004 and was prepared by HSBC Life (International) Limited, an independent qualified actuary, using the projected unit credit method.

The net liability recognised in the consolidated balance sheet is determined as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Present value of funded obligations	**106,808**	106,000
Fair value of plan assets	**(104,658)**	(75,094)
	2,150	30,906
Unrecognised actuarial gains/(losses)	**13,685**	(9,603)
Net liability in the balance sheet	**15,835**	21,303

Amounts recognised in the consolidated profit and loss account are as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Current service cost	**6,434**	7,051
Interest cost	**5,827**	6,814
Expected return on plan assets	**(5,457)**	(6,315)
Total, included in staff costs *(Note 11)*	**6,804**	7,550

Of the total charge, approximately HK$3,774,000 (2003: HK$4,566,000) and HK$3,030,000 (2003: HK$2,984,000) were included, respectively, in cost of sales and administrative expenses.

The actual return on plan assets was a gain of approximately HK$23,841,000 (2003: loss of HK$8,737,000).

23. RETIREMENT BENEFIT LIABILITIES AND PROVISION FOR LONG SERVICE PAYMENTS *(Cont'd)*

(b) Defined benefit scheme *(Cont'd)*

Movements in the liability recognised in the consolidated balance sheet are as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Beginning of year	**21,303**	20,443
Total expense – as shown above	**6,804**	7,550
Contributions paid	**(12,272)**	(6,690)
End of year	**15,835**	21,303

The principal actuarial assumptions used are as follows:

	2004	2003
Discount rate	**5.5% p.a.**	5.5% p.a.
Expected rate of return on plan assets	**7.0% p.a.**	7.0% p.a.
Expected rate of future salary increases	**4.5% p.a.**	4.5% p.a.

(c) Provision for long service payments

The Group provides long service payments for its employees in respect of long service payments on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance.

The latest independent actuarial valuation of the long service payments, in accordance with SSAP 34 (revised), was carried out on 31st March, 2004 and was prepared by Watson Wyatt Limited, an independent qualified actuary, using the projected unit credit method.

The net liability recognised in the consolidated balance sheet is determined as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Present value of obligations	**4,605**	9,413
Unrecognised actuarial gains/(losses)	**3,931**	(380)
Net liability in the balance sheet	**8,536**	9,033

23. RETIREMENT BENEFIT LIABILITIES AND PROVISION FOR LONG SERVICE PAYMENTS *(Cont'd)*

(c) Provision for long service payments *(Cont'd)*

Amounts recognised in the consolidated profit and loss account are as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Current service cost	**49**	38
Interest cost	**343**	474
Total, included in staff costs *(Note 11)*	**392**	512

Of the total charge, approximately HK$291,000 (2003: HK$153,000) and HK$101,000 (2003: HK$359,000) were included, respectively, in cost of sales and administrative expenses.

Movements in the liability recognised in the consolidated balance sheet are as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Beginning of year	**9,033**	8,674
Total expense – as shown above	**392**	512
Payments to employees	**(889)**	(153)
End of year	**8,536**	9,033

The principal actuarial assumptions used are as follows:

	2004	2003
Discount rate	**3.2% p.a.**	3.8% p.a.
Expected rate of future salary increases	**2.0% p.a.**	2.0% p.a.

24. DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

Movements in net deferred tax liabilities are as follows:

	Group	
		As restated
	2004	2003
	HK$'000	*HK$'000*
Beginning of year	**(11,959)**	(7,043)
Deferred taxation credited/(charged) to profit and loss account *(Note 7)*	**1,882**	(4,916)
End of year	**(10,077)**	(11,959)

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31st March, 2004, the Group has unrecognised tax losses of approximately HK$4,971,000 (2003: HK$18,566,000) to carry forward against future taxable income. These unrecognised tax losses are analysed according to their expiry dates as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
With no expiry date	**4,971**	4,971
Expiring not later than one year	**–**	12,502
Expiring later than one year and not later than five years	**–**	1,093
	4,971	18,566

24. DEFERRED TAXATION *(Cont'd)*

The movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax assets:

