1 GENERAL INFORMATION

Café de Coral Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company under the Companies Act 1981 of Bermuda with limited liability on 1st October, 1990. The address of its registered office is Canon's Court, 22 Victoria Street, Hamiton HM 12, Bermuda.

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in the operation of quick service restaurants, fast casual dining, institutional catering and specialty restaurant chains, and the food processing and distribution business.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of HK dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 11th July, 2006.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Café de Coral Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in *Note 4*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

The adoption of new/revised HKFRS

During the year, the Group adopted the new / revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HK-Int 4	Lease – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK(SIC)-Int 15	Operating Leases – Incentives
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HK(SIC)-Int 25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders
HK(SIC)-Int 27	Evaluation and Substance of Transactions in the Legal Form of a Lease
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

The adoption of new/revised HKFRS *(Continued)*

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31, 33 and HK-Int 4, HK(SIC)-Ints 15, 25 and 27 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of share of net after-tax results of associates and jointly controlled entities and other disclosures.

– HKASs 2, 7, 8, 10, 16, 23, 27, 28, 31, 33 and HK-Int 4, HK(SIC)-Ints 15, 25 and 27 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment. The adoption of revised HKAS 17 resulted in

(i) A decrease in amortisation of leasehold land of HK$6,822,000 prior to 1st April, 2005; and

(ii) A reclassification of leasehold land and land use rights from property, plant and equipment as at 31st March, 2006 and 31st March, 2005 amounting to HK$338,976,000 and HK$345,929,000, respectively.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the measurement and classification of short-term investments and held to maturity securities. As at 31st March, 2006, short-term investments of approximately HK$93,011,000 are now classified as "Financial Assets at Fair Value through Profit or Loss" while range notes of HK$173,106,000 are now classified as "Available for Sale Financial Assets". Gains and losses arising from change in fair value of "Financial Assets at Fair Value through Profit or Loss" are charged to profit and loss while gains and losses arising from changes in fair value of "Available for Sale Financial Assets" are charged to investment reserve.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

The adoption of new/revised HKFRS *(Continued)*

The adoption of revised HKAS 40 has resulted in a change in the accounting policy for investment properties of which the changes in fair values are recorded in the income statement. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement. The adoption of revised HKAS 40 has resulted in increase in fair value gain of HK$12,050,000 for the year ended 31st March, 2006.

The adoption of revised HK(SIC)-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities/assets arising from the revaluation of investment properties and recognition of intangible assets. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. The adoption of revised HKAS-Int 21 has resulted in increase in deferred tax liabilities of HK$3,036,000 and HK$5,067,000 as at 31st March, 2005 and 2006, respectively.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st March, 2005, the provision of share options to employees did not result in an expense in the income statement. Effective on 1st April, 2005, the Group is required to expense the cost of share options in the income statement. The change in the accounting policy has resulted in increase in share based compensation reserve of HK$3,449,000 as at 31st March, 2006 and employee benefit expenses for the year then ended 31st March, 2006.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31st March, 2005, goodwill was:

– Amortised on a straight line basis over a period of 10 to 20 years; and

– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3 *(Notes 2.8 and 2.9)*

– The Group ceased amortisation of goodwill from 1st April, 2005;

– Accumulated amortisation as at 31st March, 2005 amounting to HK$246,000 and HK$ 5,667,000 relating to the goodwill arising from acquisition of a subsidiary and jointly controlled entities, respectively has been eliminated with a corresponding decrease in the cost of goodwill; and

– From the year ended 31st March, 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

The adoption of new/revised HKFRS *(Continued)*

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

The adoption of HKAS 1 results in a reclassification of the share of taxation attributable to associated companies for the year ended 31st March, 2005 of HK$243,000 in the consolidated income statement as share of profits of associated companies. In addition, the share of taxation credit attributable to jointly controlled entities for the year ended 31st March, 2005 of HK$1,353,000 is reclassified in the consolidated income statement as share of loss of jointly controlled entities.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted for at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 “Accounting for investments in securities” to investments in securities and also to hedge relationships for the 2005 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1st April, 2005;

– HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1st April, 2005, including the reclassification of any amount held in revaluation surplus for investment property;

– HKAS (SIC) - Int 15 – does not require the recognition of incentives for leases beginning before 1st April, 2005;

– HKFRS 2 – only retrospective application for all equity instruments granted after 7th November, 2002 and not vested at 1st April, 2005; and

– HKFRS 3 – prospectively after 1st April, 2005.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

The adoption of new/revised HKFRS *(Continued)*

The Group has not early adopted the following new Standards or Interpretations that have been issued but are not yet effective. It is expected that the adoption of such Standards or Interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net investment in a Foreign Operation
HKAS 39 (Amendment)	Transition and Initial Recognition & Financial Assets and Financial Liabilities. The Fair Value Option, and Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st March.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated income statement includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

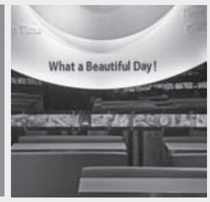
(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

(c) Group companies *(Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Leasehold land and land use rights

The up-front prepayments made for leasehold land and land use rights are accounted for as operating leases. They are expensed in the income statement on a straight-line basis over the periods of the lease, or when there is impairment, the impairment is expensed in the income statement.

2.6 Property, plant and equipment

The property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Buildings	2.5%
Leasehold improvements	Over the remaining period of the lease
Furniture, restaurant and other equipment	10%-33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(Note 2.9)*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by companies in the Group, is classified as investment property.

Investment property comprises land and buildings. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a financial lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset’s carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the period in which they are incurred.

Changes in fair values are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary, associated company or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisition is retained at the carrying amount as a separate asset or, as applicable, included within investments in associated companies and joint ventures, and subject to impairment review annually and when there are indications that the carrying value may not be recoverable. If the cost of acquisition is less than the fair value of the group's share of the net identifiable assets of the acquired company, the difference is recognised directly in the income statement. Impairment losses on goodwill are not reversed.

The profit or loss on disposal of subsidiaries, associated companies or jointly controlled entities is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill, but does not include any attributable goodwill previously eliminated against reserves.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the businesses combination in which the goodwill arose.

(b) Other intangible assets

Other intangilbe assets have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of other intangible assets over their estimated useful lives of 9 to 20 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

From 1st April, 2004 to 31st March, 2005:

The Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as other investments, short-term investments and held-to-maturity securities.

