

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 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 Chinese restaurants in Hong Kong which specialise in Chiu Chow cuisine and the manufacture and sales of environmental friendly paper tableware. During the year, the Company disposed of certain subsidiaries which were engaged in the operation of restaurants and a hotel in the People's Republic of China (the "PRC").

### 2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 Business Combinations. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January 2005. The Group has not entered into any business combination for which the agreement date is on or after 1 January 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 31 March 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

### 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.

#### **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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

#### 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investment properties (continued)

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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Taxation (continued)**

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.

#### **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.

**NOTES** TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

**4. TURNOVER**

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

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
The amount comprises:		
Restaurant and hotel operations	<b>110,864</b>	111,031
Sales of environmental friendly paper tableware	<b>4,603</b>	3,894
	<b><u>115,467</u></b>	<u>114,925</u>

The Group did not earn any rental income from the investment properties during both years.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 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 2005:

(i) Income statement

	Restaurant and hotel operations HK\$'000	Environmental friendly paper tableware HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
TURNOVER	<u>110,864</u>	<u>4,603</u>	<u>-</u>	<u>115,467</u>
RESULT				
Segment result	<u>(5,806)</u>	<u>(10,946)</u>	<u>(3,108)</u>	<u>(19,860)</u>
Unallocated corporate expenses				<u>(268)</u>
Loss from operations				<u>(20,128)</u>
Finance costs				<u>(305)</u>
Loss on disposal of subsidiaries	<u>(1,094)</u>	<u>-</u>	<u>-</u>	<u>(1,094)</u>
Loss before minority interests				<u>(21,527)</u>
Minority interests				<u>1,589</u>
Net loss for the year				<u>(19,938)</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

## Business segments (continued)

(a) Year 2005: (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	28,081	2,928	57,660	88,669
Unallocated corporate assets				274
Consolidated total assets				<u>88,943</u>
LIABILITIES				
Segment liabilities	9,663	1,811	136	11,610
Amounts due to directors				5,227
Loans from minority shareholders	-	-	35,251	35,251
Loans from a related company				18,286
Unallocated corporate liabilities				368
Consolidated total liabilities				<u>70,742</u>

(iii) Other information

	Restaurant and hotel operations HK\$'000	Environmental friendly paper tableware HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Capital additions	81	75	-	156
Depreciation	4,574	1,915	-	6,489
Allowance for doubtful debts	30	-	-	30
Deficit arising on revaluation of investment properties	-	-	3,040	3,040
Impairment loss recognised in respect of property, plant and equipment	-	4,466	-	4,466
Loss on disposal of subsidiaries	1,094	-	-	1,094



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2005

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)****Business segments (continued)**

(b) 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	111,031	3,894	–	114,925
RESULTS				
Segment results	(5,163)	(4,285)	(4,591)	(14,039)
Unallocated corporate expenses				(234)
Loss from operations				(14,273)
Finance costs				(262)
Loss before taxation				(14,535)
Taxation				1
Loss before minority interests				(14,534)
Minority interests				1,821
Net loss for the year				(12,713)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 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
<b>ASSETS</b>				
Segment assets	35,005	9,813	60,702	105,520
Unallocated corporate assets				296
Consolidated total assets				<u>105,816</u>
<b>LIABILITIES</b>				
Segment liabilities	11,607	2,102	136	13,845
Amounts due to directors				2,550
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				<u>71,125</u>

## (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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2005

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)****Geographical segments**

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

	<b>Turnover</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>104,678</b>	98,205
The PRC	<b>10,789</b>	16,720
	<b><u>115,467</u></b>	<u>114,925</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:

	<b>Carrying amount of segment assets</b>		<b>Additions to property, plant and equipment</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>28,793</b>	20,714	<b>81</b>	5,390
The PRC	<b>60,150</b>	85,102	<b>75</b>	1,124
	<b><u>88,943</u></b>	<u>105,816</u>	<b><u>156</u></b>	<u>6,514</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2005

