NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Kong Fai International Limited (incorporated in the British Virgin Islands). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company acts as 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.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 consolidated income statement, consolidated balance sheet and consolidated 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 and prior accounting years are prepared and presented:

Share-based payments

In the current year, 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 share options granted to directors and employees of the Group, 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.

An amount of share option expense of HK$749,000 (2005: nil) was charged to the consolidated income statement during the year in respect of the share options granted in the current year, with a corresponding credit to equity. The Group did not grant any share options in the last corresponding period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES (Continued)

Investment properties

In the current year, 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 year in which they arise. In previous years, 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 consolidated income statement. Where a decrease had previously been charged to the consolidated income statement and a revaluation surplus subsequently arose, that increase was credited to the consolidated income statement to the extent of the decrease previously charged. The Group has elected to apply HKAS40 retrospectively. The adoption of HKAS 40 has no effect on the results of the Group in the current and prior accounting periods.

Deferred taxes related to investment properties

In previous years, 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 year, 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 is 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. In the absence of any specific transitional provisions in HKAS – INT 21, this change in accounting policy has been applied retrospectively. 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 year, 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 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 and HKAS 39 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior year are as follows:

	2006 **HK$'000**	2005 HK$'000
Increase in administrative expenses in respect of share-based payments	**749**	–

The cumulative effects of the application of the new HKFRSs as at 31 March 2005 are summarised below:

	As at 31.3.2005 (originally stated) HK$'000	**Adjustments** HK$'000	**As at 31.3.2005 (restated)** HK$'000
Balance sheet items			
Minority interests and total effects on equity	–	(18,396)	(18,396)
Minority interests	(18,396)	18,396	–

The Group has not early applied the new standards, INTs and amendments that have been issued but are not yet effective. The Group has considered the potential impact of these standards, INTs and amendments. The directors anticipate the application of these standards, INTs and amendments will have no material impact on the results and financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives [6]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.
[3] Effective for annual periods beginning on or after 1 December 2005.
[4] Effective for annual periods beginning on or after 1 March 2006.
[5] Effective for annual periods beginning on or after 1 May 2006.
[6] Effective for annual periods beginning on or after 1 June 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the effective date of acquisition or up to the effective date of disposals, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in associates

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from restaurant 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 from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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 subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items 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:

Building premises	Over the duration of the leases or fifty years, whichever is the shorter
Furniture and restaurant equipment	12.5% – 50%
Plant and machinery	20%
Motor vehicles	15% – 20%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in the profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising from derecognition of the investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the investment property) is included in the income statement in the year in which the item is derecognised.

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.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value are recognised immediately in the profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. The accounting policies adopted are set out below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to directors, amounts due to minority shareholders and loans from a related company are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership and control of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's consolidated balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 profit as reported in the consolidated 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated 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.

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.

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 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 consolidated 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

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in the profit or loss in the period in which the foreign operation is disposed of.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Share-based payments

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are lapsed or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, the Group bases its estimates and judgements on historical experience, expectations of the future and various other assumptions that it believes are reasonable under the circumstances. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the consolidated financial statements are disclosed below:

Impairment of property, plant and equipment

As described in note 15, the Group's property, plant and equipment are carried at cost less accumulated depreciation and impairment. Appropriate impairment losses on the carrying amounts are recognised in the profit and loss when those assets have no significant economic value to the Group. In determining whether impairment losses are recognised, the management prepares profit projection reflecting actual and prior year performance and future business development expectations to estimate the future economic benefits, associated with the assets, that will flow to the Group. Judgment is required to determine key assumptions adopted in the profit projection and changes to key assumptions can significantly affect the projection and therefore the results of the impairment review.

Investment properties

As described in note 16, the Group's investment properties are carried in the balance sheet at their fair value determined by independent professional valuers. Changes in the fair values of investment properties are recorded in the profit and loss. Such valuations are based on certain assumptions, which are subject to uncertainty. In making the judgment, information with reference to market evidence of transaction prices for similar properties are considered and assumptions mainly based on market conditions existing at each balance sheet date are used.