(i) Other investments

Other investments are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the consolidated income statement. This impairment loss is written back to the consolidated income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) Short-term investments

Short-term investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of short-term investments are recognised in the consolidated income statement. Profits or losses on disposal of short-term investments, representing the difference between the net sales proceeds and the carrying amounts are recognised in the consolidated income statement as they arise.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

(iii) Held-to-maturity securities

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income / expense in the consolidated income statement. Provision is made when there is a diminution in value other than temporary.

The carrying amounts of individual held-to-maturity securities or holdings of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the consolidated income statement as an expense immediately.

From 1st April, 2005 onwards:

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet *(Note 2.12)*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category including interest and dividend income, are presented in the income statement within 'other (losses)/gains – net', in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in *Note 2.12*.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost comprises costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivable

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax assets is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services. Revenue is shown net of value-added tax and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sale of food and beverages

Sale of food and beverages are recognised in the income statement at the point of sale to customers.

(ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(iii) Rental income

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

(iv) Management and service fee income

Management and service fee income is recognised when services are rendered.

(v) Royalty income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligations

The Group operates a defined benefit and certain defined contribution schemes, the assets of which are held in separate trustee-administered funds. The pension schemes are funded by payments from employees and by the relevant group companies, taking account of the recommendations of independent qualified actuaries.

The Group's contributions to the defined contribution schemes are expensed as incurred.

For the defined benefit scheme, pension costs are assessed using the projected unit credit method. The cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a valuation of the scheme each year. The pension obligation is measured as the present value of the estimated future cash outflows using a discount rate determined by reference to market yields on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised by amortising the amount by which the cumulative unrecognised gains and losses exceed 10% of the greater of the scheme's assets and defined benefit obligations over the average expected future working lifetime of the members of the scheme. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Employee benefits *(Continued)*

(iv) Long service payment

The Group's net obligation in respect of long service payments to its employees upon the termination of their employment or retirement when the employee fulfills certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The obligation is calculated using the projected unit credit method, discounted to present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The discount rate is the yield at balance sheet date on high quality corporate bonds which have terms to maturity approximating the terms of the related liability.

(v) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.20 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

The principal types of risks inherent in the Group's business are currency risk, interest rate risk, credit risk and liquidity risk.

(a) Currency risk

The Group primarily operates in Hong Kong, the People's Republic of China ("PRC") and North America and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Chinese Renminibi (RMB), US dollars and Canadian dollars. Foreign exchange risk also arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposures.

In addition, the conversion of Chinese Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China Government.

(b) Interest rate risk

The Group has no significant interest-bearing assets or liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(c) Credit risk

The Group's sales to customers are mainly on a cash basis. The carrying amount of trade and other receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk. The Group's historical experience in collection of trade and other receivables falls within the recorded allowance and the Directors are of the opinion that adequate provision for uncollectible accounts receivable has been made.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The Group continues to maintain a healthy net cash position by keeping credit lines available and to maintain flexibility in future funding.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Estimated impairment of goodwill

In accordance with HKAS 36 "Impairment of Assets", the Group completed its annual impairment test for goodwill by comparing its recoverable amount to its carrying amount. The Group has conducted a valuation of the goodwill based on value-in-use calculation. These calculations require the use of estimates *(Note 16)*.

(b) Estimated impairment of property, plant and equipment and intangible assets

The Group tests whether property, plant and equipment and intangible assets other than goodwill have suffered any impairment when indication of impairment exists in accordance with the accounting policy stated in *Note 2*. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(c) Income taxes

The Group is subject to income taxes in the jurisdictions that it operates. Significant judgement is required in determining the provision for income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

(d) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making this judgement, the Group appointed independent professional valuers to perform valuation on the investment properties.

5 TURNOVER AND OTHER INCOME

No segment information is provided as over 90% of the turnover and contribution to the Group's result are attributable to the restaurants and catering services in Hong Kong.

(a) The Group is primarily engaged in the operation of quick-service restaurants and catering services.

	2006 HK$'000	2005 HK$'000
Turnover represented:		
Sales of food and beverages	**3,370,946**	3,013,124
Rental income	**27,759**	25,374
Royalty income	**20,090**	–
	3,418,795	3,038,498
(b) Other income, net represented:		
Interest income	**31,695**	19,449
Management and service fee income	**3,488**	3,457
Net gain related to investments	**3,544**	631
Fair value gains on investment properties	**12,050**	3,700
Sundry income, net	**16,870**	12,911
	67,647	40,148

6 EXPENSES BY NATURE

Expenses included in cost of sales and administrative expenses are analysed as follows:

	2006 HK$'000	2005 HK$'000
Amortisation of leasehold land and land use rights	**6,953**	6,779
Amortisation of goodwill on acquisition of jointly controlled entities (included in share of results of jointly controlled)	**–**	1,827
Amortisation of intangible assets (included in administrative expense)	**5,893**	2,837
Depreciation of property, plant and equipment	**137,436**	127,102
Provision for impairment of other investments	**–**	2,522
Net loss on disposal of property, plant and equipment	**4,834**	4,364
Operating leases rentals in respect of rented premises (including contingent rentals of HK$27,652,000 (2005: HK$24,712,000))	**368,275**	326,158
Exchange losses/(gains), net	**2,821**	(1,038)
Employee benefit expense *(Note 12)*	**858,827**	773,594
Auditors' remuneration	**2,788**	2,096

7 FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest expense on bank loans and overdrafts	**4,695**	1,061

8 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	2006 HK$'000	2005 HK$'000
Current taxation:		
– Hong Kong profits tax	**65,043**	63,249
– Overseas taxation	**7,174**	4,084
Deferred taxation relating to the origination and reversal of temporary differences *(Note 27)*	**814**	(1,540)
	73,031	65,793

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2006 HK$'000	2005 HK$'000
Profit before taxation	**393,795**	351,514
Calculated at a taxation rate of 17.5% (2005: 17.5%)	**68,914**	61,515
Effect of different taxation rates in other countries	**1,871**	4,054
Income not subject to taxation	**(4,044)**	(5,222)
Expenses not deductible for taxation purposes	**6,098**	4,736
Utilisation of previously unrecognised tax losses	**(8)**	–
Tax losses not recognised	**–**	110
Under-provision in prior years	**200**	600
Taxation charge	**73,031**	65,793

9 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$300,000,000 (2005: HK$310,000,000).