**6. LOSS FROM OPERATIONS**

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Loss from operations has been arrived at after charging:		
Directors' remuneration ( <i>note 8</i> )	<b>4,398</b>	3,396
Other staff costs, including retirement benefits costs	<b>34,117</b>	33,427
	<hr/>	<hr/>
Total staff costs	<b>38,515</b>	36,823
	<hr/>	<hr/>
Allowance for doubtful debts	<b>30</b>	245
Auditors' remuneration	<b>400</b>	400
Depreciation	<b>6,489</b>	7,037
and after crediting:		
Gain on disposal of property, plant and equipment	<b>88</b>	–
Interest income	<b>17</b>	21
	<hr/>	<hr/>

**7. FINANCE COSTS**

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank borrowings	<b>44</b>	152
Loans from a related company	<b>261</b>	110
	<hr/>	<hr/>
	<b>305</b>	262
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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2005

**8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS****(a) Information regarding directors' emoluments**

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Directors' fees:		
Executive	–	–
Independent non-executive	<b>183</b>	138
Non-executive	<b>33</b>	72
	<hr/> <b>216</b> <hr/>	<hr/> 210 <hr/>
Other emoluments paid to executive directors:		
Salaries and other benefits	<b>4,134</b>	3,150
Retirement benefits costs	<b>48</b>	36
	<hr/> <b>4,182</b> <hr/>	<hr/> 3,186 <hr/>
Total directors' emoluments	<hr/> <b>4,398</b> <hr/>	<hr/> 3,396 <hr/>

The emoluments of the directors fall within the following bands:

	<b>Number of directors</b>	
	<b>2005</b>	2004
Nil to HK\$1,000,000	<b>6</b>	5
HK\$1,000,001 to HK\$1,500,000	<b>2</b>	2
	<hr/> <b>2</b> <hr/>	<hr/> 2 <hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2005

**8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)****(b) Information regarding employees' emoluments**

The five highest paid individuals of the Group included three (2004: two) executive directors. The emoluments of the remaining two (2004: three) highest paid individuals, not being directors, are as follows:

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>1,353</b>	1,667
Retirement benefits costs	<b>24</b>	36
	<b>1,377</b>	1,703

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 has no assessable profit for the year. No tax is payable for certain subsidiaries since the estimated assessable profit is wholly absorbed by tax losses brought forward. The credit for the prior year was attributable to the Company and its subsidiaries and represented overprovision of Hong Kong Profits Tax in prior years. PRC subsidiaries are subject to Enterprise Income Tax at prevailing rates in the PRC.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 9. TAXATION (continued)

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

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Loss before taxation	<b>(21,527)</b>	(14,535)
Tax credit of Hong Kong Profits Tax at 17.5% (2004: 17.5%)	<b>(3,767)</b>	(2,544)
Tax effect of expenses not deductible for tax purpose	<b>1,807</b>	1,253
Tax effect of income not taxable for tax purpose	<b>(82)</b>	(123)
Tax effect of utilisation of tax losses previously not recognised	<b>(271)</b>	(290)
Tax effect of tax losses not recognised	<b>2,121</b>	1,651
Overprovision in prior years	<b>-</b>	(1)
Others	<b>192</b>	53
Tax credit for the year	<b>-</b>	(1)

At 31 March 2005, the Group has unused tax losses of approximately HK\$108,300,000 (2004: HK\$113,700,000) 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\$12,000,000 that will expire in year 2010 (2004: HK\$20,600,000 expiring in year 2009). 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\$19,938,000 (2004: HK\$12,713,000) and on the 484,853,527 shares (2004: 484,853,527 shares) in issue during the year.

No diluted loss per share has been presented as there were no potential ordinary shares in both years.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 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 2004	20,313	57,459	7,331	3,933	89,036
Additions	–	86	70	–	156
Disposals	–	(566)	–	–	(566)
On disposal of subsidiaries	(18,247)	(43,504)	–	(1,957)	(63,708)
At 31 March 2005	2,066	13,475	7,401	1,976	24,918
DEPRECIATION AND IMPAIRMENT					
At 1 April 2004	6,894	49,826	2,316	3,739	62,775
Provided for the year	1,998	2,898	1,492	101	6,489
Impairment loss recognised in the income statement	847	26	3,593	–	4,466
Eliminated on disposals	–	(513)	–	–	(513)
On disposal of subsidiaries	(7,673)	(43,504)	–	(1,957)	(53,134)
At 31 March 2005	2,066	8,733	7,401	1,883	20,083
NET BOOK VALUE					
At 31 March 2005	–	4,742	–	93	4,835
At 31 March 2004	13,419	7,633	5,015	194	26,261

