



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)

# Annual Report 2003





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## Corporate Information

### DIRECTORS

Dr. Chan Kong Sang, Jackie MBE, SBS (*Chairman*)  
Chan Chee Kheong (*Deputy Chairman*)  
Tong Kai Lap (*Deputy Chairman*)  
Wong Chun Keung  
Wan Siu Lun  
Ko Chi Keung  
So Che Hung, Solon  
Cheung Ting Kau, Vincent  
Ho Yiu Ming \*  
Kwong Chi Keung \*

\* *Independent Non-Executive Directors*

### COMPANY SECRETARY

Ko Chi Keung

### BANKERS

Liu Chong Hing Bank Limited  
Nanyang Commercial Bank, Limited  
Overseas Trust Bank Limited  
Bank of China

### AUDITORS

Deloitte Touche Tohmatsu

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### PRINCIPAL OFFICE

11th Floor  
Safety Godown Industrial Building  
56 Ka Yip Street  
Chai Wan  
Hong Kong

### REGISTRARS (in Bermuda)

Butterfield Corporate Services Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

### REGISTRARS (in Hong Kong)

Secretaries Limited  
5th Floor  
Wing On Centre  
111 Connaught Road Central  
Hong Kong



## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the annual general meeting of Jade Dynasty Food Culture Group Limited (the “Company”) will be held at 11th Floor, Safety Godown Industrial Building, 56 Ka Yip Street, Chai Wan, Hong Kong on 28th August, 2003 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March, 2003.
2. To re-elect retiring directors, to fix directors’ remuneration and to grant power to the board of directors to appoint additional directors(s).
3. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

(A) **“THAT**

- (i) subject to sub-paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot and issue additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers either during or after the Relevant Period, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in sub-paragraph (i) of this resolution, otherwise than pursuant to a Rights Issue or the exercise of subscription or conversion rights under any warrants of the Company or any securities which are convertible into shares of the Company or any share option scheme, shall not exceed twenty per cent. of the nominal amount of the issued share capital of the Company on the date of this resolution and this approval shall be limited accordingly; and
- (iii) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of :

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirement of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”



## Notice of Annual General Meeting

(B) “**THAT**

- (i) subject to sub-paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to repurchase issued shares in the capital of the Company and warrants to subscribe for shares in the capital of the Company, subject to and in accordance with all applicable laws and the Bye-laws of the Company, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of the share capital and warrants to subscribe for shares which the Company is authorised to repurchase pursuant to the approval in sub-paragraph (i) of this resolution shall not exceed ten per cent. of the aggregate nominal amount of the share capital of the Company in issue and ten per cent. of any outstanding warrants of the Company on the date of this resolution and the said approval shall be limited accordingly; and
- (iii) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting.”

- (C) “**THAT** conditional upon resolution no. 4(B) above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors of the Company as mentioned in resolution no. 4(B) above shall be added to the aggregate nominal amount of share capital that may be allocated or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 4(A) above.”

By Order of the Board

**Ko Chi Keung**

*Company Secretary*

Hong Kong, 21st July, 2003

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Principal Office:*

11th Floor  
Safety Godown Industrial Building  
56 Ka Yip Street  
Chai Wan  
Hong Kong



## Notice of Annual General Meeting

*Notes:*

- (i) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy in respect of the whole or any part of his holding of shares to attend and vote in his stead. A proxy need not be a member of the Company.
- (ii) In order to be valid, the form of proxy must be deposited at the principal office of the Company at 11th Floor, Safety Godown Industrial Building, 56 Ka Yip Street, Chai Wan, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (iii) Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.



## Biographies of Directors and Senior Executives

**Dr. CHAN KONG SANG, JACKIE** MBE, SBS *Chairman*

Aged 49, is an international well-known actor and entertainer and has been awarded fellowship by the Hong Kong Academy for Performing Arts. He was chosen as one of the Ten Outstanding Young Persons of Hong Kong in 1986 and The Outstanding Young Persons of the World by Jaycees International in 1988. In 1992, the Taiwan Government honoured him as one of the Five Most Outstanding Young Chinese of the World. He was made a Member of the Most Excellent Order of the British Empire (MBE) in 1989 and was conferred the Honorary Doctorate of Social Science by the Hong Kong Baptist University in 1996. He was awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 1999. He joined the Group in November 1998. He is a non-executive director of Emperor Entertainment Group Limited which is listed on GEM Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**CHAN CHEE KHEONG** *Deputy Chairman*

Aged 62, is a holder of a Master Degree in Economics. He has over 34 years' experience in acting as artiste manager and producer in the entertainment industry. He joined the Group in November 1998.