10 DIVIDENDS

	2006 ***HK$'000***	2005 *HK$'000*
Interim, paid, of 10 HK cents (2005: 7.5 HK cents) per ordinary share	**54,027**	40,174
Final, proposed, 25 HK cents (2005: 20 HK cents) per ordinary share	**136,055**	107,967
Special, proposed, 20 HK cents (2005: Nil) per ordinary share	**108,844**	–
	298,926	148,141

A final dividend of 25 HK cents per ordinary share and a special dividend of 20 HK cents per ordinary share in respect of 2005/06, amounting to a total dividend of approximately HK$244,899,000 was proposed. The financial statements do not reflect this dividend payable.

11 EARNINGS PER SHARE

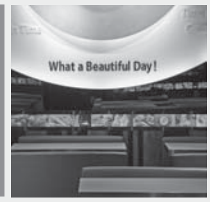
Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2006	2005
Profit attributable to equity holders of the Company (HK$'000)	**320,764**	285,721
Weighted average number of ordinary shares in issue ('000)	**539,963**	535,159
Basic earnings per share (HK cents per share)	**59.40 HK cents**	53.38 HK cents

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares are share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.



11 EARNINGS PER SHARE *(Continued)*

Diluted *(Continued)*

	2006	2005
Profit attributable to equity holders of the Company (HK$'000)	**320,764**	285,721
Weighted average number of ordinary shares in issue ('000)	**539,963**	535,159
Adjustments for share options ('000)	**7,050**	9,574
	547,013	544,733
Diluted earnings per share (HK cents per share)	**58.64 HK cents**	52.45 HK cents

12 EMPLOYEE BENEFIT EXPENSE

(a) Employee benefit expenses during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Wages, salaries and allowances	**793,336**	717,755
Discretionary bonuses	**24,346**	19,654
Pension costs		
– Defined contribution plans *(Note 26)*	**35,201**	32,218
– Defined benefit plan *(Note 26)*	**2,876**	4,189
– Long service payments *(Note 26)*	**(381)**	(222)
– Share based compensation expenses	**3,449**	–
	858,827	773,594

12 EMPLOYEE BENEFIT EXPENSE *(Continued)*

(b) Directors' emoluments

The remuneration of each Director for the year ended 31st March, 2006 is set out below:

Name of Director	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Chan Yue Kwong, Michael	50	2,737	2,132	213	5,132
Mr. Lo Hoi Kwong, Sunny	50	1,591	4,267	139	6,047
Ms. Lo Pik Ling, Anita	50	435	1,151	51	1,687
Mr. Lo Tak Shing, Peter	50	576	–	12	638
Non-executive Directors					
Mr. Lo Tang Seong, Victor	50	–	–	–	50
Mr. Lo Hoi Chun	50	–	–	–	50
Mr. Hui Tung Wah, Samuel	50	–	–	–	50
Independent non-executive Directors					
Mr. Choi Ngai Min, Michael	100	–	–	–	100
Mr. Li Kwok Sing, Aubrey	100	–	–	–	100
Mr. Kwok Lam Kwong, Larry	100	–	–	–	100

During the year, options were granted to executive directors to subscribe for an aggregate of 4,000,000 shares in the Company during the period from 1st January, 2007 to 31st October, 2015, at HK$8.8 per share, under the New Share Option Scheme as described in *Note 33*. Directors' emoluments as disclosed above do not include the benefit of the above share options.

12 EMPLOYEE BENEFIT EXPENSE *(Continued)*

(b) Directors' emoluments *(Continued)*

The remuneration of each Director for the year ended 31st March, 2005 is set out below:

Name of Director	**Fees**	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Employer's contribution to pension scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Chan Yue Kwong, Michael	50	2,737	1,763	213	4,763
Mr. Lo Hoi Kwong, Sunny	50	1,594	3,250	139	5,033
Ms. Lo Pik Ling, Anita	50	516	930	45	1,541
Mr. Lo Tak Shing, Peter	50	546	–	12	608
Non-executive Directors					
Mr. Lo Tang Seong, Victor	50	–	–	–	50
Mr. Lo Hoi Chun	50	–	–	–	50
Mr. Hui Tung Wah, Samuel	50	–	–	–	50
Ms. Leung Sau Lai, Kathy (resigned on 1st December, 2004)	50	–	–	–	50
Independent non-executive Directors					
Mr. Choi Ngai Min, Michael	100	–	–	–	100
Mr. Li Kwok Sing, Aubrey	100	–	–	–	100
Mr. Kwok Lam Kwong, Larry	100	–	–	–	100

No director waived any emolument during the year.

12 EMPLOYEE BENEFIT EXPENSE *(Continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2005: three) directors whose emoluments are reflected in the analysis presented in *Note 12(b)*. The emoluments payable to the remaining two (2005: two) individuals during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Basic salaries, gratuities and other allowances	**689**	1,003
Discretionary bonuses	**789**	345
Contributions to pension schemes	**80**	76
	1,558	1,424

The emoluments fell within the following bands:

	Number of individuals	
	2006	2005
Nil to HK$1,000,000	**2**	2

(d) No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director or the five highest paid individuals during the year.

13 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Leases of over 50 years	**123,429**	125,013
Leases of between 10 to 50 years	**185,841**	190,149
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**29,706**	30,767
	338,976	345,929

	Group	
	2006	2005
	HK$'000	*HK$'000*
Opening balance	**345,929**	352,708
Amortisation of prepaid operating lease payments	**(6,953)**	(6,779)
Ending balance	**338,976**	345,929

Amortisation of prepaid operating lease payment of HK$6,953,000 (2005: HK$6,779,000) has been expensed in cost of sales.