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

During the year, the directors conducted a review of the Group's operating assets and determined that a number of those assets have no significant economic value to the Group. Accordingly, the carrying amounts of those assets were fully impaired during the year ended 31 March 2005.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 12. INVESTMENT PROPERTIES

	<b>THE GROUP</b>
	HK\$'000
AT VALUATION	
At 1 April 2004	60,700
Revaluation deficit	<u>(3,040)</u>
At 31 March 2005	<u>57,660</u>

The Group's investment properties were revalued at 31 March 2005 by RHL Appraisal Ltd., a firm of independent professional property valuers, on an open market existing use basis. The revaluation deficit of HK\$3,040,000 has been charged to the consolidated income statement.

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

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Long leases (note (a))	<b>48,160</b>	51,200
Medium-term leases (note (b))	<b>9,500</b>	<u>9,500</u>
	<b><u>57,660</u></b>	<u>60,700</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 2005.
- (b) The investment properties are held for a term of fifty years expiring in January 2039. They were vacant as at 31 March 2005. The Group is in the process of applying for the relevant land use rights certificate.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

## 13. INTERESTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>124,543</b>	124,543
Amounts due from subsidiaries	<b>211,138</b>	211,482
	<b>335,681</b>	336,025
Less: Impairment loss recognised	<b>(299,187)</b>	(279,187)
	<b>36,494</b>	56,838

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") were less than the carrying amounts. Accordingly, the carrying amounts of these subsidiaries were reduced to their respective recoverable amounts which were estimated using market borrowing rates.

Details of the Company's principal subsidiaries at 31 March 2005 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 <i>(note (a))</i>	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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2005

**13. INTERESTS IN SUBSIDIARIES (continued)**

<b>Name of subsidiary</b>	<b>Place of incorporation/ registration and operation</b>	<b>Nominal value of issued share/ registered capital</b>	<b>Proportion of nominal value of issued share/ registered capital held by the Company</b>	<b>Principal activities</b>
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
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

## NOTES TO THE FINANCIAL STATEMENTS

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## 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
Smart Success Investment Limited	Hong Kong/ PRC	Ordinary HK\$2	65%	Property holding
Vejen Trading Limited	Hong Kong	Ordinary HK\$100 (Non-voting deferred HK\$5,000,000)*	100%	Trading of environmental friendly paper tableware
綠科環保製品(東莞)有限公司 ("G-Tech Dongguan") (note (b))	PRC	Registered HK\$9,000,000	100%	Manufacture and sales 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.

## 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) 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 14. INTERESTS IN ASSOCIATES

	<b>THE GROUP</b>	
	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Share of net liabilities ( <i>note (a)</i> )	(70)	(70)
Advances to associates ( <i>note (b)</i> )	<b>13,800</b>	13,800
	<b>13,730</b>	13,730
Less: Allowance for advances to associates	<b>(13,730)</b>	(13,730)
	<b>-</b>	-

Details of the Group's associates at 31 March 2005 are as follows:

<b>Name of associate</b>	<b>Place of incorporation/ registration and operation</b>	<b>Percentage of equity interest held</b>	<b>Principal activities</b>
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") ( <i>note (c)</i> )	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 has not 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2005

**15. INVENTORIES**

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Food and beverage items	<b>2,418</b>	2,799
Other items		
Raw materials and consumables	<b>157</b>	242
Finished goods	<b>1,457</b>	1,476
	<b>4,032</b>	4,517

At the balance sheet date, the finished goods were carried at net realisable value; other amounts were carried at cost.

**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:

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
0 – 60 days	<b>1,609</b>	1,612
61 – 90 days	<b>75</b>	87
More than 90 days	<b>122</b>	170
	<b>1,806</b>	1,869

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 17. TRADE PAYABLES

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

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
0 – 60 days	3,237	3,781
More than 60 days	1,270	1,315
	<u>4,507</u>	<u>5,096</u>

### 18. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, non-interest bearing and repayable on demand. They comprise:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Emoluments payable to executive directors	5,100	2,550
Others	127	–
	<u>5,227</u>	<u>2,550</u>

### 19. SHARE CAPITAL

	2005	2004
	HK\$'000	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 SCHEME

The Company had a share option scheme (the "Scheme"), which was approved and adopted on 22 August 2002. The Scheme is valid and effective for a period of 10 years after the date of adoption. The purpose of the 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.

