1 Principal accounting policies

The principal accounting policies adopted in the preparation of these consolidated 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''). The accounts have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, leasehold land and buildings and investment properties are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice (''SSAPs) issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2003:

SSAP 12 (revised) : Income taxes
SSAP 34 (revised) : Employee benefits

The changes to the Group's accounting policies and the effect of adopting these revised policies are set out below.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. Subsidiaries are those companies in which the Group has the power to exercise control governing the financial and operating policies of the company.

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.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any related accumulated foreign currency translation reserve.

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.

(c) Associated company

An associated company is a company, not being a subsidiary, 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 associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets/liabilities of the associated companies and goodwill/negative goodwill on acquisition, net of accumulated amortisation.

1 Principal accounting policies *(continued)*

(c) Associated company *(continued)*

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.

(d) Goodwill

Goodwill represents the difference between the costs of acquisition over the fair values ascribed to the Group's share of the net assets acquired at the effective date of acquisition. Goodwill on acquisitions is included in the balance sheet as a separate asset and amortised using the straight-line method over its estimated useful life of not more than twenty years.

The carrying amount of goodwill is reviewed annually and provision is only made when, in the opinion of the Directors, there is impairment in value other than temporary in nature.

(e) 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 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 investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties 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 fair value which is determined by the directors based on independent valuations which are performed annually. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. Increases in valuation are credited to the other properties revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

1 Principal accounting policies *(continued)*

(e) Fixed assets *(continued)*

(iii) Other fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account.

Improvements are capitalised and depreciated over their expected useful lives to the Group.

(iv) Depreciation

Investment properties held on leases with unexpired periods of more than 20 years are not depreciated.

Leasehold land is depreciated over the period of the lease. The principal annual rates of depreciation for other tangible fixed assets are as follows:

Buildings	2.5%
Leasehold improvements	20% – 33%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

No depreciation is provided against the initial purchase cost of Wardrobe. Costs of subsequent replacements for these assets are charged directly to the profit and loss account.

(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 tangible 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 revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and shown as a movement in reserves.

(f) Convertible note

Convertible note is stated at cost less any provision for impairment loss.

The carrying amount of convertible note is reviewed at the balance sheet date to assess whether the fair value has declined below the carrying amount. When a decline other than temporary has occurred, the carrying amount of the note is reduced to its fair value.

1 **Principal accounting policies** *(continued)*

(f) Convertible note *(continued)*

The impairment loss, equivalent to the amount of the reduction, is recognised as an expense in the profit and loss account.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the first-in, first-out basis and comprises the purchase prices of inventories and direct expenses. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable 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 bank, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(j) 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 and associated company, 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 revised 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 19, opening equity at 1st April 2002 and 2003 have been increased by HK$20,631,644 and HK$22,886,437, respectively, which represent the net deferred tax assets. This change has resulted in an increase in deferred tax assets at 31st March 2003 by HK$22,886,437. The profit and other properties revaluation reserve for the year ended 31st March 2003 has been increased by HK$2,276,220 and reduced by HK$21,427, respectively.

1 **Principal accounting policies** *(continued)*

(k) 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. All exchange differences arising are dealt with in the profit and loss account.

The balance sheets of subsidiaries and associated companies 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 an average rate. Exchange differences are dealt with as a movement in reserves.

(l) Revenue recognition

Revenue from restaurant operations is recognised when food and beverages are sold and services are provided.

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

Management fee income is recognised when the services are rendered.

Revenue from provision of services are recognised when services are rendered.

Customer deposits are recognised as income upon expiry of the period of validity of the deposit.

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

Legal dispute settlement is recognised based on the terms of the settlement deed and when it is probable that the settlement will be received.

(m) 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 are not recognised until the time of leave.

(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.

1 Principal accounting policies *(continued)*

(m) Employee benefits *(continued)*

(iii) Equity compensation benefits

Share options are granted to selected directors and employees. No employee benefits cost is recognised when options are granted. When the options are exercised, equity is increased by the amount of the proceeds received.