**TONG KAI LAP** *Deputy Chairman*

Aged 43, graduated from The Chinese University of Hong Kong in 1982 with a Bachelor Degree in Business Administration. Since graduation, he worked in various international banks in the commercial, corporate and investment banking areas. He is registered as an investment representative under the Securities Ordinance since 1992 and is an associate director of Oriental Patron Asia Limited. He is the past president of the Rotary Club of Tsim Sha Tsui East. He is also a director of Jade Dynasty Holdings Limited.

**WONG CHUN KEUNG** *Executive Director*

Aged 44, is a director of Jade Dynasty Holdings Limited. He has over 19 years of experience in newspaper and magazine publications and printing.

**WAN SIU LUN** *Executive Director*

Aged 41, is a director of Jade Dynasty Holdings Limited and the chief executive officer of KINGcomics.com Limited, a subsidiary of Jade Dynasty Holdings Limited engaging in e-commerce activities specialised in online comics reading and selling of comics-related merchandises. He has 26 years of experience in production and creation of comics in Hong Kong.

**KO CHI KEUNG** *Executive Director and Company Secretary*

Aged 47, graduated from The Chinese University of Hong Kong in 1982. Mr. Ko has over 21 years working experience in auditing and consultancy. He started his professional career with a major international accounting firm and is currently the managing partner of an accounting and consultancy firm. He is a Certified Public Accountant, a fellow member of the Hong Kong Society of Accountants, a fellow member of the Association of Chartered Certified Accountant (UK) and an associate member of The Australian Society of Certified Practising Accountants. He is also a director of Jade Dynasty Holdings Limited.

**SO CHE HUNG, SOLON** *Executive Director*

Aged 41, is a holder of a Bachelor Degree in Environmental Studies in Town Planning and Management. He has over 15 years' experience in the entertainment management business. He joined the Group in November 1998.



## Biographies of Directors and Senior Executives

**CHEUNG TING KAU, VINCENT** *Executive Director*

Aged 61, is a solicitor qualified in Hong Kong and the United Kingdom. He graduated from University College, London with a Bachelor Degree in Laws and is the Managing Partner of Vincent T.K. Cheung, Yap & Co. He joined the Group in November 1998 as an executive director. He is also an independent non-executive director of Paul Y. – ITC Construction Holdings Limited, a non-executive director of Gold Peak Industries (Holdings) Limited and a non-executive director Techtronic Industries Company Limited, all of which are listed on Main Board of the Stock Exchange.

**HO YIU MING** *Independent Non-Executive Director*

Aged 59, is the senior partner of Billy Ho and Company, Certified Public Accountants. He is a Certified Public Accountant, a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants. He was the past president of Rotary Club of Tsim Sha Tsui East.

**KWONG CHI KEUNG** *Independent Non-Executive Director*

Aged 49, is a solicitor of the High Court of Hong Kong and a senior partner of Sit, Fung, Kwong & Shum. Mr. Kwong is currently the Hong Kong President of the Asian Patent Attorneys Association and a Notary Public.





## Chairman's Statement

For the year ended 31st March, 2003, the Company and its subsidiaries (collectively referred to as the "Group") recorded a loss of approximately HK\$24.3 million, as compared with a loss of approximately HK\$49.1 million for the last financial year. The turnover of the Group slightly decreased by 3.05% to approximately HK\$235.1 million from approximately HK\$242.5 million in last year.

### DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31st March, 2003.

### REVIEW OF OPERATIONS

The improvement in the results was mainly attributable to the Group's success in cost rationalisation and cutting down loss-making restaurants. The drop in the turnover was mainly attributable to the downturn of the economy and the effect from closing down of the loss making restaurants.

#### G. Sushi

As at 31st March, 2003, there were 18 outlets of the sushi bar restaurant chain with turnover increased by 17.3% to 209.6 million for the year despite the economic downturn. The improvement in performance was attributable to the Group's vigorous marketing campaigns and the well performed new shops in high density residential areas such as Tsuen Wan, Metro City, Tseung Kwan O and Tuen Mun respectively. Major promotion campaigns such as Fun Wheel of Fortune "開心勁爆幸運輪", Miss Sun Fun Pageant "陽光開心美少女" and I Love Hong Kong Painting Competition "我愛香港繪畫創作比賽" were well received by the public.