	Provisions		Tax losses		Others		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of year	**5,095**	4,659	**2,788**	5,835	**1,245**	1,190	**9,128**	11,684
(Charged)/Credited to profit and loss account	**(1,178)**	436	**(811)**	(3,047)	**–**	55	**(1,989)**	(2,556)
End of year	**3,917**	5,095	**1,977**	2,788	**1,245**	1,245	**7,139**	9,128

Deferred tax liabilities:

	Accelerated taxation depreciation		Others		Total	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of year	**(20,761)**	(18,412)	**(326)**	(315)	**(21,087)**	(18,727)
Credited/(Charged) to profit and loss account	**3,825**	(2,349)	**46**	(11)	**3,871**	(2,360)
End of year	**(16,936)**	(20,761)	**(280)**	(326)	**(17,216)**	(21,087)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
		As restated
	2004	2003
	HK$'000	*HK$'000*
Deferred tax assets	**5,358**	3,769
Deferred tax liabilities	**(15,435)**	(15,728)
	(10,077)	(11,959)

25. SHARE CAPITAL

	2004		2003	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised				
Ordinary shares of HK$0.10 each				
Beginning and end of year	**1,000,000**	**100,000**	1,000,000	100,000
Issued and fully paid				
Beginning of year	**533,640**	**53,364**	545,726	54,573
Shares issued under share option scheme *(Note 26)*	**3,520**	**352**	100	10
Shares purchased and cancelled by the Company *(note (a))*	**(5,966)**	**(597)**	(12,186)	(1,219)
End of year	**531,194**	**53,119**	533,640	53,364

(a) During the year, the Company purchased and cancelled 5,966,000 (2003: 12,186,000) ordinary shares of HK$0.10 each on the SEHK at a price range of HK$4.350 to HK$4.700 (2003: HK$4.325 to HK$5.250) per share for a total consideration of approximately HK$27,103,000 (2003: HK$60,234,000) including related expenses.

26. SHARE OPTIONS

Pursuant to a share option scheme adopted by the Company on 30th January, 1991 (the "Previous Scheme"), the Company has granted certain options to executives and employees of the Group, including executive directors employed by the Group, to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. The Previous Scheme was terminated upon the passing of a shareholders' resolution for adoption of another share option scheme on 19th September, 2000 (the "Scheme"). Accordingly, no options can be granted under the Previous Scheme as at the date of this report. However, for the outstanding options granted and yet to be exercised under the Previous Scheme, the existing rights of the grantees are not affected. No share options had been granted under the Scheme since its adoption.

26. SHARE OPTIONS *(Cont'd)*

On 24th September, 2003, the Scheme was terminated upon the passing of a shareholders' resolution for adoption of a new share option scheme (the "New Scheme"). Pursuant to the New Scheme, the Company may grant options to executive and non-executive directors, employees, suppliers and customers of the Group and consultants, advisors, managers, officers and corporations that provided research, development or other technical support to the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. No options have been granted under the New Scheme since its adoption.

For options granted under the Previous Scheme, the exercise price in relation to each option was determined by the board of directors of the Company, but in any event would be the higher of (i) the nominal value of the shares of the Company or (ii) an amount which is not less than 80% nor more than 100% of the average of the closing price of the shares as stated in the SEHK's daily quotations sheets for the 5 business days immediately preceding the date of offer of the option.

For options granted under the Previous Scheme, the exercisable period and the vesting period of the options are determined by the directors and the options expire at the end of a 5-year period after the options become exercisable.

(a) Movements in share options:

	Number of options	
	2004	2003
Beginning of year	**23,500,000**	24,500,000
Granted	**–**	–
Exercised *(note (b))*	**(3,520,000)**	(100,000)
Lapsed on expiry	**–**	–
Cancelled upon termination of employment	**(340,000)**	(900,000)
End of year *(note (c))*	**19,640,000**	23,500,000
Options vested *(note (c))*	**710,000**	–

26. SHARE OPTIONS *(Cont'd)*

(b) Details of share options exercised during the year:

