



## NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in Hong Kong dollars)*

### **1 Basis of preparation**

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) (formerly known as the Hong Kong Society of Accountants). KPMG’s independent review report to the Board of Directors is included on page 15.

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

The financial information relating to the financial year ended 31 March 2004 included in the interim financial report does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2004 are available from the Company’s head office and principal place of business. The auditors have expressed an unqualified opinion on those financial statements in their report dated 15 July 2004.

The same accounting policies adopted in the financial statements for the year ended 31 March 2004 have been applied to the interim financial report.

## 2 Segment reporting

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

### *Business segments*

The Group's main business segments comprise:

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

	Restaurant operation		Property leasing		Inter-segment elimination		Consolidated	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from								
external customers	<b>405,796</b>	346,111	<b>7,964</b>	8,570	-	-	<b>413,760</b>	354,681
Inter-segment revenue	-	-	<b>3,882</b>	6,790	<b>(3,882)</b>	(6,790)	-	-
<b>Total</b>	<b>405,796</b>	346,111	<b>11,846</b>	15,360	<b>(3,882)</b>	(6,790)	<b>413,760</b>	354,681
Segment result	<b>7,433</b>	(9,618)	<b>14,859</b>	8,498	-	-	<b>22,292</b>	(1,120)
Unallocated operating income and expenses							<b>(2)</b>	236
Profit/(loss) from operations							<b>22,290</b>	(884)
Finance costs							<b>(367)</b>	(1,040)
Income tax							<b>(391)</b>	(718)
Minority interests							-	-
<b>Profit/(loss) attributable to shareholders</b>							<b>21,532</b>	(2,642)



## 2 Segment reporting (continued)

### Geographical segments

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

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

	<b>Group turnover</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Hong Kong	<b>387,080</b>	337,046
The People's Republic of China (the "PRC")	<b>26,680</b>	17,635
	<b>413,760</b>	354,681

## 3 Profit/(loss) from ordinary activities before taxation

Profit/(loss) from ordinary activities before taxation is arrived at after charging/(crediting):

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Cost of inventories	<b>110,889</b>	89,889
Interest on borrowings	<b>367</b>	1,040
Depreciation	<b>13,664</b>	13,079
Net (profit)/loss on disposal of fixed assets		
– leasehold land and buildings	<b>(9,299)</b>	37
– leasehold improvements and other assets	<b>455</b>	1,058
Amortisation of goodwill	<b>(118)</b>	(118)

**4 Income tax in the consolidated profit and loss account**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2004</b>	2003
	<b>\$'000</b>	\$'000
<b>Current tax</b>		
Provision for Hong Kong Profits Tax	<b>110</b>	100
Overseas taxation	<b>368</b>	418
	<b>478</b>	518
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>(87)</b>	200
Total income tax expense	<b>391</b>	718

The provision for Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profits for the six months ended 30 September 2004. Overseas taxation represents the overseas withholding tax for the period, and is charged at the appropriate current rates of taxation ruling in the relevant countries.

**5 Dividend distribution**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2004</b>	2003
	<b>\$'000</b>	\$'000
Interim dividend distribution declared after the balance sheet date of 8.8 cents (2003: \$Nil) per share	<b>10,877</b>	–

The interim dividend distribution declared after the balance sheet date has not been recognised as a liability at the balance sheet date. This interim dividend distribution is to be paid out of the Company's contributed surplus.



## 6 Earnings/(loss) per share

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

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of \$21,532,000 (2003: loss attributable to shareholders of \$2,642,000) and the weighted average of 123,929,000 shares (2003: 123,354,000 shares) in issue during the period.

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

The calculation of diluted earnings per share for the period ended 30 September 2004 is based on the profit attributable to ordinary shareholders of \$21,532,000 and the weighted average number of ordinary shares of 126,113,000 shares after adjusting for the effects of all potential ordinary shares.

Diluted loss per share is not presented for the period ended 30 September 2003 as there were no dilutive potential ordinary shares as at period end.

(c) *Reconciliation*

	<b>At 30 September 2004</b>
	<i>'000</i>
Weighted average number of ordinary shares used in calculating basic earnings per share	123,929
Deemed issue of ordinary shares for no consideration	2,184
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Weighted average number of ordinary shares used in calculating diluted earnings per share	126,113
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## 7 Fixed assets

(a) The investment properties of the Group were revalued as at 30 September 2004 by RHL Appraisal Limited, independent professional valuers, on an open market value basis. No revaluation deficit or surplus has been charged to the profit and loss account for both periods.

(b) At 30 September 2004, the net book value of properties pledged as security for liabilities amounted to \$51,499,000 (31 March 2004: \$110,958,000).