#### Suishaya Japanese Restaurant

Turnover for the year of this restaurant was decreased due to the construction work of East Railway Extension around the restaurant. In order to alleviate the adverse effect, various lunch sets, dinner sets and buffet were launched at competitive prices during the year.

#### Global Forever Green Taiwanese Restaurant

Global Forever Green implemented a reduction in the operating hours of the restaurant, thus reducing the operating losses even though a drop in turnover was recorded as well. The management would devote resources to marketing and promotional activities and continue to introduce various new dishes to the menu and arrange the food delivery services to attract more customers.

#### Fisherman'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.

#### Comics Publication

In order to broaden its revenue base, on a small scale, the Group has been diversifying into the comics publication business with a newly created comics title series, namely "The Four Famous Detectives" (in Chinese "四大名捕") launched in March 2003 on a bi-weekly basis, capitalising the experience and the expertise of some of the Directors of the Group.



## Chairman's Statement

### REMUNERATION OF EMPLOYEES

As at 31st March, 2003, the Group had 639 permanent employees and 187 part-time employees. Employees' cost (including directors' other emoluments) amounted to approximately HK\$81.6 million for the year. All permanent employees were under the remuneration policy of fixed monthly salary with discretionary bonus.

A new share option scheme has been adopted on 7th October, 2002 in compliance with the amended Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange to replace the old scheme which was adopted on 27th August, 1997.

9.6 million share options have been granted to certain directors and consultants of the Company on 27th March, 2003.

### LIQUIDITY AND FINANCIAL RESOURCES

During the financial year ended 31st March, 2003, the Group has been funding its operation and capital expenditure through cash from operation, secured bank loans and secured other loans. Total assets of the Group and shareholders' deficit as at 31st March, 2003 were approximately HK\$109.8 million and HK\$22.1 million which were financed by current liabilities, non-current liabilities and minority interests of HK\$112.1 million, HK\$10.6 million and HK\$9.2 million respectively.

Out of the Group's total debts of HK\$122.7 million, additional bank loan and credit facilities were obtained and partially drawn down to fully repay the loan of HK\$73.3 million from a former substantial shareholder. In order to provide additional working capital, an amount of HK\$9.5 million was raised through placement of 11.9 million new shares and a loan of HK\$5 million was borrowed from a related company.

Together with the cash generated from the Group's operation in its ordinary course of business and the existing banking and credit facilities, the Directors expect that the Group will have sufficient working capital for its operation.

The Group had limited exposure to the fluctuation in exchange rates and its banking borrowings, bank balances and cash were all denominated in Hong Kong dollars.

### CAPITAL STRUCTURE

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

On 7th October, 2002, the Company passed a resolution at a Special General Meeting 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.



## Chairman's Statement

### CHARGES ON ASSETS

As at 31st March, 2003, certain assets of the Group with aggregate amount of HK\$36.3 million were pledged to secure general banking facilities granted to the Group.

### DISCLOSURE IN RELATION TO PRACTICE NOTE 19

As the Group recorded an audited consolidated net liabilities of approximately HK\$22,145,000, the Company will shortly apply to the Stock Exchange for a waiver from strict compliance with the general disclosure obligation imposed on the Company under paragraph 2(1) of the Listing Agreement as supplemented by Practice Note 19. Further announcement on the result of such waiver application will be made by the Company if and when necessary.

### PROSPECTS

Following the change in the control of the Company occurred in July 2002, there was a change in the composition of Directors in August 2002 and a detailed review of the operations of the Group has since been conducted. The Directors have been continuing to impose tight control over the operating costs 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.

As stated in the interim results announcement, published in November 2002, in view of the loss-making record of the Group in the past 5 financial years ended 31st March, 2003, coupled with a shareholders' deficit which had been existing since 31st March, 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. The first step that the Company has undertaken is to diversify into comics publication business as mentioned in Comics Publication above. As the restaurant business in Hong Kong will remain in doldrum for quite some time, the Directors consider it is desirable for the Company to reinforce the decided strategy of diversification in full speed with a view to enhancing the shareholders' value in an expedient manner.

### APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to all our shareholders and business associates for their encouragement, support and assistance and our heartfelt thanks to all the employees of the Group who have worked hard to provide excellent services and contributions to the Group.

**Chan Kong Sang, Jackie**  
*Chairman*

Hong Kong, 21st July, 2003



## Report of the Directors

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31st March, 2003.

### CHANGE OF NAME

Pursuant to a special resolution passed at a special general meeting of the Company held on 7th October, 2002 (the "SGM"), the name of the Company was changed from "Global Food Culture Group Limited" to "Jade Dynasty Food Culture Group Limited" and adopted the new Chinese name of 玉皇朝飲食文化集團有限公司, for identification purpose.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are 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.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2003, the percentage of turnover attributable to the Group's five largest customers was less than 30%. The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 53% of the Group's total purchases of which the largest supplier accounted for approximately 20%.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers.

### RESULTS

The results of the Group for the year ended 31st March, 2003 are set out in the consolidated income statement on page 19.

### SHARE CAPITAL

On 20th March, 2002, the Company entered into conditional subscription agreements with two independent investors pursuant to which Mr. Kong Ho Pak and Ms. Mo Yuk Ping subscribed for 6,000,000 and 5,900,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.8 per share respectively. These new shares rank pari passu with the existing shares in all respects. The subscription was completed on 8th April, 2002. The net proceeds amounted to approximately HK\$9.5 million is used to provide additional working capital to the Group.

Pursuant to an ordinary resolution passed at the SGM, every issued and unissued existing ordinary shares of HK\$0.01 each in the share capital of the Company on 7th October, 2002 was subdivided into 5 shares of HK\$0.002 each in the share capital of the Company.

Details of movements during the year in the share capital of the Company are set out in note 29 to the financial statements.



## Report of the Directors

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 50.

### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired furniture, fixtures and equipment at a cost of approximately HK\$14 million.

The Group's leasehold land and buildings were revalued at 31st March, 2003. The result of the revaluation was a net deficit of HK\$992,000 which has been charged to the income statement.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

### DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Dr. Chan Kong Sang, Jackie ( <i>Chairman</i> )	
Mr. Chan Chee Kheong ( <i>Deputy Chairman</i> )	
Mr. Tong Kai Lap ( <i>Deputy Chairman</i> )	(appointed on 16th August, 2002)
Mr. Wong Chun Keung	(appointed on 16th August, 2002)
Mr. Wan Siu Lun	(appointed on 16th August, 2002)
Mr. Ko Chi Keung	(appointed on 16th August, 2002)
Mr. So Che Hung, Solon	
Mr. Cheung Ting Kau, Vincent	
Mr. Wong Chi Fai	(resigned on 16th August, 2002)
Ms. Fan Man Seung, Vanessa	(resigned on 16th August, 2002)
Mr. May Wai Kwan	(resigned on 16th August, 2002)

Independent non-executive directors:

Mr. Kwong Chi Keung	(appointed on 17th August, 2002)
Mr. Ho Yiu Ming	(appointed on 17th August, 2002)
Dr. Chow King Wai	(resigned on 17th August, 2002)
Ms. Wan Choi Ha, Noven	(resigned on 17th August, 2002)

In accordance with bye-law 86 (2) of the Company's Bye-laws, the directors who were appointed during the year retires, but shall be eligible for re-election at the forthcoming annual general meeting.



## Report of the Directors

### DIRECTORS AND SERVICE CONTRACTS *(continued)*

In accordance with bye-law 87 of the Company's Bye-laws, one third of the directors will retire at the forthcoming annual general meeting and are eligible for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

### SHARE OPTIONS

Pursuant to an ordinary resolution passed at the SGM, the Company's share option scheme which was adopted pursuant to written resolutions of the shareholders of the Company passed on 27th August, 1997 (the "Old Scheme") was terminated and ceased to have any further effect. No option has been granted under the Old Scheme since its adoption.

The Company's existing share option scheme (the "Scheme") was adopted pursuant to an ordinary resolution passed at the SGM. Particulars of the Scheme are set out in note 36 to the financial statements.