Exercise date	Exercise price	Market value per share at exercise date	2004 Proceeds received	2004 Number of options	2003 Proceeds received	2003 Number of options
	HK$	*HK$*	***HK$'000***		*HK$'000*	
18th June, 2002	2.232	6.150	**–**	**–**	223	100,000
2nd – 30th April, 2003	2.950	4.400-4.900	**3,334**	**1,130,000**	–	–
2nd – 30th May, 2003	2.950	4.875-5.350	**3,151**	**1,068,000**	–	–
2nd – 26th June, 2003	2.950	5.300-5.900	**2,118**	**718,000**	–	–
2nd – 21st July, 2003	2.950	5.800-6.050	**443**	**150,000**	–	–
21st – 28th August, 2003	2.950	6.400-6.500	**159**	**54,000**	–	–
1st – 30th September, 2003	2.950	6.750-7.250	**1,062**	**360,000**	–	–
31st October, 2003	2.950	7.000	**29**	**10,000**	–	–
3rd November, 2003	2.950	7.000	**88**	**30,000**	–	–
			10,384	**3,520,000**	223	100,000

(c) Details of outstanding share options as at 31st March, 2004:

Grant date	Exercise period	Exercise price	2004 Number of options outstanding	2004 Number of options vested	2003 Number of options outstanding	2003 Number of options vested
		HK$				
4th November, 1999	1st April, 2003 to 31st March, 2013	2.950	**19,640,000**	**710,000**	23,500,000	–

27. RESERVES

	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange translation reserve HK$'000	Capital reserve HK$'000	Property revaluation reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
The Group:								
At 1st April, 2003, as previously reported	46,573	124,931	1,386	(2,470)	–	112,300	1,120,334	1,403,054
Changes in accounting policy – adopted of SSAP 12 *(Note 2(l))*	–	–	–	–	–	–	6,730	6,730
At 1st April, 2003, as restated	46,573	124,931	1,386	(2,470)	–	112,300	1,127,064	1,409,784
Premium on shares issued upon exercise of share options	10,032	–	–	–	–	–	–	10,032
Reduction in share premium upon repurchase of shares	(26,506)	–	–	–	–	–	–	(26,506)
Transfer of reserves on repurchase of shares	–	27,103	–	–	–	(27,103)	–	–
Exchange differences arising on consolidation	–	–	7,409	–	–	–	–	7,409
Profit attributable to shareholders	–	–	–	–	–	–	258,074	258,074
Dividends	–	–	–	–	–	–	(163,579)	(163,579)
At 31st March, 2004	30,099	152,034	8,795	(2,470)	–	85,197	1,221,559	1,495,214
Representing:								
2004 final and special dividends proposed								131,292
Reserves								1,363,922
At 31st March, 2004								1,495,214
The Company and subsidiaries	30,099	152,034	522	(2,470)	–	85,197	1,246,516	1,511,898
Associated company	–	–	–	–	–	–	920	920
Jointly controlled entities	–	–	8,273	–	–	–	(25,877)	(17,604)
At 31st March, 2004	30,099	152,034	8,795	(2,470)	–	85,197	1,221,559	1,495,214

27. RESERVES *(Cont'd)*

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Exchange translation reserve *HK$'000*	Capital reserve *HK$'000*	Property revaluation reserve *HK$'000*	Contributed surplus *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
The Group:								
At 1st April, 2002, as previously reported	105,375	64,697	1,012	(2,470)	3,052	172,534	1,002,821	1,347,021
Changes in accounting policy – adoption of SSAP 12 *(Note 2(l))*	–	–	–	–	–	–	9,192	9,192
At 1st April, 2002, as restated	105,375	64,697	1,012	(2,470)	3,052	172,534	1,012,013	1,356,213
Premium on shares issued upon exercise of share options	213	–	–	–	–	–	–	213
Reduction in share premium upon repurchase of shares	(59,015)	–	–	–	–	–	–	(59,015)
Transfer of reserves on repurchase of shares	–	60,234	–	–	–	(60,234)	–	–
Transferred to consolidated profit and loss account upon disposal of an investment property	–	–	–	–	(448)	–	–	(448)
Deficit on revaluation of investment properties	–	–	–	–	(2,604)	–	–	(2,604)
Exchange differences arising on consolidation	–	–	374	–	–	–	–	374
Profit attributable to shareholders	–	–	–	–	–	–	242,812	242,812
Dividends	–	–	–	–	–	–	(127,761)	(127,761)
At 31st March, 2003	46,573	124,931	1,386	(2,470)	–	112,300	1,127,064	1,409,784
Representing:								
2003 final dividend proposed								95,515
Reserves								1,314,269
At 31st March, 2003								1,409,784
The Company and subsidiaries	46,573	124,931	(1,354)	(2,470)	–	112,300	1,128,722	1,408,702
Associated company	–	–	–	–	–	–	578	578
Jointly controlled entities	–	–	2,740	–	–	–	(2,236)	504
At 31st March, 2003	46,573	124,931	1,386	(2,470)	–	112,300	1,127,064	1,409,784

