

## Notes to the unaudited interim financial report

*(Expressed in Hong Kong dollars)*

### **1 Basis of preparation**

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 29 November 2006.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements. In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2006. The adoption of the new standards, amendments and interpretations had no material effect on how the results for the current and/or prior accounting periods are prepared and presented.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes HKASs and Interpretations).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700, Engagements to review interim financial reports, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 19.

The financial information relating to the financial year ended 31 March 2006 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2006 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 6 July 2006.



## 2 Segment reporting

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

### *Business segments*

The Group's main business segments comprise:

Restaurants operation : Selling of food and beverages in restaurants.

Property leasing : Leasing of premises to generate rental income.

	Restaurants operation		Property leasing		Inter-segment elimination		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Revenue from external customers	<b>569,027</b>	462,438	<b>7,949</b>	8,653	-	-	<b>576,976</b>	471,091
Inter-segment revenue	-	-	<b>2,866</b>	3,766	<b>(2,866)</b>	(3,766)	-	-
<b>Total</b>	<b>569,027</b>	462,438	<b>10,815</b>	12,419	<b>(2,866)</b>	(3,766)	<b>576,976</b>	471,091
Segment result	<b>39,306</b>	18,523	<b>4,200</b>	22,343			<b>43,506</b>	40,866
Unallocated operating income and expenses							<b>1,475</b>	1,198
Profit from operations							<b>44,981</b>	42,064
Finance costs							<b>(339)</b>	(356)
Income tax							<b>(3,376)</b>	(613)
Profit for the period							<b>41,266</b>	41,095

### 3 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Cost of inventories	<b>150,013</b>	122,644
Interest on bank borrowings	<b>339</b>	356
Depreciation	<b>20,735</b>	18,136
Interest income from bank deposits	<b>(2,340)</b>	(1,649)
Net (profit)/loss on disposal of fixed assets		
– leasehold land and buildings ( <i>note 7(a)</i> )	–	(16,947)
– leasehold improvements and other assets	<b>168</b>	887

### 4 Income tax

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
<b>Current tax</b>		
Provision for Hong Kong Profits Tax	<b>2,219</b>	298
PRC taxation	<b>509</b>	468
	<b>2,728</b>	766
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>648</b>	(153)
Total income tax expense	<b>3,376</b>	613

The provision for Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the six months ended 30 September 2006. PRC taxation represents the withholding tax for the period, and is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.



## 5 Dividend distributions

- (a) *Dividend distributions payable to equity shareholders of the Company attributable to the interim period:*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>\$'000</b>	<b>\$'000</b>
Interim dividend distribution declared and payable after the interim period of 16.0 cents (2005: 10.0 cents) per share	<b>20,290</b>	12,488
Special dividend distribution declared and payable after the interim period of nil cent (2005: 8.0 cents) per share	–	9,990
	<b>20,290</b>	22,478

The interim dividend distributions have not been recognised as a liability at the balance sheet date.

- (b) *Dividend distributions payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>\$'000</b>	<b>\$'000</b>
Final dividend distribution in respect of the financial year ended 31 March 2006, approved and paid during the interim period, of 18.0 cents (31 March 2005: 9.2 cents) per share	<b>22,790</b>	11,448

## 6 Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share for the period ended 30 September 2006 is based on the profit attributable to ordinary equity shareholders of \$41,266,000 (2005: \$41,095,000) and the weighted average of 126,225,000 (2005: 124,046,000) ordinary shares in issue during the period.

### (b) Diluted earnings per share

The calculation of diluted earnings per share for the period ended 30 September 2006 is based on the profit attributable to ordinary equity shareholders of \$41,266,000 (2005: \$41,095,000) and the weighted average number of ordinary shares of 128,631,000 (2005: 127,187,000) shares after adjusting for the effects of all potential ordinary shares.

### (c) Reconciliation

	<b>Six months ended 30 September</b>	
	<b>2006</b>	2005
	<b>Number of shares '000</b>	Number of shares '000
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>126,225</b>	124,046
Deemed issued of ordinary shares for no consideration	<b>2,406</b>	3,141
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>128,631</b>	127,187



