



JADE DYNASTY FOOD CULTURE GROUP LIMITED
玉皇朝飲食文化集團有限公司

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY 於百慕達註冊成立之有限公司)

Interim Report 2002





MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended September 30, 2002 (the "Period"), the unaudited consolidated results of Jade Dynasty Food Culture Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") recorded a loss of approximately HK\$3.9 million, as compared with a loss of approximately HK\$23.6 million for the last corresponding period. The turnover of the Group decreased slightly by 2.4% to approximately HK\$119.6 million as compared with HK\$122.5 million for the last corresponding period.

OPERATIONS REVIEW

The improvement in the results was mainly attributable to the continuous cutting down of loss-making operations such as Gather Food Camp in Causeway Bay in September 2001 and Fishermen's Wharf in April 2002.

G. Sushi

Despite the continued economic downturn, G. Sushi performed outstandingly for the Period. Five new shops were introduced during the Period which adding up to a total of 19 shops as at September 30, 2002. The management's introduction of innovative concepts to the business, ranging from trendy design and the cyber setting of "third generation" G. Sushi outlets to the appointment of energetic pop stars as G. Sushi ambassadors, have successfully built the G. Sushi brand among the young and twenty-something target groups. As a result, turnover increased dramatically by 24.9% racing past HK\$100 million and turning G. Sushi into a profitable operation. Following the success of these "third generation" G. Sushi outlets, the Group plans to open two new shops in high density residential areas in Tseung Kwan O in December 2002 and Shatin in March 2003. Together with strengthened delivery services, the management believes that G. Sushi will broaden its customer base to including young couples and families, provide value for money and efficient services .

Suishaya Japanese Restaurant

Suishaya Japanese Restaurant, a reputable high-end Japanese restaurant, recorded a slight drop in turnover together with an increase in its loss. This was mainly due to the construction work for the East Railway Extension. The management does not expect the loss position to improve in the near term.

Global Forever Green Taiwanese Restaurant

During the Period under review, Global Forever Green implemented a reduction in the operating hours of the restaurant, thus reducing the losses at this operation. On the other hand, the cut in the operating hours resulted in a drop in turnover. The management continues to introduce new Mainland Chinese dishes in addition to its traditional Taiwanese menu with a view to bringing extra enjoyment to customers.



Fishermen's Wharf Chinese Seafood Restaurant

The restaurant encountered a particularly difficult operating environment last year. As a result, the restaurant was closed down in April 2002.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets and shareholders' deficit as at September 30, 2002 were approximately HK\$117.0 million and HK\$1.7 million respectively, which were financed by current liabilities and non-current liabilities of HK\$106.1 million and HK\$12.6 million respectively.

On the basis that the new controlling shareholder has confirmed his willingness to grant further financial supports to the Group, and the availability of HK\$75 million unutilized bank loan facilities, the Board of Directors (the "Directors") of the Company believes that the existing financial resources will be sufficient to meet the Group's financial obligations in full as they fall due for the foreseeable future.

The Group has limited exposure to fluctuations in exchange rates and its bank borrowings, bank balances and cash which are all denominated in Hong Kong dollars.

CAPITAL STRUCTURE

During the Period, 11.9 million new shares of HK\$0.01 each in the Company were issued at a price of HK\$0.8 per share by way of placement. The net proceed amounted to approximately HK\$9.5 million.

Subsequent to the Period, a resolution was passed at a Special General Meeting of the Company on October 7, 2002 to subdivide every issued and unissued existing share of HK\$0.01 each in the capital of the company into five shares of HK\$0.002 each.

REMUNERATION OF EMPLOYEES

As at September 30, 2002, the Group had 610 permanent employees and 169 part-time employees. Employees' cost (excluding directors' emoluments) amounted to approximately HK\$38.5 million for the Period. All permanent employees are remunerated under a fixed monthly salary with discretionary bonus.

Subsequent to the Period, the share option scheme adopted on August 27, 1997 was terminated at a Special General Meeting of the Company on October 7, 2002 and replaced by a new share option scheme, the terms of which comply with the amended Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. No options were granted during the Period.



