

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

1. CORPORATE UPDATE AND BASIS OF PRESENTATION

The Group recorded a net loss for the year of HK\$35,675,000 and had a net current liability position of HK\$39,156,000 at the balance sheet date. Notwithstanding, the financial statements have been prepared on a going concern basis. Subsequent to the balance sheet date, the Group has agreed with one of its bankers to reduce the monthly instalment repayment amounts and to extend the final repayment dates of certain loans by 2 to 14 years. The Group has also obtained additional credit facilities in an aggregate amount of HK\$16 million from a financial intermediary in April 2003 and June 2003, which are repayable in June 2004. In July 2003, the Group issued 60,000,000 new shares for gross proceeds of HK\$6.3 million, further details of which are set out in note 24 to the financial statements. In addition, the directors have taken measures to close down certain non-profitable restaurant operations since April 2003. Based on the foregoing, the directors have prepared these financial statements on a going concern basis.

2. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- restaurant operations
- property investment

3. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”)

The following new and revised SSAPs are effective for the first time for the current year’s financial statements:

- SSAP 1 (Revised) : “Presentation of financial statements”
- SSAP 11 (Revised) : “Foreign currency translation”
- SSAP 15 (Revised) : “Cash flow statements”
- SSAP 34 : “Employee benefits”

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group’s accounting policies and on the amounts disclosed in these financial statements of those SSAPs which have had a significant effect on the financial statements are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated statement of changes in equity is now presented on page 16 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group’s reserves note.

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. The significant reclassifications resulting from the change in presentation are that taxes paid are now included in cash flows from operating activities, interest received is now included in cash flows from investing activities and interest paid is now included in cash flows from financing activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain fixed assets, as further explained below.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;
- (b) a jointly controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and neither has joint control of, nor is in a position to exercise significant influence over, the joint venture company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entities

A jointly controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

The Group's share of the post-acquisition results and reserves of jointly controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Fixed assets and depreciation**

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the fixed asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2%
Furniture and fixtures	15 – 20%
Air-conditioning plant	15 – 20%
Electrical appliances	20%
Office equipment	20%
Motor vehicles	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Kitchen utensils, linen and uniforms

No depreciation is provided on the initial purchase of kitchen utensils, linen and uniforms which are capitalised at cost. The cost of subsequent replacements of these items is charged directly to the profit and loss account in the year in which such expenditure is incurred.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Inventories

Inventories comprise mainly food and beverages and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs necessary to make the sale.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) receipts from restaurant operations, upon the delivery of food and beverages to customers;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (d) dividend income, when the shareholders' right to receive payment has been established.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

Employee benefits*Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year and prior years by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance (the "Employment Ordinance") in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

5. SEGMENT INFORMATION

Segment information is presented by business segment. The Group's revenues, results and assets are principally derived from operations carried out in Hong Kong, accordingly no geographical segment is disclosed.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the restaurant segment comprises restaurant operations;
- (b) the property segment comprises property investment; and
- (c) the corporate segment comprises corporate income and expense items.

5. SEGMENT INFORMATION (continued)

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

GROUP

	Restaurant		Property		Corporate		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Turnover	248,035	314,264	7,308	5,450	-	-	255,343	319,714
Other revenue	1,515	1,591	-	-	-	-	1,515	1,591
Total	249,550	315,855	7,308	5,450	-	-	256,858	321,305
Segment results	(17,274)	(6,463)	6,836	3,693	(16,171)	(16,463)	(26,609)	(19,233)
Interest income							90	301
Impairment of a long term investment							-	(2,300)
Loss on disposal of subsidiaries	(2,204)	-	-	-	-	-	(2,204)	-
Loss from operating activities							(28,723)	(21,232)
Finance costs							(15,002)	(18,910)
Share of profits/ (losses) of:								
Jointly controlled entity	-	-	6,128	(5)	-	-	6,128	(5)
Associate	-	-	-	252	-	-	-	252
Provision for an amount due from a jointly controlled entity	-	(749)	-	-	-	-	-	(749)
Loss on disposal of associates	-	-	(1,126)	(10,000)	-	-	(1,126)	(10,000)
Loss before tax							(38,723)	(50,644)
Tax							(568)	(425)
Loss before minority interests							(39,291)	(51,069)
Minority interests							3,616	1,192
Net loss from ordinary activities attributable to shareholders							(35,675)	(49,877)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