Deferred taxation

At 31 March 2006, the Group has unused tax losses of approximately HK$107,800,000 available to 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. In cases where actual future profit is greater than expected, a recognition of deferred tax assets may arise, which would be recognised in the income statement for the period in which such recognition takes place.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to directors and loans from a related company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's financial assets are trade and other receivables, pledged bank deposits and bank balances and cash, the carrying amounts of those assets stated in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

In order to minimise the credit risk in relation to trade and other receivables, the management of the Group will only advance credit to debtors with good credit history. In addition, the management reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk in relation to bank balances is limited because the majority of the counterparties are financial institutions and banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in short and long term.

7. TURNOVER

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

	2006 HK$'000	2005 HK$'000
The amount comprises:		
Restaurant operations	**95,681**	110,864
Sales of environmental friendly paper tableware	**9,653**	4,603
	105,334	115,467

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

Included in turnover for the year ended 31 March 2005 was revenue from hotel operation. The hotel operation was disposed of with effect from 31 January 2005 (see note 28).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three main operating divisions – restaurant operations, environmental friendly paper tableware and property investment.

Segment information about these businesses is presented below.

(a) Year 2006:

(i) Consolidated income statement

	Restaurant operations HK$'000	Environmental friendly paper tableware HK$'000	Property investment HK$'000	Consolidated HK$'000
TURNOVER	95,681	9,653	–	105,334
RESULT				
Segment results	(499)	(3,150)	(1,523)	(5,172)
Unallocated corporate expenses				(780)
Interest income				250
Finance costs				(681)
Loss before taxation				(6,383)
Taxation				447
Loss for the year				(5,936)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

(a) Year 2006: (Continued)

(ii) Consolidated balance sheet

	Restaurant operations HK$'000	Environmental friendly paper tableware HK$'000	Property investment HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	24,537	6,489	56,210	87,236
Unallocated corporate assets				26
Consolidated total assets				87,262
LIABILITIES				
Segment liabilities	7,296	4,306	–	11,602
Amounts due to directors				7,650
Amounts due to minority shareholders	–	–	265	265
Loans from a related company				19,856
Unallocated corporate liabilities				102
Consolidated total liabilities				39,475

(iii) Other information

	Restaurant operations HK$'000	Environmental friendly paper tableware HK$'000	Property investment HK$'000	Consolidated HK$'000
Capital additions	158	1,484	–	1,642
Depreciation	1,730	135	–	1,865
Allowance for doubtful debts	151	–	–	151
Decrease in fair value of investment properties	–	–	1,450	1,450

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

(b) Year 2005:

(i) Consolidated income statement

	Restaurant and hotel operations HK$'000	Environmental friendly paper tableware HK$'000	Property investment HK$'000	Consolidated HK$'000
TURNOVER	110,864	4,603	–	115,467
RESULT				
Segment results	(5,817)	(10,952)	(3,108)	(19,877)
Unallocated corporate expenses				(268)
Interest income				17
Finance costs				(305)
Loss on disposal of subsidiaries	(1,094)	–	–	(1,094)
Loss for the year				(21,527)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

(b) Year 2005: (Continued)

(ii) Consolidated 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				88,943
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				70,742

(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
Decrease in fair value of investment properties	–	–	3,040	3,040
Impairment loss recognised in respect of property, plant and equipment	–	4,466	–	4,466

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

The Group's restaurant operations are located in Hong Kong, while the property investment operations are located in the People's Republic of China (the "PRC"). The environmental friendly paper tableware operations are located mainly in Hong Kong and the PRC.

An analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services, is as follows:

	Turnover	
	2006	2005
	HK$'000	HK$'000
Hong Kong	**99,227**	100,141
The PRC and others	**6,107**	15,326
	105,334	115,467

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:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**25,740**	28,484	**158**	81
The PRC and others	**61,522**	60,459	**1,484**	75
	87,262	88,943	**1,642**	156

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

9. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on borrowings wholly repayable within five years:		
Bank borrowings	–	44
Loans from a related company	**681**	261
	681	305

10. LOSS BEFORE TAXATION

	2006 HK$'000	2005 HK$'000
Loss before taxation has been arrived at after charging:		
Directors' remuneration *(note 11)*	**5,929**	4,398
Other staff costs, including retirement benefits costs	**29,914**	34,117
Other staff's share option benefits expenses	**214**	–
Total staff costs	**36,057**	38,515
Allowance for doubtful debts	**151**	30
Auditors' remuneration	**408**	400
Depreciation	**1,865**	6,489
Exchange loss	–	104
Loss on disposal of property, plant and equipment	**2**	–
and after crediting:		
Exchange gain	**132**	–
Gain on disposal of property, plant and equipment	–	88
Interest income	**250**	17

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

11. DIRECTORS' EMOLUMENTS

Details of the emoluments paid or payable to the directors were as follows:

Year 2006

	Fee HK$'000	Salaries and other benefits HK$'000	Retirement benefits costs HK$'000	Share option benefits expenses HK$'000	Total HK$'000
Executive directors:					
Mr. Cheng Hop Fai	–	1,350	12	107	1,469
Mrs. Cheng Kwok Kwan Yuk	–	1,440	12	107	1,559
Ms. Cheng Pak Ming, Judy	–	360	12	107	479
Miss Cheng Pak Man, Anita	–	504	12	107	623
Mr. Chan Ming Fai	–	1,464	12	107	1,583
Independent non-executive directors:					
Ms. Kan Lai Kuen, Alice	72	–	–	–	72
Mr. Law Toe Ming	72	–	–	–	72
Mr. Mark Yiu Tong, William	72	–	–	–	72
	216	5,118	60	535	5,929

Year 2005

	Fee HK$'000	Salaries and other benefits HK$'000	Retirement benefits costs HK$'000	Share option benefits expenses HK$'000	Total HK$'000
Executive directors:					
Mr. Cheng Hop Fai	–	1,350	12	–	1,362
Mrs. Cheng Kwok Kwan Yuk	–	1,440	12	–	1,452
Ms. Cheng Pak Ming, Judy	–	360	12	–	372
Miss Cheng Pak Man, Anita	–	252	6	–	258
Mr. Chan Ming Fai	–	732	6	–	738
Non-executive directors:					
Mr. Mark Yiu Tong, William*	33	–	–	–	33
Independent non-executive directors:					
Mr. Law Toe Ming	72	–	–	–	72
Mr. Mark Yiu Tong, William*	39	–	–	–	39
Ms. Kan Lai Kuen, Alice	36	–	–	–	36
Mr. Chan Ming Fai	36	–	–	–	36
	216	4,134	48	–	4,398

None of the directors waived any emoluments for the both years.

* *Mr. Mark Yiu Tong, William was re-designated from non-executive director to independent non-executive director on 16 September 2004.*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2005: three) were executive directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining two (2005: two) individuals were as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	**1,380**	1,353
Retirement benefits costs	**23**	24
Share option benefits expenses	**107**	–
	1,510	1,377

The emoluments of each of the aforesaid employees were less than HK$1,000,000.

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 for the both years.

13. TAXATION

No provision for taxation has been made in the consolidated 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 year was attributable to the Company and its subsidiaries and represented overprovision of Hong Kong Profits Tax in prior years.

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

	2006 HK$'000	2005 HK$'000
Loss before taxation	**(6,383)**	(21,527)
Tax at the domestic income tax rate of 17.5% (2005: 17.5%)	**(1,117)**	(3,767)
Tax effect of expenses not deductible for tax purpose	**558**	1,807
Tax effect of income not taxable for tax purpose	**(88)**	(82)
Tax effect of utilisation of tax losses previously not recognised	**(342)**	(271)
Tax effect of tax losses not recognised	**836**	2,121
Overprovision in prior years	**(447)**	–
Others	**153**	192
Tax credit for the year	**(447)**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

13. TAXATION (Continued)

At 31 March 2006, the Group has unused tax losses of approximately HK$107,800,000 (2005: HK$108,300,000) 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$13,200,000 that will expire in year 2011 (2005: HK$12,000,000 expiring in year 2010). Other losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the balance sheet date.

14. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year of HK$5,415,000 (2005: HK$19,938,000) and on the 484,853,527 shares (2005: 484,853,527 shares) in issue during the year.

No diluted loss per share is presented for the current year since the exercise of share options would result in a decrease in the loss per share.

The following table summarises the impact on basic loss per share as a result of changes in accounting policies:

	2006 cents	2005 cents
Loss per share before adjustments	**(1.0)**	(4.1)
Adjustments arising from changes in accounting policies *(note 3)*	**(0.1)**	–
Loss per share after adjustments	**(1.1)**	(4.1)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

15. PROPERTY, PLANT AND EQUIPMENT

	Building premises HK$'000	Furniture and restaurant equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
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
Additions	–	170	1,284	188	1,642
Disposals	–	(41)	–	–	(41)
Currency realignment	41	1	148	–	190
At 31 March 2006	2,107	13,605	8,833	2,164	26,709
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 consolidated 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
Provided for the year	–	1,639	100	126	1,865
Eliminated on disposals	–	(39)	–	–	(39)
Currency realignment	41	1	148	–	190
At 31 March 2006	2,107	10,334	7,649	2,009	22,099
CARRYING VALUES					
At 31 March 2006	–	3,271	1,184	155	4,610
At 31 March 2005	–	4,742	–	93	4,835

The Group's building premises are held under medium-term leases and are situated in the PRC.

In the prior 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 April 2004	60,700
Net decrease in fair value recognised in the consolidated income statement	(3,040)
At 31 March 2005	57,660
Net decrease in fair value recognised in the consolidated income statement	(1,450)
At 31 March 2006	56,210

The fair value of the Group's investment properties was based on valuation carried out at 31 March 2006 by RHL Appraisal Ltd., an independent firm of professional valuers who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases are measured using the fair value model and are classified and accounted for as investment properties.

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

	2006 HK$'000	2005 HK$'000
Long leases *(note (a))*	**46,710**	48,160
Medium-term leases *(note (b))*	**9,500**	9,500
	56,210	57,660

Notes:

(a) The investment properties are held for a term of seventy years expiring in May 2063. They were vacant as at 31 March 2006.

(b) The investment properties are held for a term of fifty years expiring in January 2039. They were vacant as at 31 March 2006. 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 2006

17. INTERESTS IN ASSOCIATES

	2006	2005
	HK$'000	HK$'000
Unlisted investment, at cost	**1**	1
Share of net liabilities *(note (a))*	**(71)**	(71)
Advances to associates *(note (b))*	**70**	70
	–	–

Details of the Group's associates at 31 March 2006 are as follows:

Name of associate	**Place of incorporation/ registration and operation**	**Percentage of equity interest held**	**Principal activities**
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") *(note (c))*	PRC	20%	Inactive

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

17. INTERESTS IN ASSOCIATES (Continued)

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.

The amounts of unrecognised share of losses of these associates, both for the year and cumulatively, are as follows:

	2006 HK$'000	2005 HK$'000
Unrecognised share of losses of associates for the year	**(1)**	(2)
Accumulated unrecognised share of losses of associates	**(4,067)**	(4,066)

(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.

The directors consider that the carrying amount of the advances to associates approximates its fair value.

(c) Shantou CCC is a joint venture enterprise established in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

18. INVENTORIES

	2006 HK$'000	2005 HK$'000
Food and beverage items	**2,240**	2,418
Other items		
Raw materials and consumables	**250**	157
Finished goods	**1,827**	1,457
	4,317	4,032

19. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK$2,384,000 (2005: HK$1,806,000). 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:

	2006 HK$'000	2005 HK$'000
0 – 60 days	**2,326**	1,609
61 – 90 days	**35**	75
More than 90 days	**23**	122
	2,384	1,806

The fair value of the Group's trade and other receivables at 31 March 2006 approximates its carrying amount.