CHARGES ON ASSETS

As at September 30, 2002, certain assets of the Group with an aggregate amount of HK\$38.2 million were pledged (including HK\$3.3 million in cash and HK\$34.9 million in properties) to secure general banking facilities granted to the Group.

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the Period (2001: Nil).

PROSPECTS

Following the change in control of the Company in July 2002, there was a change in the composition of the Directors in August 2002 and a detailed review of the operations of the Group has since been conducted. Considering the challenging environment in the food and beverage industry in Hong Kong, the Directors will continue to implement stringent cost control measures while at the same time to maintain the quality of products and services in terms of variety of food, layout and location of outlets in order to meet customer tastes and needs and to enhance competitiveness. Further, in view of the loss-making record of the Group in the past 3 financial years ended March 31, 2002, coupled with a shareholders' deficit which has been existing since March 31, 2002 and, in the best interest of the Company and its shareholders as a whole, the Directors are determined to explore new business and investment opportunities in Hong Kong and the People's Republic of China as openly and as cost-effectively as possible to improve the situation as is practicable.



CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002

		Six months ended	
		September 30	September 30
		2002	2001
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Turnover		119,584	122,544
Cost of goods sold		(35,382)	(38,860)
Direct operating expenses		<u>(74,366)</u>	<u>(82,486)</u>
		9,836	1,198
Other operating income		1,033	641
Selling and distribution costs		(2,712)	(5,974)
Administrative expenses		(10,585)	(12,239)
Surplus on revaluation of leasehold land and buildings		360	—
Loss on disposal of property, plant and equipment		<u>(2)</u>	<u>(4,498)</u>
Loss from operations		(2,070)	(20,872)
Finance costs		<u>(1,839)</u>	<u>(2,768)</u>
Loss before tax		(3,909)	(23,640)
Income tax	5	<u>—</u>	<u>—</u>
Net loss for the Period		<u>(3,909)</u>	<u>(23,640)</u>
			(restated)
Loss per share — Basic	6	<u>(5.5) cents</u>	<u>(39.7) cents</u>



CONDENSED CONSOLIDATED BALANCE SHEET

AT SEPTEMBER 30, 2002

		September 30 2002 (unaudited) HK\$'000	March 31 2002 (audited) HK\$'000
	Notes		
Non-Current Assets			
Property, plant and equipment	7	90,504	91,753
Interest in an associate		—	—
		<u>90,504</u>	<u>91,753</u>
Current Assets			
Inventories		5,610	5,295
Trade debtors	8	1,116	1,793
Other debtors, deposits and prepayments		14,252	13,160
Pledged bank deposits		3,330	6,836
Bank balances and cash		2,186	3,424
		<u>26,494</u>	<u>30,508</u>
Current Liabilities			
Trade creditors	9	11,939	12,388
Other creditors and accrued charges		15,704	16,539
Obligations under finance leases — amount due within one year		69	67
Bank borrowings — amount due within one year	10	40,214	12,713
Other loan	11	38,000	—
Amount due to ultimate holding company		136	—
Loan from a former shareholder		—	73,267
		<u>106,062</u>	<u>114,974</u>
Net Current Liabilities		<u>(79,568)</u>	<u>(84,466)</u>
Total Assets Less Current Liabilities		<u>10,936</u>	<u>7,287</u>
Capital and Reserves			
Share capital		714	595
Share premium		176,480	167,079
Special reserve		(36,810)	(36,810)
Accumulated losses		(142,091)	(138,182)
		<u>(1,707)</u>	<u>(7,318)</u>
Non-Current Liabilities			
Obligations under finance leases — amount due after one year		227	261
Bank borrowings — amount due after one year		12,416	14,344
		<u>12,643</u>	<u>14,605</u>
		<u>10,936</u>	<u>7,287</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001	119,049	167,079	—	(36,810)	(207,548)	41,770
Net loss for the period	—	—	—	—	(23,640)	(23,640)
At 30 September 2001	<u>119,049</u>	<u>167,079</u>	<u>—</u>	<u>(36,810)</u>	<u>(231,188)</u>	<u>18,130</u>
Capital Reduction	(118,454)	—	118,454	—	—	—
Elimination against accumulated losses	—	—	(118,454)	—	118,454	—
Net loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(25,448)</u>	<u>(25,448)</u>
At 31 March 2002	595	167,079	—	(36,810)	(138,182)	(7,318)
Issue of shares	119	9,401	—	—	—	9,520
Net loss for the Period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,909)</u>	<u>(3,909)</u>
At 30 September 2002	<u><u>714</u></u>	<u><u>176,480</u></u>	<u><u>—</u></u>	<u><u>(36,810)</u></u>	<u><u>(142,091)</u></u>	<u><u>(1,707)</u></u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002