14 PROPERTY, PLANT AND EQUIPMENT

	Group			
	Freehold land and Buildings *HK$'000*	**Leasehold improvements** *HK$'000*	**Furniture, restaurant and other equipment** *HK$'000*	**Total** *HK$'000*
At 1st April, 2004				
Cost	109,090	252,067	898,432	1,259,589
Accumulated depreciation	(23,935)	(188,683)	(624,090)	(836,708)
Net book amount	85,155	63,384	274,342	422,881
Year ended 31st March, 2005				
Opening net book amount	85,155	63,384	274,342	422,881
Additions	131	26,026	97,553	123,710
Depreciation	(2,473)	(19,272)	(105,357)	(127,102)
Disposal	–	(517)	(4,915)	(5,432)
Closing net book amount	82,813	69,621	261,623	414,057
At 31st March, 2005				
Cost	109,221	270,072	964,254	1,343,547
Accumulated depreciation	(26,408)	(200,451)	(702,631)	(929,490)
Net book amount	82,813	69,621	261,623	414,057
Year ended 31st March, 2006				
Opening net book amount	82,813	69,621	261,623	414,057
Acquisition of subsidiaries *(Note 31)*	–	33,368	19,804	53,172
Additions	–	34,741	110,083	144,824
Disposal	–	(270)	(6,261)	(6,531)
Depreciation	(2,358)	(25,643)	(109,435)	(137,436)
Exchange differences	–	465	290	755
Provision for impairment	–	(445)	–	(445)
Closing net book amount	80,455	111,837	276,104	468,396
At 31st March, 2006				
Cost	109,221	383,203	1,057,274	1,549,698
Accumulated depreciation and impairment	(28,766)	(271,366)	(781,170)	(1,081,302)
Net book amount	80,455	111,837	276,104	468,396

(a) Depreciation expense of HK$132,056,000 (2005: HK$122,129,000) has been included in cost of sales and HK$5,380,000 (2005: HK$4,973,000) in administrative expenses.

15 INVESTMENT PROPERTIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Beginning of the year	**110,400**	106,700
Fair value gains	**12,050**	3,700
End of the year	**122,450**	110,400

The investment properties were revalued at 31st March, 2006 by CB Richard Ellis Limited, independent professionally qualified valuers. Valuations were based on current prices in an active market for all properties.

The Group's interests in investment properties at their net book values are analysed as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Leases of over 50 years	**82,500**	74,000
Leases of between 10 to 50 years	**39,950**	36,400
	122,450	110,400

16 INTANGIBLE ASSETS

	Group		
	Goodwill	Other intangible assets	Total
At 1st March, 2004			
Cost	1,352	64,694	66,046
Accumulated amortisation	(113)	(44,644)	(44,757)
Closing net book amount	1,239	20,050	21,289
Year ended 31st March, 2005			
Opening net book amount	1,239	20,050	21,289
Amortisation expense	(133)	(2,704)	(2,837)
Closing net book amount	1,106	17,346	18,452
At 31st March, 2005			
Cost	1,352	64,694	66,046
Accumulated amortisation	(246)	(47,348)	(47,594)
Closing net book amount	1,106	17,346	18,452
Year ended 31st March, 2006			
Opening net book amount	1,106	17,346	18,452
Acquisition of subsidiaries *(Note 31)*	102,445	108,423	210,868
Amortisation expense	–	(5,893)	(5,893)
Closing net book amount	103,551	119,876	223,427
At 31st March, 2006			
Cost	103,551	173,117	276,668
Accumulated amortisation	–	(53,241)	(53,241)
Closing net book amount	103,551	119,876	223,427

Note: Amortisation of HK$5,893,000 (2005: HK$2,837,000) is included in the administrative expense.

16 INTANGIBLE ASSETS *(Continued)*

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation.

A segment-level summary of the goodwill allocation is presented below.

	2006 **HK$'000**	2005 *HK$'000*
North America	**102,445**	–
Hong Kong and Mainland China *(note a)*	**6,710**	6,710
	109,155	6,710

Note a: Goodwill relating to a CGU identified in Hong Kong and Mainland China of HK$5,604,000 (2005: HK$5,604,000) was included in investment in jointly controlled entities.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The key assumptions used for value-in-use calculations for each CGU are as follows:

	North America	**Hong Kong and Mainland China**
Discount rate	12%	10%
Revenue growth rate (five-year period)	Range of 2.0% to 13.6% growth rate per annum	Average growth rate of 9.5% per annum
Revenue growth rate (beyond five years)	zero	3.0%

The directors have considered the above assumptions and valuation and also taken into account the business expansion plan going forward. The directors believe that any reasonably foreseeable change in any of the above key assumptions would not cause the aggregate carrying amount of goodwill to exceed the aggregate recoverable amount.

17 INVESTMENTS IN SUBSIDIARIES – COMPANY

	2006 *HK$'000*	2005 *HK$'000*
Investment in unlisted shares, at cost	**335,251**	331,802
Due from subsidiaries	**367,888**	215,012

Details of principal subsidiaries as at 31st March, 2006 are set out on pages 105 to 109.

The balances with subsidiaries are unsecured, non-interest bearing and repayable on demand.

The directors are of the opinion that the underlying values of the subsidiaries were not less than their carrying values as at 31st March, 2006.

18 INTERESTS IN ASSOCIATED COMPANIES

	Group	
	2006 *HK$'000*	2005 *HK$'000*
Share of net assets	**3,570**	2,145
Due from the associated companies	**618**	60
	4,188	2,205

(a) Details of the associated companies as at 31st March, 2006 are as follows:

Name	Place of incorporation and operations	Principal activity	Particulars of issued shares held	Interest held indirectly
Miracle Time Enterprise Limited	Hong Kong	Operation of a restaurant	Ordinary shares of HK$1 each	20%
Skybest International Investment Enterprise Limited	Hong Kong	Operation of a restaurant	Ordinary shares of HK$1 each	20%

(b) The amounts due from the associated companies are unsecured, non-interest bearing and are not repayable in the coming twelve months.

(c) The directors are of the opinion that the underlying value of the associated companies was not less than its carrying amount as at 31st March, 2006.

19 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Share of net assets/(liabilities)	**23,979**	(12,067)
Goodwill on acquisition of jointly controlled entities	**5,604**	30,867
Due from jointly controlled entities	**677**	47,073
	30,260	65,873

(a) Details of the jointly controlled entities as at 31st March, 2006 are as follows:

Name	Place of incorporation/ operations	Principal activities	Interest held indirectly
Beijing Spaghetti Catering Co., Ltd	The People's Republic of China	Operation of a restaurant	33%
Café de New Asia Group Co., Ltd	The People's Republic of China	Operation of restaurants	50%

(b) The amounts due from the jointly controlled entities are unsecured, non-interest bearing and not repayable within the next twelve months.