**8 Trade and other receivables**

	<b>At 30 September 2004 \$'000</b>	At 31 March 2004 \$'000
Trade and other debtors	<b>7,701</b>	8,101
Deposits and prepayments	<b>35,083</b>	33,606
	<b>42,784</b>	41,707

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

	<b>At 30 September 2004 \$'000</b>	At 31 March 2004 \$'000
Current to 30 days	<b>4,011</b>	3,215
31 to 90 days	<b>114</b>	960
91 to 180 days	<b>55</b>	–
181 to 360 days	<b>16</b>	48
	<b>4,196</b>	4,223

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



## 9 Cash and cash equivalents

	At 30 September 2004 \$'000	At 31 March 2004 \$'000
Deposits with banks	87,942	51,673
Cash at bank and in hand	24,267	24,621
	<b>112,209</b>	76,294

## 10 Trade and other payables

	At 30 September 2004 \$'000	At 31 March 2004 \$'000
Creditors and accrued expenses	108,723	101,622

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

	At 30 September 2004 \$'000	At 31 March 2004 \$'000
Current to 30 days	25,129	18,511
31 to 90 days	4,362	4,290
91 to 180 days	31	257
181 to 360 days	661	454
Over 360 days	148	150
	<b>30,331</b>	23,662

## 11 Share capital

	At 30 September 2004		At 31 March 2004	
	No. of shares '000	Amount \$'000	No. of Shares '000	Amount \$'000
<i>Authorised:</i>				
Ordinary shares of \$1 each	240,000	240,000	240,000	240,000
<i>Issued and fully paid:</i>				
At 1 April	124,081	124,081	123,354	123,354
Shares issued under share option scheme (note (a))	146	146	727	727
Shares repurchased (note (b))	(622)	(622)	–	–
At 30 September 2004/ 31 March 2004	123,605	123,605	124,081	124,081

*Notes:*

- (a) During the period, 146,250 options were exercised to subscribe for 146,250 ordinary shares in the Company at a consideration of \$146,250, which was credited to share capital.
- (b) During the period, the Company repurchased its own shares on the Stock Exchange as follows:

Date of repurchase	Number of shares repurchased	Highest price paid per share \$	Lowest price paid per share \$	Aggregate price paid \$
3 June 2004	500,000	1.60	1.60	800,000
8 June 2004	110,000	1.65	1.65	181,500
9 June 2004	12,000	1.68	1.66	20,120
				1,001,620

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium and brokerage expenses paid on the repurchase of the shares of \$380,000 and \$4,000 respectively was charged to contributed surplus (note 12).





## 12 Reserves

	Share premium \$'000	Properties revaluation reserve \$'000	Exchange reserve \$'000	(Accumulated losses)/ Retained profits \$'000	Contributed surplus \$'000	Total \$'000
At 1 April 2004	429,505	550	(7,961)	(331,932)	712	90,874
Profit for the period	-	-	-	21,532	-	21,532
Premium paid on purchase of own shares (note 11(b))	-	-	-	-	(380)	(380)
Expenses incurred in connection with the repurchase of own shares (note 11(b))	-	-	-	-	(4)	(4)
Capital reduction (note)	(429,505)	-	-	360,675	68,830	-
At 30 September 2004	-	550	(7,961)	50,275	69,158	112,022

Note: Pursuant to Bye-law 66(B) of the Bye-laws of the Company and section 46 of the Companies Act 1981 of Bermuda, a special resolution was passed on 15 September 2004 to approve the capital reduction of the Company. The Company's entire share premium of \$429,505,000 was first transferred to the Company's contributed surplus account. Thereafter, a portion of the Company's contributed surplus of \$360,675,000 has been applied in writing off audited accumulated losses of the Company of \$360,675,000 as at 31 March 2004.

## 13 Capital commitments

(a) Capital commitments outstanding at 30 September 2004 not provided for in the Group's interim financial report were as follows:

	At 30 September 2004 \$'000	At 31 March 2004 \$'000
Authorised and contracted for	1,548	3,759
Authorised but not contracted for	4,400	2,468
	<b>5,948</b>	<b>6,227</b>

(b) At 30 September 2004, the Group had other outstanding commitments of \$3,779,000 (31 March 2004: \$3,225,000) in respect of the contracting fee for operation of a fast food restaurant not provided for in the Group's interim financial report.

**14 Contingent liabilities**

At 30 September 2004, the Company had contingent liabilities in respect of guarantees given to banks in respect of banking facilities extended to certain subsidiaries amounting to \$124,000,000 (31 March 2004: \$150,000,000).

**15 Material related party transactions**

Except for the transactions noted below, the Group and the Company have not been a party to any material related party transaction during the period ended 30 September 2004.

- (a) During the period, a subsidiary leased a property from New Champion International Limited ("New Champion"). New Champion is wholly beneficially owned by Pengto International Limited ("Pengto"), a company beneficially owned by a trust of which Mr Dennis Lo Hoi Yeung is a discretionary object. In addition, Mr Dennis Lo Hoi Yeung and his wife, Madam Cindy Lau Shuk Ching are directors of New Champion. Rental expenses incurred during the period amounted to \$623,000 (2003: \$298,000) and rental deposit at 30 September 2004 amounted to \$330,000 (2003: \$330,000).
  
- (b) During the period, New Champion agreed to grant a licence to a subsidiary to use a storeroom in Hong Kong. Licence fees incurred during the period amounted to \$90,000 (2003: \$60,000) and licence deposit at 30 September 2004 amounted to \$30,000 (2003: \$30,000).