20. PLEDGED BANK DEPOSITS

The amounts represent deposits pledged to banks to secure letter of guarantee of utility deposits for the Group's restaurant operations, granted by certain banks.

The deposits carry fixed interest rate at a range from 1.1% to 3.4% (2005: 0.01% to 0.7%) per annum. The fair value of bank deposits at 31 March 2006 approximates its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

21. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The short-term bank deposits carry variable interest rates ranging from 0.1% to 4.4% (2005: 0.1% to 1.2%) per annum. The fair value of the Group's bank balances and cash at 31 March 2006 approximates its carrying amount.

22. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$4,316,000 (2005: HK$4,507,000). The following is an aged analysis of the Group's trade payables at the balance sheet date:

	2006 HK$'000	2005 HK$'000
0 – 60 days	**3,006**	3,237
More than 60 days	**1,310**	1,270
	4,316	4,507

The fair value of the Group's trade and other payables at 31 March 2006 approximates its carrying amount.

23. AMOUNTS DUE TO DIRECTORS

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

	2006 HK$'000	2005 HK$'000
Emoluments payable to executive directors	**7,650**	5,100
Others	**–**	127
	7,650	5,227

The fair value of the amounts due to directors approximates its carrying amount.

24. AMOUNTS DUE TO MINORITY SHAREHOLDERS

Amounts due to minority shareholders are unsecured, non-interest bearing and repayable within one year. The fair value of the amounts due to minority shareholders approximates its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

25. SHARE CAPITAL

	2006 HK$'000	2005 HK$'000
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
484,853,527 ordinary shares of HK$0.10 each	**48,485**	48,485

There was no movement in the authorised, issued and fully paid share capital of the Company in both years.

26. LOANS FROM MINORITY SHAREHOLDERS

	2006 HK$'000	2005 HK$'000
Loans from minority shareholders of subsidiaries	**–**	35,251

At 31 March 2005, loans from minority shareholders of subsidiaries were unsecured, non-interest bearing and fully settled during the year 2006.

27. LOANS FROM A RELATED COMPANY

	2006 HK$'000	2005 HK$'000
Principal	**18,804**	17,915
Accrued interest	**1,052**	371
	19,856	18,286

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 2008 (2005: 31 December 2006).

The fair value of the loans from a related company as at the balance sheet date, determined based on the present value of the estimated future cash outflows discounted using the prevailing market rate at the balance sheet date approximates to its carrying amount.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

28. 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:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	10,574
Inventories	483
Trade and other receivables	564
Bank balances and cash	433
Trade and other payables	(1,305)
Loan from the Group (the "Assigned Loan")	(10,491)
Loan from minority shareholder	(5,000)
	(4,742)
Minority interests	5,037
Assignment and transfer of the Assigned Loan to the purchaser	10,491
Expenses incurred	808
	11,594
Loss on disposal	(1,094)
Total consideration	10,500
Satisfied by:	
Cash	10,500
Net cash inflow arising on disposal:	
Cash consideration, net of expenses of HK$808,000	9,692
Bank balances and cash disposed of	(433)
	9,259

The subsidiaries disposed of in the prior 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 2006

29. OPERATING LEASE ARRANGEMENTS

	The Group as lessee	
	2006	2005
	HK$'000	HK$'000
Minimum lease payments paid under operating leases for premises during the year	**10,357**	10,914

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:

	2006	2005
	HK$'000	HK$'000
Within one year	**8,739**	7,198
In the second to fifth year inclusive	**3,525**	4,312
	12,264	11,510

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

30. CAPITAL COMMITMENTS

	2006	2005
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	**3,300**	50

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

31. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted on 22 August 2002 for the primary purpose 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, and will expire on 21 August 2012. Under the Scheme, the Board of Directors of the Company may grant options to employees, directors, consultants, advisers, agents of the Company or its subsidiaries, to subscribe for shares in the Company.