(c) The directors are of the opinion that the underlying values of the jointly controlled entities were not less than their carrying values as at 31st March, 2006.

(d) There are no contingent liabilities relating to the Group's interest in the jointly controlled entities.

20 INVESTMENTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Available-for-sale financial assets:		
– Unlisted investments	**173,106**	–
	173,106	–
Other investments		
– Equity securities listed in Hong Kong	**–**	516
	–	516
Held-to-maturity investments:		
– Debt securities listed overseas at amortised cost	**5,466**	5,490
– Unlisted investments, at amortised cost	**–**	210,177
	5,466	215,667
Total investment	**178,572**	216,183
Quoted market value of listed debt securities	**5,294**	5,365

21 INVENTORIES

Stocks comprise mainly food and consumable stores and are stated at lower of cost and net realisable value.

The cost of inventories recognised as expense and included in cost of sales amounted to HK$1,061,873,000 (2005: HK$959,688,000).

22 TRADE AND OTHER RECEIVABLES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Trade receivables	**30,930**	18,564
Less: provision for impairment of receivables	**(4,021)**	–
Trade receivables – net	**26,909**	18,564
Other receivables	**21,201**	17,552
	48,110	36,116

The carrying values of trade and other receivables approximated their fair values.

The Group's sales to customers are mainly on a cash basis. The Group also grants a credit period between 30 to 90 days to certain customers for the provision of the Group's institutional catering services and sale of merchandise for the Group's food manufacturing businesses.

	Group	
	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**13,828**	10,278
31 – 60 days	**5,892**	5,495
61 – 90 days	**1,027**	1,497
Over 90 days	**10,183**	1,294
	30,930	18,564

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of dispersed customers.

23 SHORT-TERM INVESTMENTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong	**–**	132
Investment funds	**–**	87,356
	–	87,488

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2006	2005
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong	**752**	–
Investment funds	**92,259**	–
	93,011	–

25 CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and on hand	**172,879**	141,478	**26**	28
Short-term bank deposits	**386,627**	383,511	**–**	–
	559,506	524,989	**26**	28

The effective interest rate on short-term bank deposits was 4.42% (2005: 3.46%) per annum, these deposits have an average maturity of 30 days (2005: 60 days).

Cash and cash equivalents were denominated in the following currencies:

	Group		**Company**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollar	**223,439**	117,912	**26**	28
Chinese Renminbi ("RMB")	**44,550**	51,816	**–**	–
US dollar	**215,959**	338,698	**–**	–
Others	**75,558**	16,563	**–**	–
	559,506	524,989	**26**	28

26 RETIREMENT BENEFIT LIABILITIES AND PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Retirement benefit liabilities		
Defined contribution schemes *(note (a))*	**5,037**	4,669
Defined benefit scheme *(note (b))*	**9,335**	12,706
	14,372	17,375
Provision for long service payments *(note (c))*	**6,310**	8,002
	20,682	25,377

The retirement benefit liabilities and provision for long service payments are included in other creditors and accrued liabilities.

(a) Defined contribution schemes

The Group operates the Mandatory Provident Fund Scheme ("MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The scheme is administered by an independent trustee.

Under the MPF scheme, each of the Group and the eligible employees make monthly mandatory contributions to the scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance. The mandatory contributions by each party are subject to a maximum of HK$1,000 per month. Contributions to the scheme vest immediately upon the completion of service in the relevant service period.

The Group also operates defined contribution schemes for its employees in the PRC, Canada and the USA. The Group is required to make contributions to the schemes at various applicable rates of monthly salary that are in accordance with the local practice and regulations.

(b) Defined benefit scheme

The Group operates a defined benefit scheme for its employees in Hong Kong. The benefit entitlement under the scheme is calculated based on the final salary of the staff and the length of service with the Group. The scheme assets are administered by an independent trustee and are maintained independently of the Group's finance.

The scheme is funded by contributions from the Group and the employees in accordance with qualified independent actuary's recommendation from time to time on the basis of periodic valuations.

Such defined benefit scheme obligation was valued by HSBC Life (International) Limited, an independent qualified actuary, using the projected unit credit method.

26 RETIREMENT BENEFIT LIABILITIES AND PROVISION FOR LONG SERVICE PAYMENTS *(Continued)*

(b) Defined benefit scheme *(Continued)*

The net liability recognised in the consolidated balance sheet is determined as follows:

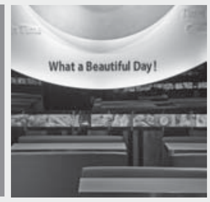
	Group	
	2006	2005
	HK$'000	*HK$'000*
Present value of funded obligations	**118,508**	112,652
Fair value of plan assets	**(130,751)**	(114,418)
	(12,243)	(1,766)
Unrecognised actuarial gains	**21,578**	14,472
Net liability in the balance sheet	**9,335**	12,706

Amounts recognised in the consolidated income statement are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current service cost	**5,619**	6,026
Interest cost	**5,652**	5,895
Expected return on plan assets	**(8,395)**	(7,732)
Total, included in employee benefit expense *(Note 12)*	**2,876**	4,189

Of the total charge, approximately HK$1,225,000 (2005: HK$1,784,000) and HK$1,651,000 (2005: HK$2,405,000) was included, respectively, in cost of sales and administrative expenses.

The actual return on plan assets was a gain of approximately HK$14,943,000 (2005: HK$7,709,000).



26 RETIREMENT BENEFIT LIABILITIES AND PROVISION FOR LONG SERVICE PAYMENTS *(Continued)*

(b) Defined benefit scheme *(Continued)*

Movements in the liability recognised in the consolidated balance sheet are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Beginning of year	**12,706**	15,835
Total expense – as shown above	**2,876**	4,189
Contributions paid	**(6,247)**	(7,318)
End of year	**9,335**	12,706

The principal actuarial assumptions used are as follows:

	2006	2005
Discount rate	**4.5% p.a.**	5.0% p.a.
Expected rate of return on plan assets	**6.5% p.a.**	7.0% p.a.
Expected rate of future salary increases	**3.5% p.a.**	4.0% p.a.

(c) Provision for long service payments

The Group provides long service payments for its employees in respect of long service payments on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance.