(iv) Post-employment benefits

Pension obligations

The Group's contributions to the mandatory provident fund scheme (''MPF'') are expensed as incurred. The contributions to MPF by the Group and the employees are calculated based on a percentage of employees' basic salaries but subject to a cap in accordance with the statutory requirements.

Long service payments

The Group has provided long service payments for employees who had completed the required number of years of service under Hong Kong's Employment Ordinance (the ''Employment Ordinance'') to be eligible for long service payments on termination of their employment.

In previous year, provision for long service payments is calculated in accordance with the provisions of the Employment Ordinance and is reduced by the cumulative employer's contribution to the MPF.

Following adoption of the revised SSAP 34 ''Employee benefits'' the obligations under long service payments are assessed using the projected unit credit method, under which, the provision for long service payment is charged to the profit and loss account so as to spread the regular cost over the service lives of employees. The obligations under long service payments are calculated based on actuarial assumptions which are the Group's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits. The provision for long service payment is measured as the present value of the estimated future cash outflows using interest rates of high quality corporate bonds which have terms to maturity approximating the terms of the related liabilities. Plan assets are measured at fair values. Actuarial gains and losses are recognised over the average remaining service lives of employees.

As detailed in note 19, opening retained earnings at 1st April 2002 and 2003 have been increased by HK$2,723,797 and HK$2,348,544, respectively, which represent the over-provision for long service payments. This change has resulted in a decrease in provision for long service payments at 31st March 2003 by HK$2,348,544. The profit for the year ended 31st March 2003 has been reduced by HK$375,253.

1 Principal accounting policies *(continued)*

(n) 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.

(o) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate income and expenses. Segment assets consist primarily of goodwill, fixed assets, inventories and receivables, and exclude bank balances and cash. Segment liabilities comprise operating liabilities and exclude accruals for corporate expenses and certain corporate borrowings. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisition of wedding services business.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are based on the place in which the assets are located.

2 Turnover, revenues and segment information

The Group is principally engaged in restaurant operations, property investment and wedding services business. Revenues recognised during the year are as follows:

	2004	**2003**
	HK$	*HK$*
Turnover		
Sales of food and beverages from restaurant operations	30,166,829	33,099,238
Gross rental income from investment properties	4,352,000	4,500,000
Provision of wedding services	4,931,262	–
	39,450,091	37,599,238
Other revenues		
Management fee income	1,260,010	1,061,519
Bank and other interest income	15,509	29,022
Customer deposits forfeited	439,286	–
Legal dispute settlement (note 13)	11,051,860	–
	12,766,665	1,090,541
Total revenues	52,216,756	38,689,779

2 Turnover, revenues and segment information *(continued)*

An analysis of the Group's business segment for the year ended 31st March 2004 is set out as follows:

	Restaurant operations 2004 *HK$*	**Property investment 2004** *HK$*	**Wedding services 2004** *HK$*	**Total 2004** *HK$*
Turnover	30,166,829	4,352,000	4,931,262	39,450,091
Segment results	1,402,174	4,132,362	136,644	5,671,180
Unallocated income				12,327,379
Unallocated costs				(3,478,512)
Operating profit				14,520,047
Finance costs				(23,671)
Profit before taxation				14,496,376
Taxation				(2,550,459)
Profit attributable to shareholders				11,945,917
Segment assets	88,281,036	84,335,227	29,463,071	202,079,334
Unallocated assets				31,011,820
Total assets				233,091,154
Segment liabilities	(5,451,584)	(1,554,000)	(10,503,923)	(17,509,507)
Unallocated liabilities				(7,140,802)
Total liabilities				(24,650,309)
Capital expenditure				
– segment	327,274	–	5,286,742	5,614,016
– unallocated				6,800
				5,620,816
Depreciation				
– segment	1,629,532	–	247,920	1,877,452
– unallocated				80,463
				1,957,915