The total number of shares in respect of which options may be granted under the 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 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 Scheme must be accepted in writing within 30 days from the date of grant.

No option has been granted under the Scheme since its adoption and up to 31 March 2005.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 20. SHARE OPTION SCHEME (continued)

On 12 May 2005, share options with an exercise price of HK\$0.10 per share were granted to the following categories of individuals:

	<b>Number of share options</b>
Directors	24,242,675
Employees	9,697,070
	<u>33,939,745</u>

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

	<b>Share premium</b>	<b>Contributed surplus</b>	<b>Accumulated losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE COMPANY				
At 1 April 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>(195,469)</u>	<u>8,350</u>
At 31 March 2004	90,676	113,143	(195,469)	8,350
Net loss for the year	—	—	(20,344)	(20,344)
	<u>90,676</u>	<u>113,143</u>	<u>(215,813)</u>	<u>(11,994)</u>
At 31 March 2005	<u>90,676</u>	<u>113,143</u>	<u>(215,813)</u>	<u>(11,994)</u>

**21. RESERVES (continued)**

- (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 2005 and 2004.
- (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 (2004: HK\$71,000) attributable to associates of the Group.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2005

**22. MINORITY INTERESTS/LOANS FROM MINORITY SHAREHOLDERS**

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Share of net liabilities of subsidiaries	<b>(18,396)</b>	(21,844)
Loans from minority shareholders of subsidiaries	<b>35,251</b>	40,234

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**

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Principal	<b>17,915</b>	8,300
Accrued interest	<b>371</b>	110
	<b>18,286</b>	8,410

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 31 December 2006 (2004: 24 April 2005).

Mr. Cheng Hop Fai, Mrs. Cheng Kwok Kwan Yuk, Ms. Cheng Pak Ming, Judy and Miss Cheng Pak Man, Anita, directors of the Company, are deemed to be beneficially interested in Hover City.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2005

**24. DISPOSAL OF SUBSIDIARIES**

On 31 January 2005, the Group disposed of the entire 90% equity interest in Tanson Development Limited (“Tanson”). The net assets of Tanson and its subsidiary at the date of disposal were as follows:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Net assets disposed of:		
Property, plant and equipment	<b>10,574</b>	–
Inventories	<b>483</b>	–
Trade and other receivables	<b>564</b>	–
Bank balances and cash	<b>433</b>	–
Trade and other payables	<b>(1,305)</b>	–
Loan from the Group (the “Assigned Loan”)	<b>(10,491)</b>	–
Loan from minority shareholder	<b>(5,000)</b>	–
Minority interests	<b>5,037</b>	–
	<b>295</b>	–
Assignment and transfer of the Assigned Loan to the purchaser	<b>10,491</b>	–
Expenses incurred	<b>808</b>	–
	<b>11,594</b>	–
Loss on disposal	<b>(1,094)</b>	–
	<b>10,500</b>	–
Total consideration	<b>10,500</b>	–
Satisfied by:		
Cash	<b>10,500</b>	–
Net cash inflow arising on disposal:		
Cash consideration, net of expenses of HK\$808,000 (2004: nil)	<b>9,692</b>	–
Bank balances and cash disposed of	<b>(433)</b>	–
	<b>9,259</b>	–

The subsidiaries disposed of during the year contributed HK\$10,723,000 to the Group’s turnover and incurred loss from operations of HK\$5,089,000.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2005

**25. CAPITAL COMMITMENTS**

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	<b>50</b>	—

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

**26. OPERATING LEASE ARRANGEMENTS****The Group as lessee**

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Minimum lease payments under operating leases for premises charged to the income statement during the year	<b>10,914</b>	11,478

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:

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>7,198</b>	10,443
In the second to fifth year inclusive	<b>4,312</b>	10,778
	<b>11,510</b>	21,221

Operating lease payments mainly represent rental payable by the Group for its restaurants and staff accommodation. Leases are negotiated for an average term of one to three years.