5. SEGMENT INFORMATION (continued)

GROUP

	Restaurant		Property		Corporate		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	248,406	303,598	102,686	112,914	(11,894)	(7,591)	339,198	408,921
Interest in a jointly controlled entity	-	-	148	3,504	-	-	148	3,504
Interest in an associate	-	-	-	5,598	-	-	-	5,598
Unallocated assets	-	-	-	-	-	-	1	7
Bank overdrafts included in segment assets	3,133	2,654	-	-	23,426	20,067	26,559	22,721
Total assets							365,906	440,751
Segment liabilities	23,680	31,431	4,190	1,833	3,298	2,714	31,168	35,978
Unallocated liabilities	-	-	-	-	-	-	249,737	256,059
Bank overdrafts included in segment assets	3,133	2,654	-	-	23,426	20,067	26,559	22,721
Total liabilities							307,464	314,758
Other segment information:								
Depreciation	8,497	8,917	36	1,090	111	161	8,644	10,168
Impairment of fixed assets recognised in the profit and loss account	10,610	2,495	-	-	-	-	10,610	2,495
Deficit on revaluation recognised in the profit and loss account	-	-	-	-	168	1,863	168	1,863
Deficit/(surplus) on revaluation recognised directly in equity	19,889	(91,259)	9,800	(30,787)	-	-	29,689	(122,046)
Capital expenditure	1,008	2,263	200	303	-	-	1,208	2,566

6. TURNOVER

Turnover represents the receipts from restaurant operations and gross rental income received and receivable from investment properties during the year. Revenue from the following activities has been included in turnover:

	GROUP	
	2003 HK\$'000	2002 HK\$'000
Receipts from restaurant operations	248,035	314,264
Gross rental income	7,308	5,450
	<u>255,343</u>	<u>319,714</u>

7. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	Notes	GROUP	
		2003 HK\$'000	2002 HK\$'000
Minimum lease payments under operating leases:			
Land and buildings		16,859	23,352
Office equipment		22	–
		<u>16,881</u>	<u>23,352</u>
Foreign exchange losses, net		–	13
Auditors' remuneration		490	680
Staff costs (including directors' remuneration – note 9):			
Wages, salaries and bonuses		85,986	108,748
Provision for long service payments, net	22	4,106	8,182
Pension scheme contributions		3,648	5,040
		<u>93,740</u>	<u>121,970</u>
Loss on disposal of fixed assets		1,109	1,061
Impairment of fixed assets*	14	10,610	2,495
Impairment of a long term investment		–	2,300
Revaluation deficit on fixed assets		168	1,863
Gross rental income		(7,308)	(5,450)
Less: Outgoings		389	1,833
		<u>(6,919)</u>	<u>(3,617)</u>
Net rental income		(6,919)	(3,617)
Interest income		(90)	(301)

* The impairment of fixed assets is included in "Other operating expenses" on the face of the consolidated profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

8. FINANCE COSTS

	GROUP	
	2003 HK\$'000	2002 HK\$'000
Interest on bank loans and overdrafts, and other loans wholly repayable within five years	14,933	18,832
Interest on finance leases	69	78
	<u>15,002</u>	<u>18,910</u>

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance is as follows:

	GROUP			
	Executive		Independent non-executive	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Fees	–	–	–	–
Other emoluments:				
Salaries, allowances and benefits in kind	1,310	1,037	160	160
Pension scheme contributions	18	18	–	–
	<u>1,328</u>	<u>1,055</u>	<u>160</u>	<u>160</u>