	Six months ended	
	September 30	September 30
	2002	2001
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
		(restated)
Net cash from (used in)		
operating activities	2,774	(3,315)
Net cash used in investing activities	(3,942)	(1,521)
Net cash from financing activities	8,764	5,925
	<hr/>	<hr/>
Net increase in cash and cash equivalents	7,596	1,089
Cash and cash equivalents at beginning of the period	(5,417)	(7,970)
	<hr/>	<hr/>
Cash and cash equivalents at end of the Period	2,179	(6,881)
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	2,186	2,274
Bank overdrafts	(7)	(9,155)
	<hr/>	<hr/>
	2,179	(6,881)
	<hr/>	<hr/>



NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In preparing the interim financial statements, the directors have given careful consideration to the future liquidity of the Group in the light of its net current liabilities of approximately HK\$79,568,000 at September 30, 2002.

On the basis that the substantial shareholder has confirmed his willingness to grant further financial support to the Group, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the interim financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2002, except as disclosed below.

In the current Period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Cash flow statements

In the current Period, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings namely operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

3. SEGMENT INFORMATION

The Group is principally engaged in the operation of restaurants in Hong Kong.

All of the activities of the Group are based in Hong Kong and all of the Group's turnover and operating loss are derived from Hong Kong.

4. DEPRECIATION

During the Period, depreciation of HK\$9.1 million (2001: HK\$10.2 million) was charged in respect of the Group's property, plant and equipment.



5. INCOME TAX

No provision for Hong Kong Profits Tax has been made in the interim financial statements as the Group has no assessable profit during the Period.

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the Period of approximately HK\$3,909,000 (2001: HK\$23,640,000) and the weighted average number of 70,969,329 (2001: 59,524,520) shares in issue during the Period. Loss per share in prior period has been adjusted for the share consolidation on February 23, 2002.

7. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment at cost of approximately HK\$7,453,000.

The Group's leasehold land and buildings were revalued by external valuer at September 30, 2002. The resulting revaluation surplus of HK\$360,000 has been credited to the income statement.

8. TRADE DEBTORS

The Group does not define a fixed credit policy as its major trade debtors arise from credit card sales.

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

	September 30 2002 (unaudited) HK\$'000	March 31 2002 (audited) HK\$'000
0-30 days	1,013	1,763
31-60 days	65	27
61-90 days	38	3
	<u>1,116</u>	<u>1,793</u>

9. TRADE CREDITORS

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

	September 30 2002 (unaudited) HK\$'000	March 31 2002 (audited) HK\$'000
0-30 days	6,528	5,809
31-60 days	5,398	5,144
61-90 days	13	1,435
	<u>11,939</u>	<u>12,388</u>

10. BANK BORROWINGS

During the Period, the Group obtained a new bank loan in the amount of HK\$74,400,000 in which HK\$38,000,000 was repaid before September 30, 2002. The loan bears interest at market rate and is repayable within one year. The proceed was used to finance the working capital of the Group.



11. OTHER LOAN

During the Period, the Group obtained a new loan in the amount of HK\$38,000,000 from a finance company. The loan is unsecured, interest bearing and is repayable on demand. The proceed was used to finance the working capital of the Group.