## 7 Fixed assets

- (a) During the six months ended 30 September 2005, the Group disposed of a property with a net book value of \$10,443,000 to a related party, resulting in a gain on disposal of \$16,947,000. The gain on disposal of the property has been included in "other net income" in the consolidated income statement. There was no material disposal of fixed assets during the six months ended 30 September 2006.
- (b) During the six months ended 30 September 2006, there were indications of impairment of fixed assets held by several branches which continuously underperformed. In order to determine if an impairment loss is required to be provided, management have assessed the recoverable amounts of the fixed assets of these branches. Based on this assessment, the carrying amount of the fixed assets was written down by \$2,100,000 (six months ended 30 September 2005: \$4,586,000). The estimates of recoverable amounts were based on the fixed assets' value in use, determined using a discount rate of 7.5% (six months ended 30 September 2005: 8%).
- (c) The investment properties of the Group were revalued as at 30 September 2006 by RHL Appraisal Limited, independent professional valuers, on an open market value basis. Based on the valuations, a net gain of \$374,000 (2005: \$370,000) has been included in the consolidated income statement.
- (d) During the six months ended 30 September 2006, the Group acquired items of leasehold improvements and others assets with a cost of \$45,975,000 (six months ended 30 September 2005: \$30,749,000).
- (e) At 30 September 2006, the net book value of properties pledged as security for liabilities amounted to \$58,504,000 (31 March 2006: \$57,739,000).

## 8 Financial assets

Financial assets represent structured deposits placed with banks which are principal protected.

## 9 Trade and other receivables

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

	<b>At 30 September 2006 \$'000</b>	At 31 March 2006 \$'000
Current to 30 days	<b>3,950</b>	3,385
31 to 90 days	<b>135</b>	1,113
91 to 180 days	<b>2</b>	9
181 to 360 days	<b>4</b>	–
	<b>4,091</b>	4,507

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

## 10 Cash and cash equivalents

	<b>At 30 September 2006 \$'000</b>	At 31 March 2006 \$'000
Deposits with banks	<b>62,892</b>	49,879
Cash at bank and in hand	<b>18,807</b>	24,181
Cash and cash equivalents in the balance sheet	<b>81,699</b>	74,060
Secured bank overdrafts	<b>(999)</b>	(4)
Cash and cash equivalents in the cash flow statement	<b>80,700</b>	74,056



## 11 Trade and other payables

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

	<b>At 30 September 2006 \$'000</b>	At 31 March 2006 \$'000
Current to 30 days	<b>33,268</b>	28,926
31 to 90 days	<b>13,174</b>	4,966
91 to 180 days	<b>159</b>	39
181 to 360 days	<b>16</b>	4
Over 360 days	<b>674</b>	650
	<b>47,291</b>	34,585

## 12 Capital and reserves

	Attributable to equity shareholders of the Company							Minority interests \$'000	Total equity \$'000
	Share capital \$'000	Share premium \$'000	Contributed surplus \$'000	Capital reserve \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000		
At 1 April 2005	124,010	380	57,602	1,113	(7,961)	68,551	243,695	-	243,695
Dividend distributions approved in respect of the previous year	5(b)	-	(11,448)	-	-	-	(11,448)	-	(11,448)
Profit for the period	-	-	-	-	-	41,095	41,095	-	41,095
Shares issued under share option scheme (Note)	457	-	-	-	-	-	457	-	457
Equity-settled share-based transactions (Note)	-	121	-	559	-	-	680	-	680
At 30 September 2005	124,467	501	46,154	1,672	(7,961)	109,646	274,479	-	274,479
At 1 October 2005	124,467	501	46,154	1,672	(7,961)	109,646	274,479	-	274,479
Shares issued under share option scheme	1,424	803	-	-	-	-	2,227	-	2,227
Exchange difference on translation of financial statements of PRC subsidiaries	-	-	-	-	432	-	432	-	432
Profit for the period	-	-	-	-	-	33,988	33,988	-	33,988
Issue expenses	-	(36)	-	-	-	-	(36)	-	(36)
Equity-settled share-based transactions	-	759	-	(230)	-	-	529	-	529
Dividend distributions declared in respect of the current year	5(a)	-	(22,478)	-	-	-	(22,478)	-	(22,478)
<b>At 31 March 2006</b>	<b>125,891</b>	<b>2,027</b>	<b>23,676</b>	<b>1,442</b>	<b>(7,529)</b>	<b>143,634</b>	<b>289,141</b>	<b>-</b>	<b>289,141</b>