The number of directors whose remuneration fell within the following band is as follows:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	<u>6</u>	<u>6</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2002: one) director, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining four (2002: four) non-director, highest paid employees are as follows:

	GROUP	
	2003	2002
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	1,433	1,663
Pension scheme contributions	48	39
	1,481	1,702

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2003	2002
Nil to HK\$1,000,000	4	4

11. TAX

	GROUP	
	2003	2002
	HK\$'000	HK\$'000
Group:		
Provision for the year	–	149
Overprovision in prior years	(38)	(98)
Deferred (note 23)	(374)	374
	(412)	425
Share of tax attributable to:		
Jointly controlled entity	980	–
Tax charge for the year	568	425

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year.

There was no unprovided deferred tax in respect of the year (2002: Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2003 dealt with in the financial statements of the Company was HK\$65,642,000 (2002: HK\$77,797,000).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$35,675,000 (2002: HK\$49,877,000) and the weighted average of 300,214,813 (2002: 300,053,220) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 March 2003 and 2002 have not been disclosed as the warrants outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

14. FIXED ASSETS

GROUP

	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Furniture and fixtures HK\$'000	Air- conditioning plant HK\$'000	Electrical appliances HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Kitchen utensils, linen and uniforms HK\$'000	Total HK\$'000
Cost or valuation:									
At beginning of year	110,500	254,850	111,862	12,576	22,128	2,228	400	5,205	519,749
Additions	200	-	561	14	433	-	-	-	1,208
Disposals	-	-	(10,796)	(933)	(1,214)	(46)	-	(915)	(13,904)
Disposal of subsidiaries	-	-	(5,090)	(739)	(115)	(223)	-	(54)	(6,221)
Deficit on revaluation	(9,800)	(23,250)	-	-	-	-	-	-	(33,050)
At 31 March 2003	100,900	231,600	96,537	10,918	21,232	1,959	400	4,236	467,782
Analysis of cost or valuation:									
At cost	-	-	96,537	10,918	21,232	1,959	400	4,236	135,282
At 31 March 2003 valuation	100,900	231,600	-	-	-	-	-	-	332,500
	100,900	231,600	96,537	10,918	21,232	1,959	400	4,236	467,782
Accumulated depreciation and impairment:									
At beginning of year	-	-	94,977	10,788	19,567	1,747	327	601	128,007
Provided during the year	-	3,193	3,889	448	938	152	24	-	8,644
Disposals	-	-	(9,908)	(894)	(976)	(46)	-	(601)	(12,425)
Disposal of subsidiaries	-	-	(2,018)	(296)	(83)	(120)	-	-	(2,517)
Deficit on revaluation	-	(3,193)	-	-	-	-	-	-	(3,193)
Impairment during the year*	-	-	6,853	386	1,178	100	49	2,044	10,610
At 31 March 2003	-	-	93,793	10,432	20,624	1,833	400	2,044	129,126
Net book value:									
At 31 March 2003	100,900	231,600	2,744	486	608	126	-	2,192	338,656
At 31 March 2002	110,500	254,850	16,885	1,788	2,561	481	73	4,604	391,742

* This represents the impairment loss recognised in respect of the fixed assets of certain restaurants based upon their operating losses incurred and estimates of future cash flows.

14. FIXED ASSETS (continued)

The net book value of the fixed assets held under finance leases included in the total amount of electrical appliances and motor vehicles at 31 March 2003 was nil (2002: HK\$1,065,000 and HK\$73,000, respectively).

Certain of the leasehold land and buildings and investment properties were pledged to secure credit facilities granted to the Group (note 19).

The Group's leasehold land and buildings and investment properties were revalued at 31 March 2003 by CS Surveyors Limited, independent professionally qualified valuers, on an open market, existing use basis.