Such provision for long service payments obligation was valued by Watson Wyatt Limited, an independent qualified actuary, using the projected unit credit method.

The net liability recognised in the consolidated balance sheet is determined as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Present value of obligations	**4,102**	3,621
Unrecognised actuarial gains	**2,208**	4,381
Net liability in the balance sheet	**6,310**	8,002

26 RETIREMENT BENEFIT LIABILITIES AND PROVISION FOR LONG SERVICE PAYMENTS *(Continued)*

(c) Provision for long service payments *(Continued)*

Amounts recognised in the consolidated income statement are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current service cost	**55**	133
Interest cost	**138**	141
Net actuarial gain	**(574)**	(496)
Total, included in employee benefit expense *(Note 12)*	**(381)**	(222)

Of the total credit, approximately HK$350,000 (2005: HK$204,000) and HK$31,000 (2005: HK$18,000) was included, respectively, in cost of sales and administrative expenses.

Movements in the liability recognised in the consolidated balance sheet are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Beginning of year	**8,002**	8,536
Total expense – as shown above	**(381)**	(222)
Payments to employees	**(1,311)**	(312)
End of year	**6,310**	8,002

The principal actuarial assumptions used are as follows:

	2006	2005
Discount rate	**4.5% p.a.**	4.2% p.a.
Expected rate of future salary increases	**3.0% p.a.**	2.0% p.a.

27 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Deferred tax assets to be settled after 12 months	**13,224**	5,580
Deferred tax liabilities to be settled after 12 months	**(59,691)**	(17,153)
	(46,467)	(11,573)

Movements in net deferred tax liabilities are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Beginning of year	**11,573**	13,113
Deferred taxation charged/(credited) to profit and loss account *(Note 8)*	**814**	(1,540)
Acquisition of subsidiaries *(Note 31)*	**34,080**	–
End of year	**46,467**	11,573

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31st March, 2006, the Group has unrecognised tax losses of approximately HK$63,202,000 (2005: HK$5,607,000). Losses amounting to approximately HK$58,675,000 (2005: Nil) will be expired up to year 2026, while the remaining balance can be carried forward indefinitely.

27 DEFERRED TAXATION *(Continued)*

The movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax assets:

	Group							
	Provisions		Tax losses		Others		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of year	**3,394**	3,917	**1,295**	1,977	**891**	891	**5,580**	6,785
Credited/(charged) to profit and loss account	**862**	(523)	**1,830**	(682)	**–**	–	**2,692**	(1,205)
Acquisition of subsidiaries *(Note 31)*	**–**	–	**4,952**	–	**–**	–	**4,952**	–
End of year	**4,256**	3,394	**8,077**	1,295	**891**	891	**13,224**	5,580

Deferred tax liabilities:

	Group							
	Accelerated taxation depreciation		Intangible assets		Others		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of year	**13,681**	16,582	**3,036**	3,036	**436**	280	**17,153**	19,898
Charged/(credited) to profit and loss account	**1,475**	(2,901)	**–**	–	**2,031**	156	**3,506**	(2,745)
Acquisition of subsidiaries *(Note 31)*	**–**	–	**39,032**	–	**–**	–	**39,032**	–
End of year	**15,156**	13,681	**42,068**	3,036	**2,467**	436	**59,691**	17,153

28 TRADE CREDITORS

The aging analysis of the trade creditors is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**71,924**	69,216
31 – 60 days	**3,412**	2,980
61 – 90 days	**892**	1,169
Over 90 days	**2,749**	34
	78,977	73,399

29 SHARE CAPITAL

	Group and Company			
	2006		2005	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised				
Ordinary shares of HK$0.10 each				
Beginning and end of year	**1,000,000**	**100,000**	1,000,000	100,000
Issued and fully paid				
Beginning of year	**535,764**	**53,576**	531,194	53,119
Shares issued under share option scheme *(Note 33)*	**5,046**	**505**	4,570	457
End of year	**540,810**	**54,081**	535,764	53,576

30 RESERVES

	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange translation reserve HK$'000	Capital reserve HK$'000	Investment reserve HK$'000	Share based compensation reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
The Group:									
At 1st April, 2005	43,124	152,034	6,864	(2,470)	–	–	85,197	1,334,747	1,619,496
Adjustment on amortisation of leasehold land and land use rights upon adoption of HKAS 17	–	–	–	–	–	–	–	6,822	6,822
Adjustment on deferred taxation upon adoption of HK(SIC)-Int 21	–	–	–	–	–	–	–	(3,036)	(3,036)
At 1st April, 2005, as restated	43,124	152,034	6,864	(2,470)	–	–	85,197	1,338,533	1,623,282
Premium on shares issued upon exercise of share options	14,381	–	–	–	–	–	–	–	14,381
Acquisition of subsidiaries	–	–	–	23,549	–	–	–	–	23,549
Changes in fair market value of available-for-sale financial assets	–	–	–	–	(8,875)	–	–	–	(8,875)
Share based compensation	–	–	–	–	–	3,449	–	–	3,449
Exchange differences arising on consolidation	–	–	(4,432)	–	–	–	–	–	(4,432)
Profit attributable to equity holders of the Company	–	–	–	–	–	–	–	320,764	320,764
Dividends	–	–	–	–	–	–	–	(162,125)	(162,125)
At 31st March, 2006	57,505	152,034	2,432	21,079	(8,875)	3,449	85,197	1,497,172	1,809,993

30 RESERVES *(Continued)*

	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange translation reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
The Group:							
At 1st April, 2004	30,099	152,034	8,795	(2,470)	85,197	1,221,559	1,495,214
Adjustment on amortisation of leasehold land and land use rights upon adoption of HKAS 17	–	–	–	–	–	5,952	5,952
Adjustment on deferred taxation upon adoption of HK(SIC)-Int 21	–	–	–	–	–	(3,036)	(3,036)
At 1st April, 2004, as restated	30,099	152,034	8,795	(2,470)	85,197	1,224,475	1,498,130
Premium on shares issued upon exercise of share options	13,025	–	–	–	–	–	13,025
Exchange differences arising on consolidation	–	–	(1,931)	–	–	–	(1,931)
Profit attributable to equity holders of the Company	–	–	–	–	–	285,721	285,721
Dividends	–	–	–	–	–	(171,663)	(171,663)
At 31st March, 2005	43,124	152,034	6,864	(2,470)	85,197	1,338,533	1,623,282