27. RESERVES *(Cont'd)*

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Contributed surplus *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
The Company:					
At 1st April, 2003	46,573	124,931	121,570	1,040	294,114
Premium on shares issued on exercise of share options	10,032	–	–	–	10,032
Reduction in share premium upon repurchase of shares	(26,506)	–	–	–	(26,506)
Transfer of reserves on repurchase of shares	–	27,103	(27,103)	–	–
Profit attributable to shareholders	–	–	–	227,943	227,943
Dividends	–	–	–	(163,579)	(163,579)
At 31st March, 2004	30,099	152,034	94,467	65,404	342,004
Representing:					
2004 final and special dividends proposed					131,292
Reserves					210,712
At 31st March, 2004					342,004
At 1st April, 2002	105,375	64,697	181,804	801	352,677
Premium on shares issued on exercise of share options	213	–	–	–	213
Reduction in share premium upon repurchase of shares	(59,015)	–	–	–	(59,015)
Transfer of reserves on repurchase of shares	–	60,234	(60,234)	–	–
Profit attributable to shareholders	–	–	–	128,000	128,000
Dividends	–	–	–	(127,761)	(127,761)
At 31st March, 2003	46,573	124,931	121,570	1,040	294,114
Representing:					
2003 final dividend proposed					95,515
Reserves					198,599
At 31st March, 2003					294,114

27. RESERVES *(Cont'd)*

Under the Companies Act of Bermuda, contributed surplus is distributable to shareholders, subject to the condition that 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 account.

28. CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a business

	2004
	HK$'000
Fixed assets acquired	**2,000**
Goodwill	**1,352**
Satisfied by cash	**3,352**

(b) Analysis of changes in financing during the year

	Share capital and share premium	**Bank loans**
	HK$'000	*HK$'000*
At 1st April, 2002	159,948	230,000
Net proceeds from issue of shares on exercise of share options	223	–
Payment for repurchase of shares	(60,234)	–
New bank borrowings	–	545,000
Repayment of bank borrowings	–	(555,000)
At 31st March, 2003	99,937	220,000
Net proceeds from issue of shares on exercise of share options	10,384	–
Payment for repurchase of shares	(27,103)	–
Repayment of bank borrowings	–	(210,000)
At 31st March, 2004	83,218	10,000

29. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Operating lease commitments

As at 31st March, 2004, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Land and buildings		
– Not later than one year	**262,233**	236,747
– Later than one year and not later than five years	**311,356**	335,340
– Later than five years	**21,523**	14,791
	595,112	586,878

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

The Company did not have any operating lease commitments at 31st March, 2004 and 31st March, 2003.

(b) Capital commitments

As at 31st March, 2004, the Group had the following capital commitments:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Acquisition of fixed assets		
Authorised and contracted for	**12,302**	4,700
Authorised but not contracted for	**114,234**	142,919
	126,536	147,619

The Company did not have any capital commitments at 31st March, 2004 and 31st March, 2003.

29. COMMITMENTS AND CONTINGENT LIABILITIES *(Cont'd)*

(c) Guarantees

As at 31st March, 2004, the Company has given guarantees totalling approximately HK$946,095,000 (2003: HK$917,000,000) to financial institutions in connection with the total banking facilities granted to its subsidiaries and in respect of the outstanding loans drawn by certain jointly controlled entities. In addition, the Group's interests in the issued shares of the jointly controlled entities are pledged as securities against the bank loans of the jointly controlled entities.

30. FUTURE OPERATING LEASE ARRANGEMENTS

As at 31st March, 2004, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Not later than one year	**21,081**	25,904
Later than one year and not later than five years	**25,467**	33,899
	46,548	59,803

The Company did not have any future operating lease receipt at 31st March, 2004 and 31st March, 2003.

31. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 13th July, 2004.