An analysis of the leasehold land and buildings, which are situated in Hong Kong, is as follows:

	GROUP	
	2003	2002
	HK\$'000	HK\$'000
Long term leases	228,000	251,000
Medium term leases	3,600	3,850
At valuation	231,600	254,850

Had the land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been HK\$161,003,000 at 31 March 2003 (2002: HK\$165,454,000).

The investment properties are situated in Hong Kong and are held under medium term leases. They are leased to third parties under operating leases, further summary details of which are included in note 28 to the financial statements. Details of the investment properties are as follows:

Location	Use
Shop No. G30 on Ground Floor, Portion A on 15th Floor, the Whole of 16th Floor and Portion of Flat Roof on 16th Floor, Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong, Kowloon	Commercial
Lot No. 710 in Demarcation District No. 332 and Lot No. 237 in Demarcation District No. 331, Cheung Sha, Lantau Island, New Territories	Residential

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

15. INTEREST IN A JOINTLY CONTROLLED ENTITY

	GROUP	
	2003	2002
	HK\$'000	HK\$'000
Share of net assets	148	–
Loan to a jointly controlled entity	–	3,504
	148	3,504

The balances with the jointly controlled entity are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the unlisted jointly controlled entity are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group		Principal activity
			2003	2002	
Golden Wise Properties Limited	Corporate	Hong Kong	50	50	Property development

16. INTEREST IN AN ASSOCIATE

	GROUP	
	2003	2002
	HK\$'000	HK\$'000
Share of net assets	–	–
Loan to an associate	–	5,598
	–	5,598

The loan to the associate was unsecured, interest-free and had no fixed terms of repayment.

16. INTEREST IN AN ASSOCIATE (continued)

Particulars of the unlisted associate disposed of during the year are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group		Principal activity
			2003	2002	
Billion Gain Limited	Corporate	Hong Kong	–	33	Property development

17. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	238,075	238,075
Less: Provision for impairment	(238,075)	(194,000)
	–	44,075
Loan to a subsidiary	80,000	80,000
Less: Provision against loan to a subsidiary	(20,850)	–
	59,150	80,000
Due to subsidiaries	(4,390)	(4,112)
	54,760	119,963

The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

17. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and operations [®]	Nominal value of issued capital	Percentage of equity interest attributable to the Company		Principal activities
			2003	2002	
Charmwide Development Limited	Hong Kong	HK\$10,000*	100	100	Property investment
Citycrown Investment Limited	Hong Kong	HK\$2*	51	51	Restaurant operations
Conyick Investments Limited	Hong Kong	HK\$100* HK\$600,000 [#]	100	100	Property holding
First Charm Development Limited	Hong Kong	HK\$100*	100	100	Property investment
Full Client Limited	Hong Kong	HK\$100* HK\$2 [#]	100	100	Property holding
Grandward Limited	Hong Kong	HK\$100* HK\$2 [#]	100	100	Property holding
Jade Terrace Restaurant (Causeway Bay) Limited	Hong Kong	HK\$100*	62	62	Restaurant operations
Paon Investment Limited	Hong Kong	HK\$100* HK\$2 [#]	100	100	Property investment
Real Bright Asia Limited	Hong Kong	HK\$100*	57	57	Restaurant operations
Royal Power Investment Limited	Hong Kong	HK\$4,600,000*	51	51	Restaurant operations
Tack Hsin (BVI) Holdings Limited	British Virgin Islands/ Hong Kong	HK\$17,763,202*	100	100	Investment holding
Tack Hsin Restaurant (Causeway Bay) Limited	Hong Kong	HK\$100* HK\$2 [#]	100	100	Restaurant operations
Tack Hsin Restaurant (Happy Valley) Limited	Hong Kong	HK\$2*	100	100	Restaurant operations

17. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and operations [@]	Nominal value of issued capital	Percentage of equity interest attributable to the Company		Principal activities
			2003	2002	
Tack Hsin Restaurant (London) Limited	Hong Kong	HK\$100* HK\$2#	100	100	Restaurant operations
Tack Hsin Restaurant (Peninsula) Limited	Hong Kong	HK\$100* HK\$2,380,000#	100	100	Restaurant operations
Tack Hsin Restaurant (Western) Limited	Hong Kong	HK\$100*	80	80	Restaurant operations
Tack Hsin Restaurant (YMT) Limited	Hong Kong	HK\$2*	100	100	Restaurant operations
Top Excel Investment Limited ⁺	Hong Kong	HK\$10,000*	51	–	Restaurant operations
Vastpro Developments Limited	Hong Kong	HK\$2*	100	100	Property holding
Wealth Glory Investment Limited	Hong Kong	HK\$100* HK\$30,000#	100	100	Property investment
Win China Industries Limited ^Δ	Hong Kong	HK\$2*	–	51	Restaurant operations
Worlden Industries Limited ^Δ	Hong Kong	HK\$100*	–	62	Restaurant operations

[@] Unless otherwise stated, the place of operations is the place of incorporation

^{*} Ordinary shares

[#] Non-voting deferred shares

⁺ Formed during the year

^Δ Disposed of during the year

All subsidiaries are indirectly held by the Company except Tack Hsin (BVI) Holdings Limited.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

18. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	GROUP	
	2003 HK\$'000	2002 HK\$'000
Within 3 months	577	1,203
4 to 6 months	43	268
7 to 12 months	–	650
Over 1 year	–	163
	<u>620</u>	<u>2,284</u>

The Group's trading terms with its customers are mainly on cash and credit card settlement, except for certain well established customers where the terms vary with customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

19. BANK AND OTHER BORROWINGS

	GROUP	
	2003 HK\$'000	2002 HK\$'000
Bank overdrafts:		
Secured	23,426	20,067
Unsecured	3,133	2,654
	<u>26,559</u>	<u>22,721</u>
Bank loans:		
Secured	241,547	240,930
Unsecured	2,640	3,629
	<u>244,187</u>	<u>244,559</u>
Other loan, secured	5,000	10,000
	<u>275,746</u>	<u>277,280</u>

19. BANK AND OTHER BORROWINGS (continued)

	GROUP	
	2003	2002
	HK\$'000	HK\$'000
Bank overdrafts repayable within one year	26,559	22,721
Bank loans repayable:		
Within one year	3,311	23,822
In the second year	12,211	23,419
In the third to fifth years, inclusive	46,376	76,165
Beyond five years	182,289	121,153
	244,187	244,559
Other loan repayable:		
Within one year	4,800	10,000
In the second year	200	–
	5,000	10,000
Total bank and other borrowings	275,746	277,280
Portion classified as current liabilities	(34,670)	(56,543)
Long term portion	241,076	220,737

At 31 March 2003, certain of the bank and other borrowings were secured by the Group's leasehold land and buildings, investment properties and bank deposits with carrying values of HK\$228,000,000 (2002: HK\$251,000,000), HK\$100,900,000 (2002: HK\$110,500,000) and HK\$6,179,000 (2002: HK\$6,121,000), respectively.

The other loan bears interest at 1% per month and is repayable by monthly instalments up to April 2004.

Subsequent to the balance sheet date, the Group entered into the following new financing arrangements:

- (a) In April 2003 and June 2003, the Group obtained two loans in an aggregate amount of HK\$16 million from a financial intermediary. These loans are repayable in June 2004.
- (b) In April 2003 and June 2003, the Group agreed with one of its bankers to reduce the monthly instalment amounts and to extend the final repayment dates of certain loans by 2 to 14 years. As a result, certain bank loans amounting to HK\$12,942,000, which were originally due within one year from the balance sheet date, are no longer repayable within one year and are classified as non-current liabilities at 31 March 2003.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

20. FINANCE LEASE PAYABLES

The Group leases certain of its electrical appliances and motor vehicles for its restaurant operations. These leases are classified as finance leases and have remaining lease terms ranging from one to two years. Upon the expiry of the leases, the Group has the options to renew the leases or purchase the leased assets at nominal prices.