30 RESERVES *(Continued)*

	Share premium	Capital redemption reserve	Share based compensation reserve	Contributed surplus	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Company:						
At 1st April, 2005	43,124	152,034	–	94,467	203,741	493,366
Premium on shares issued upon exercise of share options	14,381	–	–	–	–	14,381
Share based compensation	–	–	3,449	–	–	3,449
Profit attributable to equity holders of the Company	–	–	–	–	300,000	300,000
Dividends	–	–	–	–	(162,125)	(162,125)
At 31st March, 2006	57,505	152,034	3,449	94,467	341,616	649,071
At 1st April, 2004	30,099	152,034	–	94,467	65,404	342,004
Premium on shares issued upon exercise of share options	13,025	–	–	–	–	13,025
Profit attributable to equity holders of the Company	–	–	–	–	310,000	310,000
Dividends	–	–	–	–	(171,663)	(171,663)
At 31st March, 2005	43,124	152,034	–	94,467	203,741	493,366

Under the Companies Act of Bermuda, contributed surplus is distributable to shareholders, subject to the condition that 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 account.

31 BUSINESS COMBINATION

On 16th September, 2005, the Group entered into an agreement with Ken Fowler Enterprises Limited ("KFE") to acquire all of KFE's interest in Manchu Wok Enterprises, Inc ("MWEI") and Manchu Wok Enterprises II, Inc ("MWEII") (collectively known as "Manchu Wok"). In addition, arrangement was made by MWEI to acquire the interest held by the management staff of MWEI in MWEI. Prior to the transaction, MWEI was being held by the Group, KFE and MWEI's management staff in the proportion of 48.76%, 48.76% and 2.48% respectively, while MWEII was held equally of 50% each by the Group and KFE. In addition, pursuant to the sales and purchase agreement, the acquired assets included the nominal value of KFE's advances granted to Manchu Wok, KFE's interest of preference shares in Manchu Wok and KFE's share of accrued dividend (collectively referred to as "KFE's advances"). The aforesaid acquisition was completed on 25th October, 2005. Manchu Wok has become wholly owned subsidiaries of the Group since then.

	2006 ***HK$***
Fair value of net liabilities acquired-shown as below	**(100,031)**
Fair value of KFE's advances	**125,111**
Total fair value of net assets acquired	**25,080**
Purchase consideration	**102,262**
Goodwill	**77,182**
Goodwill transferred from investment in jointly controlled entities	**25,263**
Total goodwill *(Note 16)*	**102,445**

31 BUSINESS COMBINATION *(Continued)*

The assets and liabilities arising from the acquisition are as follows:

	Fair value *HK$'000*	Acquiree's carrying amounts *HK$'000*
Intangible assets	108,423	39,246
Property, plant and equipment	53,172	53,172
Inventories	2,024	2,024
Trade and other receivables	8,598	8,598
Prepayments, deposits and other current assets	17,736	17,736
Deferred tax assets	4,952	4,952
Bank balances and cash	552	552
Bank overdraft	(6,642)	(6,642)
Trade creditors	(4,828)	(4,828)
Other creditors and accrued liabilities	(31,154)	(31,154)
Taxation payable	(2,812)	(2,812)
Bank borrowings	(37,264)	(37,264)
Advances from shareholders	(201,934)	(201,934)
Preference shares	(54,701)	(54,701)
Preference shares dividend payable	(17,152)	(17,152)
Deferred tax liabilities	(39,032)	–
	(200,062)	(230,207)
Equity interest acquired	50%	
Net liabilities acquired	(100,031)	
Fair value of KFE's advances	125,111	
Total fair value of net assets acquired	25,080	

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of MWEI and II.

The acquired business contributed revenues of approximately HK$133,791,000 and net loss of approximately HK$10,321,000 to the Group for the period from 25th October, 2005 to 31st March, 2006. If the acquisition had occurred on 1st April, 2005, turnover of the Group would have been approximately HK$3,575,145,000 while profit attributable to equity holders of the Company would have been approximately HK$298,039,000.

32 CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow generated from operations

	2006 HK$'000	2005 HK$'000 (As restated)
Cash flows from operating activities		
Profit before taxation	**393,795**	351,514
Interest expense	**4,695**	1,061
Interest income	**(31,695)**	(19,449)
Depreciation of fixed assets	**137,436**	127,102
Amortisation of leasehold land and land use rights	**6,953**	6,779
Amortisation of intangible assets	**5,893**	2,837
Fair value gains on investment properties	**(12,050)**	(3,700)
Net gain related to investments	**(3,544)**	(631)
Net loss on disposals of property, plant and machines	**4,834**	4,364
Amortisation of share based compensation expenses	**3,449**	–
Provision for impairment in value of other investments	**–**	2,522
Provision for impairment of fixed assets	**445**	–
Share of results of an associated company	**(2,663)**	(2,645)
Share of results of jointly controlled entities	**27,863**	25,205
Operating profit before working capital changes	**535,411**	494,959
Changes in working capital:		
Inventories	**(2,256)**	(13,734)
Prepayments, deposits and other current assets	**(45,917)**	(5,903)
Trade and other receivables	**(3,396)**	(6,575)
Trade creditors	**750**	11,312
Other creditors and accrued liabilities	**27,297**	31,277
Cash generated from operations	**511,889**	511,336

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2006 HK$'000	2005 HK$'000
Net book amount *(Note 14)*	**6,531**	5,432
Loss on sale of property, plant and equipment	**(4,834)**	(4,364)
Proceeds from sale of property, plant and equipment	**1,697**	1,068

32 CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Acquisition of subsidiaries

	2006
	HK$'000
Intangible assets	108,423
Property, plant and equipment	53,172
Inventories	2,024
Trade and other receivables	8,598
Prepayments, deposits and other current assets	17,736
Deferred tax assets	4,952
Bank balances and cash	552
Bank overdraft	(6,642)
Trade creditors	(4,828)
Other creditors and accrued liabilities	(31,154)
Taxation payable	(2,812)
Bank borrowings	(37,264)
Advances from shareholders	(201,934)
Preference shares	(54,701)
Preference shares dividend payable	(17,152)
Deferred tax liabilities	(39,032)
	(200,062)
Equity interest acquired	50%
Net liabilities acquired	(100,031)
KFE's advances acquired	125,111
Total net assets acquired	25,080
Satisfied by	
Cash	78,410
Offset by amount due from KFE to the Group	23,852
Total consideration	102,262

