

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties, which are measured at fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2006.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

3. SEGMENT INFORMATION

Business segments

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

	Restaurant operations HK\$'000	Environmental friendly paper tableware HK\$'000	Property investment HK\$'000	Total HK\$'000
Six months ended 30 September 2006				
TURNOVER				
External	<u>42,617</u>	<u>6,947</u>	<u>-</u>	<u>49,564</u>
SEGMENT RESULT	<u>(1,711)</u>	<u>(1,343)</u>	<u>(13)</u>	<u>(3,067)</u>
Unallocated corporate expenses				(47)
Interest income				137
Finance costs				<u>(471)</u>
Loss for the period				<u><u>(3,448)</u></u>

	Restaurant operations HK\$'000	Environmental friendly paper tableware HK\$'000	Property investment HK\$'000	Total HK\$'000
Six months ended 30 September 2005				
TURNOVER				
External	<u>44,081</u>	<u>3,534</u>	<u>-</u>	<u>47,615</u>
SEGMENT RESULT	<u>(3,810)</u>	<u>(1,014)</u>	<u>(1,463)</u>	<u>(6,287)</u>
Unallocated corporate expenses				(287)
Interest income				12
Finance costs				<u>(271)</u>
Loss for the period				<u><u>(6,833)</u></u>

4. LOSS FOR THE PERIOD

	1.4.2006 to 30.9.2006 HK\$'000	1.4.2005 to 30.9.2005 HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation	761	932
Interest income	(137)	(12)

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Company and its subsidiaries either did not have assessable profit for the period or the assessable profit had been wholly absorbed by tax losses brought forward.

6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the parent for the period of HK\$3,443,000 (six months ended 30 September 2005: HK\$6,321,000) and on the 484,853,527 shares (six months ended 30 September 2005: 484,853,527 shares) in issue during the period.

No diluted loss per share is presented for both periods because the assumed exercise of the Company's share options would result in a decrease in loss per share.

7. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$211,000 (six months ended 30 September 2005: HK\$787,000) on additions to property, plant and equipment.

8. INVESTMENT PROPERTIES

The fair value of the Group's investment properties was determined based on valuation carried out at 30 September 2006 by professional valuers. There were no changes in fair value on the investment properties as at 30 September 2006 (six months ended 30 September 2005: decrease in fair value of HK\$1,450,000).

The investment properties were vacant during the current period.

9. TRADE AND OTHER RECEIVABLES

Most of the restaurant customers settle in cash and credit cards. The Group allows an average credit period of 60 days to other trade customers.

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

	30.9.2006 HK\$'000	31.3.2006 <i>HK\$'000</i>
0 – 60 days	2,173	2,326
61 – 90 days	48	35
More than 90 days	306	23
	<u>2,527</u>	<u>2,384</u>

10. TRADE AND OTHER PAYABLES

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

	30.9.2006 HK\$'000	31.3.2006 <i>HK\$'000</i>
0 – 60 days	3,206	3,006
More than 60 days	1,283	1,310
	<u>4,489</u>	<u>4,316</u>

11. LOANS FROM A RELATED COMPANY

	30.9.2006 HK\$'000	31.3.2006 <i>HK\$'000</i>
Principal	18,804	18,804
Accrued interest	1,523	1,052
	<u>20,327</u>	<u>19,856</u>

The loans are borrowed from Hover City Industrial Limited (“Hover City”). The loans are unsecured, bear interest at 3% below the best lending rate quoted by a bank in Hong Kong and are repayable in one lump sum (including accrued interest) by 31 December 2008.

Certain directors who are also the key management personnel of the Company are deemed to be beneficially interested in Hover City.

12. RELATED PARTY TRANSACTIONS

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

Rentals charged by Homley during the period under the above tenancy agreement amounted to HK\$1,620,000 (six months ended 30 September 2005: HK\$1,600,000). At 30 September 2006, rental payable to Homley amounted to HK\$810,000 (31.3.2006: HK\$810,000) and was included in trade and other payables.

Certain directors who are also the key management personnel of the Company are deemed to be beneficially interested in Homley.

- (b) During the period, the Group leased certain residential premises from Hover City. On 23 January 2006, the Group renewed the tenancy agreement with Hover City for leasing from Hover City a unit of a residential building for a further period of one year commencing 1 February 2006 to 31 January 2007 at a monthly rental of HK\$50,000 and a rental deposit of HK\$100,000.

Rental charged by Hover City during the period under the above agreement amounted to HK\$300,000 (six months ended 30 September 2005: HK\$300,000). The monthly rental was determined by both parties with reference to market rentals.

- (c) On 25 April 2003, the Group entered into a loan agreement with Hover City for a loan facility to the extent of HK\$10,000,000 offered to the Group by Hover City. The sum drawn down by the Group will bear interest at 3% below the best lending rate quoted by a bank in Hong Kong and shall be repaid in one lump sum (including accrued interest) by 24 April 2005. On 9 July 2004, the Group renewed the terms of the loan agreement with Hover City. The loan facility was extended to HK\$15,000,000 and the final repayment date to 30 June 2006. On 7 January 2005, the Group further renewed the terms of the loan agreement. The loan facility was further extended to HK\$25,000,000 and the final repayment date to 31 December 2006. On 7 March 2006, the final repayment date was further extended to 31 December 2008. Interest expense charged to the income statement during the period amounted to approximately HK\$471,000 (six months ended 30 September 2005: HK\$271,000) (see note 11).
- (d) The remuneration of directors and other members of key management during the period amounted to HK\$1,959,000 (six months ended 30 September 2005: HK\$3,708,000).