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

**NOTES** TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

**27. OTHER COMMITMENT**

Under the joint venture agreement of the subsidiary established in the PRC of Tanson (see note 24), the Group formerly committed to pay a pre-determined rental payment to the PRC joint venture partner during the period from October 1993 to June 2023. At the balance sheet date, the amount of rental payable falls due as follows:

	<b>THE GROUP</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Within one year	–	634
In the second to fifth year inclusive	–	2,566
After five years	–	13,875
	<hr/>	<hr/>
	–	17,075
	<hr/>	<hr/>

**28. PLEDGE OF ASSETS**

At 31 March 2005 and 2004, the Group's bank facilities were secured by the pledged bank deposits. Such bank facilities were not utilised at respective balance sheet dates.

**29. CONTINGENT LIABILITIES**

	<b>THE COMPANY</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Corporate guarantees given to banks in respect of banking facilities granted to subsidiaries	<b>18,000</b>	18,000
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 30. 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 of the Group charged to the income statement amounted to HK\$1,449,000 (2004: HK\$1,326,000).

### 31. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

- (a) During the year, the Group leased certain premises for its restaurant operations from Homley Development Limited (“Homley”). On 6 May 2002, 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 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 agreement amounted to HK\$3,000,000 (2004: HK\$3,000,000). At 31 March 2005, accrued rental payable to Homley amounted to HK\$750,000 (2004: HK\$750,000) and was included in trade and other payables.

Mr. Cheng Hop Fai, Mrs. Cheng Kwok Kwan Yuk, Ms. Cheng Pak Ming, Judy and Miss Cheng Pak Man, Anita, directors of the Company, are deemed to be beneficially interested in Homley.

**NOTES** TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

**31. 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\$509,850 (2004: HK\$478,692.50). 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, Ms. Cheng Pak Ming, Judy and Miss Cheng Pak Man, Anita 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 1 April 2003, 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 2003 to 31 March 2005 at a monthly rental of HK\$20,000 and a rental deposit of HK\$40,000. The tenancy agreement was terminated on 28 February 2005.

Rental charged by Hover City during the year under the above agreement amounted to HK\$220,000 (2004: HK\$240,000). The monthly rental was determined by both parties with reference to market rental.

- (d) During the year, the Group leased certain residential premises from Hover City. On 31 January 2005, the Group entered into a tenancy agreement with Hover City for leasing from Hover City a unit of residential building for a period of one year commencing 1 February 2005 to 31 January 2006 at a monthly rental of HK\$50,000 and a rental deposit of HK\$100,000.

Rental charged by Hover City during the year under the above agreement amounted to HK\$100,000 (2004: nil). The monthly rental was determined by both parties with reference to market rental.



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2005

**31. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS (continued)**

- (e) 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 was extended to HK\$15,000,000 and the final repayment date to 30 June 2006. On 7 January 2005, the Group further renewed the terms of the loan agreement. The loan facility was further extended to HK\$25,000,000 and the final repayment date to 31 December 2006. Interest expense charged to the income statement during the year amounted to HK\$261,299 (2004: HK\$109,759). At 31 March 2005, accrued interest payable to and the principal sum outstanding of the loans from Hover City amounted to HK\$371,058 (2004: HK\$109,759) and HK\$17,915,283 (2004: HK\$8,300,000), respectively.
- (f) On 5 January 2005, the Group entered into a conditional agreement with Bestview International Investments Ltd. ("Bestivew") for the sale of the Group's entire 90% equity interest in Tanson, the assignment of an amount of HK\$10,491,000 owing by Tanson to the Group and the discharge of Tanson's liabilities and obligations to repay a loan of HK\$50,431,000 owing to the Group for a consideration of HK\$10,500,000. Bestview is 60% owned by Mr. Chan Muk Ching, who is deemed to be beneficially interested in a company which had the remaining 10% equity interest in Tanson. The transaction was completed in January 2005.
- (g) During the year, the Group made rental payments of HK\$528,000 (2004: HK\$604,800), under a joint venture agreement, to the PRC joint venture partner of the subsidiary established in the PRC of Tanson (see notes 24 and 27).