32 CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Acquisition of subsidiaries *(Continued)*

Analysis of the net cash outflow in respect of the acquisition of subsidiaries:

	2006
	HK$'000
Purchase consideration settled in cash	**78,410**
Cash and cash equivalents in the subsidiaries acquired	**6,090**
Cash outflow on acquisition	**84,500**

33 SHARE OPTIONS

Pursuant to a share option scheme adopted by the Company on 30th January, 1991 (the "Previous Scheme"), the Company has granted certain options to executives and employees of the Group, including executive directors employed by the Group, to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. The Previous Scheme was terminated upon the passing of a shareholders' resolution for adoption of another share option scheme on 19th September, 2000 (the "Scheme"). Accordingly, no further options could be granted under the Previous Scheme since then. However, for the outstanding options granted and yet to be exercised under the Previous Scheme, the existing rights of the grantees are not affected. No share options had been granted under the Scheme since its adoption.

On 24th September, 2003, the Scheme was terminated upon the passing of a shareholders' resolution for adoption of a new share option scheme (the "New Scheme"). Pursuant to the New Scheme, the Company may grant options to executive and non-executive directors, employees, suppliers and customers of the Group and consultants, advisors, managers, officers and corporations that provided research, development or other technical support to the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. The Company granted options to certain employees of the Group (including executive directors of the Company) pursuant to the New Scheme during the year.

For options granted under the Previous Scheme, the exercise price in relation to each option was determined by the board of directors of the Company, but in any event would be the higher of (i) the nominal value of the shares of the Company or (ii) an amount which is not less than 80% nor more than 100% of the average of the closing price of the shares as stated in the The Stock Exchange of Hong Kong Limited (the "Stock Exchange") daily quotations sheets for the 5 business days immediately preceding the date of offer of the option. The exercisable period and the vesting period of the options were also determined by the board of directors and the options shall expire at the end of a 5-year period after the options become exercisable.

33 SHARE OPTIONS *(Continued)*

For options granted under the New Scheme, the exercise price in relation to each option was determined by the board of directors of the Company, but in any event would not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant or (iii) the nominal value of a share. The exercisable period and the vesting period of the options were also determined by the board of directors and the options shall expire at the end of a 5-year period after the options become exercisable save that such period shall not expire later than 10 years from the date of grant.

Movements in share options

	Number of options	
	2006	2005
Beginning of year	**14,890,000**	19,640,000
Granted	**14,600,000**	–
Exercised	**(5,046,000)**	(4,570,000)
Cancelled upon termination of employment	**(40,000)**	(180,000)
End of year *(note (a))*	**24,404,000**	14,890,000
Options vested *(note (a))*	**424,000**	760,000

(a) Details of outstanding share options as at 31st March, 2006:

			2006		2005	
Grant date	Exercise period	Exercise price *HK$*	**Number of options outstanding**	**Number of options vested**	Number of options outstanding	Number of options vested
4th November, 1999	1st April, 2003 to 31st March, 2013	2.950	**9,804,000**	**424,000**	14,890,000	760,000
1st November, 2005	1st January, 2007 to 31st October, 2015	8.800	**4,000,000**	**–**	–	–
1st November, 2005	1st January, 2007 to 31st October, 2015	8.750	**10,600,000**	**–**	–	–

(b) Fair values of share options granted

The fair values of share options granted during the year ended 31st March, 2006 are determined using the Binomial Option Pricing Model (the "Model"). Key assumptions of the Model are:

Expected dividend yield:	6.5% per annum
Expected volatility of the market price of the Company's shares:	30% per annum
Employee turnover rate	4.75% per annum

34 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Operating lease commitments

At 31st March, 2006, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Land and buildings		
– Not later than one year	**360,452**	279,501
– Later than one year and not later than five years	**655,842**	329,049
– Later than five years	**102,340**	26,374
	1,118,634	634,924

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rentals payable, if any, when turnover of individual restaurants exceeds a pre-determined level as it is not possible to determine in advance the amount of such additional rentals.

The Company did not have any operating lease commitments at 31st March, 2006 and 31st March, 2005.

(b) Capital commitments

As at 31st March, 2006, the Group had the following capital commitments:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Acquisition of fixed assets		
Authorised and contracted for	**10,468**	3,773
Authorised but not contracted for	**120,717**	125,013
	131,185	128,786

(c) Guarantees

As at 31st March, 2006, the Company has given guarantees totalling approximately HK$836,000,000 (2005: HK$836,000,000) to financial institutions in connection with the banking facilities granted to its subsidiaries.

35 FUTURE OPERATING LEASE ARRANGEMENTS

As at 31st March, 2006, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Not later than one year	**24,484**	9,172
Later than one year and not later than five years	**9,822**	30,525
	34,306	39,697

The Company did not have any future operating lease receipt as at 31st March, 2006 and 31st March, 2005.

36 RELATED PARTY TRANSACTIONS

(a) Particulars of significant transactions between the Group and related parties are summarised as follows:

	2006	2005
	HK$'000	*HK$'000*
Operating lease rentals paid to related parties:		
– Tinway Investments Limited *(note a)*	**1,656**	1,656
– LBK Holding Corporation *(note b)*	**392**	1,080

(a) Tinway Investments Limited is a company jointly owned by Ms. Lo Pik Ling, Anita, a director of the Company, an associate of Mr. Chan Yue Kwong, Michael, the Chairman of the Company and Ardley Enterprises Limited, a company wholly and beneficially owned by the family members of Mr. Lo Hoi Kwong, Sunny, a director of the Company.

(b) LBK Holding Corporation is controlled by the associates of Mr. Lo Hoi Chun, a non-executive director of the Company.

The above transactions were carried out in accordance with the terms of the contracts entered into by the Group and the related parties.

(b) Key management compensation

	2006	2005
	HK$'000	*HK$'000*
Salaries and allowances	**7,117**	7,117
Discretionary bonuses	**8,219**	6,437
Contributions to pension schemes	**596**	583
	15,932	14,137