**12 Capital and reserves** *(Continued)*

	Attributable to equity shareholders of the Company							Minority interests	Total equity
	Share capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	Retained profits	Total		
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2006	125,891	2,027	23,676	1,442	(7,529)	143,634	289,141	-	289,141
Shares issued under share option scheme (Note)	717	300	-	-	-	-	1,017	-	1,017
Dividend distributions approved in respect of the previous year	5(b)	-	(22,790)	-	-	-	(22,790)	-	(22,790)
Profit for the period	-	-	-	-	-	41,266	41,266	-	41,266
Equity-settled share-based transactions (Note)	-	331	-	(12)	-	-	319	-	319
<b>At 30 September 2006</b>	<b>126,608</b>	<b>2,658</b>	<b>886</b>	<b>1,430</b>	<b>(7,529)</b>	<b>184,900</b>	<b>308,953</b>	<b>-</b>	<b>308,953</b>

Note: During the period, options were exercised to subscribe for 717,000 (six months ended 30 September 2005: 457,000) ordinary shares in the Company at a consideration of \$1,017,000 (six months ended 30 September 2005: \$457,000), of which \$717,000 (six months ended 30 September 2005: \$457,000) was credited to share capital and the balance of \$300,000 (six months ended 30 September 2005: \$Nil) was credited to the share premium account. \$331,000 (six months ended 30 September 2005: \$121,000) has been transferred from the capital reserve to the share premium account upon the exercise of respective share options during the period.



### 13 Capital commitments

- (a) Capital commitments outstanding at 30 September 2006 not provided for in the Group's interim financial report were as follows:

	<b>At 30 September 2006 \$'000</b>	At 31 March 2006 \$'000
Authorised and contracted for	<b>4,519</b>	7,962
Authorised but not contracted for	<b>3,002</b>	10,475
	<b>7,521</b>	18,437

- (b) At 30 September 2006, the Group had other outstanding commitments of \$1,698,000 (31 March 2006: \$2,082,000) in respect of the contracting fee for operation of a fast food restaurant not provided for in the Group's interim financial report.

### 14 Contingent liabilities

At 30 September 2006, the Company had contingent liabilities in respect of guarantees given to banks in respect of banking facilities extended to certain wholly-owned subsidiaries amounting to \$246,350,000 (31 March 2006: \$201,350,000).

### 15 Material related party transactions

- (a) *Key management personnel remuneration*

Remuneration for key management personnel of the Group for the six months ended 30 September 2006 is as follows:

	<b>Six months ended 30 September 2006 \$'000</b>	2005 \$'000
Salaries and other short-term employee benefits	<b>4,975</b>	3,738
Contribution to defined contribution retirement plans	<b>18</b>	18
Equity-settled share-based payment expenses	<b>10</b>	37
	<b>5,003</b>	3,793

## 15 Material related party transactions *(Continued)*

### *(b) Recurring transactions*

In addition to the transactions and balances disclosed elsewhere in this interim report, the Group entered into the following material related party transaction during the period ended 30 September 2006:

- (i)* During the period, a subsidiary of the Company leased a property from New Champion International Limited ("New Champion"). New Champion is wholly owned by Pengto International Limited, a company beneficially owned by a trust of which Mr. Dennis Lo Hoi Yeung, a director of the Company, is a discretionary object. In addition, Mr. Dennis Lo Hoi Yeung and his wife, Madam Cindy Lau Shuk Ching are directors of New Champion. Rental expenses incurred during the period amounted to \$623,000 (2005: \$623,000) and rental deposit at 30 September 2006 amounted to \$330,000 (2005: \$330,000).

As confirmed by the Board, monthly rental of the lease was determined with reference to the open market rental value of the property advised by independent professional valuer.

- (ii)* During six months ended 30 September 2005, a subsidiary of the Group entered into an agreement with Front Land Properties Limited ("Front Land") for the sale of one of the Group's properties at a consideration of \$28,000,000. The ultimate beneficial owners of Front Land are Mr. Lo Hoi Chun, who is a cousin of Mr. Dennis Lo Hoi Yeung, and his associate. Profit on disposal of the property was \$16,947,000, which had been reflected in the interim financial report for the six months ended 30 September 2005.

Upon the completion of the aforesaid agreement, the Group entered into a tenancy agreement with Front Land to lease back the property at a monthly rental of \$163,800 for a term of two years and six months. Under the tenancy agreement, the Group is granted two options to renew the tenancy for an aggregate term of three years and six months after the expiry of the initial term. Rental expenses incurred during the period amounted to \$983,000 (2005: \$328,000) and rental deposit at 30 September 2006 amounted to \$491,000 (2005: \$491,000).

As confirmed by the Board, consideration and monthly rental was agreed with reference to the valuation of the property and the prevailing market rental advised by independent professional valuer.

## 16 Comparative figures

Certain deposits as at 31 March 2006 of \$70,660,000 have been reclassified from cash and cash equivalents to financial assets to conform with the current period's presentation.