At the balance sheet date, the total future minimum lease payments under finance leases and their present values were as follows:

GROUP

	Minimum lease payments 2003 HK\$'000	Minimum lease payments 2002 HK\$'000	Present value of minimum lease payments 2003 HK\$'000	Present value of minimum lease payments 2002 HK\$'000
Amounts repayable:				
Within one year	320	574	289	500
In the second year	133	320	130	290
In the third to fifth years, inclusive	—	129	—	125
Total minimum finance lease payments	453	1,023	419	915
Future finance charges	(34)	(108)		
Total net finance lease payables	419	915		
Portion classified as current liabilities	(289)	(500)		
Long term portion	130	415		

21. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within 3 months	7,382	13,085
4 to 6 months	401	235
7 to 12 months	240	6
Over 1 year	172	138
	8,195	13,464

22. PROVISION FOR LONG SERVICE PAYMENTS

	GROUP
	HK\$'000
At beginning of year	6,495
Provision for the year	4,300
Unutilised amounts written back	(194)
Amounts utilised during the year	(4,235)
At 31 March 2003	6,366

The Group provides for the probable future long service payments expected to be made to employees under the Employment Ordinance, as further explained under the heading "Employee benefits" in note 4 to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

23. DEFERRED TAX

	GROUP	
	2003	2002
	HK\$'000	HK\$'000
Balance at beginning of year	374	–
Charge/(credit) for the year (note 11)	(374)	374
At 31 March	–	374

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

23. DEFERRED TAX (continued)

The principal components of the Group's provision for deferred tax and the net deferred tax asset position not recognised in the financial statements are as follows:

	Provided		Not provided	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Accelerated/(reversing) depreciation allowances	–	374	(3,830)	(5,373)
Tax losses	–	–	(25,576)	(13,348)
	–	374	(29,406)	(18,721)

The revaluation of the Group's investment properties and leasehold land and buildings does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

The Group and the Company have no significant potential deferred tax liabilities for which provision has not been made at the balance sheet date.

24. SHARE CAPITAL

Shares

	2003 HK\$'000	2002 HK\$'000
Authorised: 500,000,000 ordinary shares of HK\$0.10 each	50,000	50,000
Issued and fully paid: 300,321,620 (2002: 300,053,220) ordinary shares of HK\$0.10 each	30,032	30,005

During the year, 268,400 shares of HK\$0.10 each were issued for cash at a subscription price of HK\$1.45 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK\$389,000.

24. SHARE CAPITAL (continued)**Shares** (continued)

The movements of the Company's issued share capital during the year are as follows:

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2001 and 2002	300,053,220	30,005	37,272	67,277
Issue of new shares upon exercise of warrants	268,400	27	362	389
At 31 March 2003	300,321,620	30,032	37,634	67,666

Subsequent to the balance sheet date, on 3 July 2003, the Company entered into a placing agreement (the "Placing Agreement") with Get Nice Investment Limited ("Get Nice"), an independent placing agent. Pursuant to the Placing Agreement, Get Nice agreed to procure not less than six placees, being third party individuals, institutional or professional investors, to subscribe for 60,000,000 new shares of the Company at a price of HK\$0.105 per share. The issue price of HK\$0.105 per share was agreed after arm's length negotiations and represented a discount of approximately 17.97% to the closing price of the Company's shares of HK\$0.128 at 12:30 p.m. on 3 July 2003 and a discount of approximately 4.89% to the average closing price of the Company's shares of HK\$0.1104 from 19 June 2003 to 3 July 2003, being the last 10 trading days prior to 3 July 2003. New shares of 60,000,000 were issued on 18 July 2003 and net proceeds of approximately HK\$6.15 million were used to provide additional working capital of the Group.