At 31 March 2006, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 29,091,210 (2005: nil), representing 6% (2005: nil) of the shares of the Company in issue at that date.

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 (approximately 10% of the issued share capital of the Company as at 14 July 2006) 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-months 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 or the date of grant, 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-months 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

31. SHARE OPTION SCHEME (Continued)

Options granted under the Scheme must be accepted in writing within 30 days from the date of grant. No consideration is payable for the grant of option. Options may be exercised at any time from the date of grant of the share option to the sixth anniversary of the date of grant. 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.

Details of movements in the share options granted under the Scheme during the year ended 31 March 2006 and the balances at 31 March 2006 are set out below:

				Number of share options			
Participants	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding as at 1.4.2005	Granted during the year	Lapsed during the year	Outstanding as at 31.3.2006
Directors	12.5.2005	12.5.2005 – 12.5.2011	0.10	–	24,242,675	–	24,242,675
Employees	12.5.2005	12.5.2005 – 12.5.2011	0.10	–	9,697,070	(4,848,535)	4,848,535
				–	33,939,745	(4,848,535)	29,091,210

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

The fair value of the options granted during the year was calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2006
Weighted average share price	HK$0.098
Exercise price	HK$0.100
Expected volatility	14%
Expected life	6 years
Risk-free rate	3.410%
Expected dividend yield	0%

Expected volatility was determined with reference to published historical volatility of the Company's share price. The expected life used in the model is based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised total expense of HK$749,000 for the year ended 31 March 2006 in relation to share options granted by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

32. 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 consolidated income statement amounted to HK$1,257,000 (2005: HK$1,449,000).

33. 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.

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 rent as at 11 April 2005 as advised by RHL Appraisal Ltd. Details of the arrangement are set out in the announcement dated 15 April 2005 issued by the Company.

Rentals charged by Homley during the year under the above tenancy agreements amounted to HK$3,220,000 (2005: HK$3,000,000). At 31 March 2006, accrued rental payable to Homley amounted to HK$810,000 (2005: 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, executive directors of the Company, are deemed to be beneficially interested in Homley.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

33. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS (Continued)

(b) On 19 May 2003, the Group entered into a sub-tenancy agreement with Hung Yick Metal Company Limited ("Hung Yick") for sub-leasing several units of a commercial building for a 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 this agreement amounted to HK$11,330 (2005: HK$509,850). 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) In the prior year, the Group leased certain premises for its operations from Hover City. 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 in the prior year under the above agreement amounted to HK$220,000. The monthly rental was determined by both parties with reference to the market rent.

(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. On 23 January 2006, the Group renewed the tenancy agreement with Hover City for a further period of 1 year from 1 February 2006 to 31 January 2007 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$600,000 (2005: HK$100,000). The monthly rental was determined by both parties with reference to the market rent.

NOTES TO THE FINANCIAL STATEMENTS

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33. 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. On 7 March 2006, the final repayment date was further extended to 31 December 2008. Interest expense charged to the consolidated income statement during the year amounted to HK$681,000 (2005: HK$261,000). At 31 March 2006, accrued interest payable to and the principal sum outstanding of the loans from Hover City amounted to HK$1,052,000 (2005: HK$371,000) and HK$18,804,000 (2005: HK$17,915,000), 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) In the prior year, the Group made rental payments of HK$528,000, under a joint venture agreement, to the PRC joint venture partner of the subsidiary established in the PRC of Tanson.

(h) The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 11.

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For the year ended 31 March 2006

34. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2006 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 *(note (a))*	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
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
Honcert Development Limited	Hong Kong	Ordinary HK$100 (Non-voting deferred HK$20,000,000)*	100%	Trading of environmental friendly paper tableware

NOTES TO THE FINANCIAL STATEMENTS

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34. PRINCIPAL 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
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
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$11,700,000	100%	Manufacture and sale 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.