12. POST BALANCE SHEET EVENTS

On October 7, 2002, the Company passed ordinary resolution to (i) subdivide every issued and unissued existing shares of HK\$0.01 each in the capital of the Company into five shares of HK\$0.002 each; and special resolution to (ii) change the Company's name to "Jade Dynasty Food Culture Group Limited" and adopt the new Chinese name of 玉皇朝飲食文化集團有限公司, for identification purpose.

13. RELATED PARTY TRANSACTIONS

During the Period, the Group had the following significant transactions with related parties:

- (a) During the Period, amounts totalling HK\$74,349,000 were repaid to Forever Rich Profits Limited ("Forever Rich"), a former substantial shareholder of the Company. In prior period, amounts totalling HK\$10,000,000 were advanced by Mr. Yeung Sau Shing, Albert ("Mr. Albert Yeung"), a former deemed substantial shareholder of the Company. These loans are unsecured, bear interest at the best lending rate plus one percent and have no fixed repayment term. During the Period, an accrued interest of approximately HK\$1,082,000 was provided on the advance from Forever Rich. In prior period, an accrued interest of approximately HK\$1,683,000 was provided on the advance from Mr. Albert Yeung.
- (b) The Group also had the following transactions with companies in which a former deemed substantial shareholder had beneficial interests:

Contracting party	Nature of transaction	Terms	Amount for the period ended 30 September 2002	Amount for the period ended 30 September 2001
			HK\$'000	HK\$'000
China-V (HK) Ltd. (note 1)	Purchase of food products	N/A	201	1,374
Emperor Investment (Management) Limited (note 2)	Management fees paid	N/A	130	420

Notes:

- China-V (HK) Limited is an indirect wholly-owned subsidiary of Emperor Technology Venture Limited, a listed company of which Mr. Albert Yeung was deemed to be a substantial shareholder.
- Emperor Investment (Management) Limited is an indirect wholly-owned subsidiary of Emperor International Holdings Limited, a listed company of which Mr. Albert Yeung was deemed to be a substantial shareholder.
- Mr. Albert Yeung ceased to be a deemed substantial shareholder of the Company upon the completion of the sale of shares from Forever Rich to Super Empire Investments Limited ("Super Empire") on July 2, 2002.



- (c) Amount due from an associate totalling HK\$1,217,000 (2001: HK\$1,217,000) is unsecured, non-interest bearing and not repayable within next twelve months.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At September 30, 2002, the interests of the directors, chief executives and their respective associates in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Number of shares	Notes
Dr. Chan Kong Sang, Jackie ("Dr. Jackie Chan") — shares of the Company	5,489,900	(1)
Mr. Cheung Ting Kau, Vincent ("Mr. Vincent Cheung") — shares of the Company	575,000	(2)
Mr. Tong Kai Lap ("Mr. Tong") — shares of its associated corporation	5	(3)

Notes:

- (1) The shares are beneficially owned by Pariain Enterprises Corp., a company controlled by the discretionary trust of Dr. Jackie Chan.
- (2) The shares are beneficially owned by Giant Profit Investments Inc., a company controlled by the discretionary trust of Mr. Vincent Cheung.
- (3) Mr. Tong is the registered shareholder of 5 shares of, which represent 5% interest in, Super Empire, the substantial shareholder and an associated corporation of the Company.

Save as disclosed above, at September 30, 2002, none of the directors or chief executives or their respective associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the Period.



SUBSTANTIAL SHAREHOLDERS

As at September 30, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholder had an interest of 10% or more in the issued share capital of the Company:

Name of substantial shareholder	Number of shares	Shareholding percentage	Notes
Super Empire	46,476,265	65.07%	
Mr. Wong Chun Loong	46,476,265	65.07%	(1)

Notes:

- (1) As Super Empire is a company controlled by Mr. Wong Chun Loong, accordingly, Mr. Wong Chun Loong was deemed to be interested in the 46,476,265 shares held by Super Empire.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at September 30, 2002.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended September 30, 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the Period, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By Order of the Board
Chan Kong Sang, Jackie
Chairman

Hong Kong, November 29, 2002