Warrants

During the year, 268,400 warrants were exercised for 268,400 shares of HK\$0.10 each at a subscription price of HK\$1.45 per share. At the balance sheet date, the Company had 59,741,740 warrants outstanding. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK\$0.10 at a subscription price of HK\$1.45 per share, payable in cash and subject to adjustment, from 31 January 2001 to 30 January 2004. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 59,741,740 additional shares of HK\$0.10 each in the Company, for gross proceeds of HK\$86,626,000.

Share options

The Company's share option scheme adopted on 18 January 1993 ceased to be effective from 18 January 2003. No share option had been granted under the share option scheme.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

25. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 16 of the financial statements.

The Group's contributed surplus represents the difference between the nominal value of the shares and share premium account of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

(b) Company

	Share premium account	Contributed surplus	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2001	37,272	237,875	(107,324)	167,823
Net loss for the year	<u>–</u>	<u>–</u>	<u>(77,797)</u>	<u>(77,797)</u>
At 31 March 2001 and 1 April 2002	37,272	237,875	(185,121)	90,026
Issue of new shares upon exercise of warrants	362	–	–	362
Net loss for the year	<u>–</u>	<u>–</u>	<u>(65,642)</u>	<u>(65,642)</u>
At 31 March 2003	<u>37,634</u>	<u>237,875</u>	<u>(250,763)</u>	<u>24,746</u>

The Company's contributed surplus represents the excess of the fair value of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus in certain circumstances.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Disposal of subsidiaries**

	Note	GROUP	
		2003 HK\$'000	2002 HK\$'000
Net assets disposed of:			
Fixed assets	14	3,704	–
Loss on disposal of subsidiaries		(2,204)	–
		<u>1,500</u>	<u>–</u>
Satisfied by:			
Cash		<u>1,500</u>	<u>–</u>

(b) Non-cash transaction

In the prior year, the Group entered into a finance lease arrangement in respect of fixed assets with a total capital value at the inception of the lease of HK\$782,000.

27. CONTINGENT LIABILITIES

At the balance sheet date, the contingent liabilities not provided for in the financial statements were as follows:

- (a) The Company gave guarantees to banks in connection with facilities granted to its subsidiaries amounting to HK\$285,420,000 (2002: HK\$286,050,000), of which HK\$264,973,000 (2002: HK\$260,997,000) had been utilised at the balance sheet date.
- (b) The Group had bank guarantees given in lieu of utility and property rental deposits amounting to HK\$3,776,000 (2002: HK\$4,552,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2003

28. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with remaining lease terms ranging from one to five years. The terms of the leases generally require the tenants to pay security deposits and escalation clauses are stipulated in certain leases.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	6,337	6,606
In the second to fifth years, inclusive	15,946	20,860
After five years	—	1,173
	<u>22,283</u>	<u>28,639</u>

(b) As lessee

The Group leases certain of its office properties, restaurant premises and office equipment under operating lease arrangements, with remaining lease terms ranging from one to two years. There are escalation clauses stipulated in certain leases.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	4,827	12,280
In the second to fifth years, inclusive	1,259	10,317
	<u>6,086</u>	<u>22,597</u>

29. PLEDGE OF ASSETS

Details of the Group's borrowings secured by the assets of the Group are set out in note 19 to the financial statements.

In addition, a time deposit of HK\$615,000 was pledged to a bank to secure guarantees given by the bank in lieu of rental deposits at 31 March 2002.

30. RELATED PARTY TRANSACTIONS

During the year, the Group paid rental expenses in an aggregate amount of HK\$2,756,000 (2002: HK\$2,916,000) to a director of the Company and companies in which certain directors of the Company have beneficial interests. The rentals were determined with reference to open market rentals.

31. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 July 2003.