NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, except for investment properties and certain financial instruments which are measured at fair value.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKAS and Interpretations ("Int") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Share-based payment

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005. In relation to share options granted before 1 April 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 April 2005 in accordance with the relevant transitional provisions. The Group had no share options that were granted after 7 November 2002 and had not yet vested on 1 April 2005 and accordingly, no retrospective restatement is required.

An amount of share options expense of HK$749,000 (nil for the six months ended 30 September 2004) was charged to the income statement during the period in respect of the share options granted in the current period, with a corresponding credit to equity.

Investment properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The adoption of HKAS 40 has no effect on the results of the Group in the current period.

Deferred taxes related to investment properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS-Int 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. The adoption of HKAS-Int 21 has no effect on the results of the Group in the current and prior periods.

Financial instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 April 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The adoption of HKAS 32 and HKAS 39 has had no material impact on the presentation and measurement of financial instruments of the Group in the current and prior periods.

Newly issued standards or Interpretation but not yet effective

The Group has not early applied the new Standards or Interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group is organised into three main operating divisions – restaurant and hotel operations, environmental friendly paper tableware and property investment. These divisions are the basis on which the Group reports its primary segment information.

	Restaurant and hotel operations	Environmental friendly paper tableware	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 September 2005:				
TURNOVER				
External	**44,081**	**3,534**	**–**	**47,615**
SEGMENT RESULT	**(3,810)**	**(1,014)**	**(1,463)**	**(6,287)**
Unallocated corporate expenses				**(275)**
Finance costs				**(271)**
Loss for the period				**(6,833)**
Six months ended 30 September 2004:				
TURNOVER				
External	53,185	2,855	–	56,040
SEGMENT RESULT	(5,775)	(2,880)	(1,544)	(10,199)
Unallocated corporate expenses				(140)
Finance costs				(124)
Loss for the period				(10,463)

4. LOSS FROM OPERATIONS

	1.4.2005 to 30.9.2005	1.4.2004 to 30.9.2004
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging:		
Depreciation	**932**	4,030

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed financial statements as the Company and its subsidiaries do not have assessable profit for the period.

6. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to the equity holders of the parent for the period of HK$6,321,000 (six months ended 30 September 2004: HK$9,451,000) and on the 484,853,527 shares (six months ended 30 September 2004: 484,853,527 shares) in issue during the period.

Diluted loss per share has not been presented because the assumed exercise of the Company's share options would result in a decrease in loss per share.

No diluted loss per share had been presented for the six months ended 30 September 2004 as there were no potential ordinary shares outstanding during the period.

7. SHARE OPTIONS

The Company has a share option scheme for employees, directors and other eligible person of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Granted during the period and outstanding at 30 September 2005	33,939,745

As mentioned in note 2, the Group has, for the first time, applied HKFRS 2 "Share-based Payment" to account for its share options in the current period. As the share options granted to employees were fully vested on the date of grant, the fair value of share options is expensed, with a corresponding adjustment to the Group's share options reserve. In the current period, an amount of share options expense of HK$749,000 has been recognised on the date of grant, with a corresponding adjustment recognised in the Group's share options reserve.

The fair values of the options were determined by the Group at the dates of grant using the Black-Scholes option pricing model which requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK$787,000 (six months ended 30 September 2004: HK$101,000) on additions to property, plant and equipment.

9. INVESTMENT PROPERTIES

The Group's investment properties were revalued at 30 September 2005 with reference to professional advices. The resulting decrease in fair value of HK$1,450,000 has been charged to the condensed income statement.

The investment properties were vacant during the current period.

10. TRADE AND OTHER 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 trade receivables at the reporting date:

	30.9.2005	31.3.2005
	HK$'000	*HK$'000*
0 – 60 days	**2,013**	1,609
61 – 90 days	**41**	75
More than 90 days	**117**	122
	2,171	1,806

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	30.9.2005	31.3.2005
	HK$'000	*HK$'000*
0 – 60 days	**4,119**	3,237
More than 60 days	**1,313**	1,270
	5,432	4,507

12. LOANS FROM A RELATED COMPANY

	30.9.2005	31.3.2005
	HK$'000	*HK$'000*
Principal	**17,915**	17,915
Accrued interest	**642**	371
	18,557	18,286

The loans are borrowed from Hover City Industrial Limited ("Hover City") in which certain directors of the Company are deemed to be beneficially interested in. 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.

13. RELATED PARTY TRANSACTIONS

(a) During the period, 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.

On 15 April 2005, the Group renewed the tenancy agreement with Homley for a further period of three years commencing 1 May 2005 to 30 April 2008 at a monthly rental of HK$270,000 (exclusive of rates, management fees and air-conditioning charges) and a rental deposit of HK$810,000. The monthly rental was negotiated with Homley with reference to the market rents as at 11 April 2005 as advised by RHL Appraisal Limited, a firm of independent professional property valuers. Details of the arrangement are set out in the announcement dated 15 April 2005 issued by the Company.

Rental charged by Homley during the period under the above tenancy agreement amounted to HK$1,600,000 (six month ended 30 September 2004: HK$1,500,000). At 30 September 2005, accrued rental payable to Homley amounted to HK$810,000 (31.3.2005: HK$750,000) and was included in trade and other payables.

Certain directors of the Company are deemed to be beneficially interested in Homley.

(b) During the period, 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 period under the above agreement amounted to HK$300,000 (six months ended 30 September 2004: nil). The monthly rental was determined by both parties with reference to market rental.

(c) 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 period amounted to approximately HK$271,000 (six months ended 30 September 2004: HK$102,000) (see note 12).

(d) The remuneration of directors and other members of key management during the period amounted to HK$3,708,000 (six months ended 30 September 2004: HK$2,022,000).