The following table discloses movements in the Company's share options during the year:

Name of director	Date of grant	Exercisable period	Exercise price HK\$	Granted during the year and outstanding at 31st March, 2003
Mr. Tong Kai Lap	27th March, 2003	28th March, 2003 to 27th March, 2006	0.27	2,000,000
Mr. Wong Chun Keung	27th March, 2003	28th March, 2003 to 27th March, 2006	0.27	2,000,000
Mr. Wan Siu Lun	27th March, 2003	28th March, 2003 to 27th March, 2006	0.27	2,000,000
Mr. Ko Chi Keung	27th March, 2003	28th March, 2003 to 27th March, 2006	0.27	1,200,000
				<u>7,200,000</u>

The closing price of the Company's shares immediately before 27th March, 2003, the date of grant of the options, was HK\$0.27.



## Report of the Directors

### SHARE OPTIONS *(continued)*

The fair value of the options granted in the current year measured as at the date of grant on 27th March, 2003 was HK\$0.149 per option.

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited, due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### DIRECTORS' INTERESTS IN SHARES

At 31st March, 2003, the interests of the directors and their associates in the share capital of the Company and its associated corporations within the meaning of Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name of director	Number of shares	Notes
Dr. Chan Kong Sang, Jackie ("Dr. Jackie Chan") — shares of the Company	27,449,500	(1)
Mr. Cheung Ting Kau, Vincent ("Mr. Vincent Cheung") — shares of the Company	2,875,000	(2)
Mr. Tong Kai Lap ("Mr. Tong") — shares of an 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 Investments Limited ("Super Empire"), the substantial shareholder and an associated corporation of the Company.

Other than as disclosed above, at 31st March, 2003, 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.



## Report of the Directors

### CONNECTED TRANSACTIONS

On 14th February, 2003, Mass Success Limited (“Mass Success”), a wholly-owned subsidiary of the Company entered into three joint venture agreements with the following joint venture partners:

- (i) Quality Associates Limited (“QAL”), a company owned as to 29.86% by Mr. May Wai Kwan (“Mr. May”), a chief executive of a subsidiary and as to 70.14% by 43 full time employees of the Group (all of the 43 full time employees are not connected with any of the directors, the chief executive or the substantial shareholder of the Company or any of its subsidiaries or any of their respective associates under the meaning of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) operated under the shareholder agreement of Kindfield Limited (“Kindfield Shareholders’ Agreement”).
- (ii) Wealth Ample Limited (“WAL”), a company owned as to 16.67% by Mr. May, as to 6.41% by 1 full time employee of the Group and as to 76.92% by 5 individual investors operated under the shareholder agreement of State Wing Limited (“State Wing Shareholders’ Agreement”). The full time employee and the 5 individual investors are not connected with any of the directors, the chief executive or the substantial shareholder of the Company or any of its subsidiaries or any of their respective associates under the meaning of the Listing Rules; and
- (iii) Gaston Overseas Corporation (“GOC”), a company wholly owned by an individual investor who is independent of and not connected with any of the directors, the chief executive or the substantial shareholder of the Company or any of its subsidiaries or any of their respective associates operated under the shareholder agreement of Royal Grace Limited (“Royal Grace Shareholders’ Agreement”).

For each joint venture agreement, Mass Success participates in 51% equity interest and the respective joint venture partner participates in 49% interest in each of the joint venture companies for the operation of various sushi bar restaurants. The transactions contemplated between the Group and the joint venture companies under each of the joint venture agreements including, inter alia, the collection of the management fee, the premium, the purchasing mark-up fee, and the redemption of cash coupon constitute connected transactions for the Company under Chapter 14 of the Listing Rules (the “On-going Connected Transactions”).

Details of the On-going Connected Transactions entered during the year under each joint venture agreement are as follows:

	<b>Kindfield Shareholders’ Agreement</b> <i>HK\$’000</i>	<b>State Wing Shareholders’ Agreement</b> <i>HK\$’000</i>	<b>Royal Grace Shareholders’ Agreement</b> <i>HK\$’000</i>
Management fee	770	112	92
Premium	39	—	—
Purchasing mark-up fee	640	93	80
Consideration for redemption of cash coupon	89	3	2

The independent non-executive directors confirm that the On-going Connected Transactions have been entered into by the Group in the ordinary course of its business and in accordance with the terms of the agreements governing such transactions.





## Report of the Directors

### SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2003, 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
Super Empire	232,381,325	65.07%
Mr. Wong Chun Loong ( <i>"Mr. Wong"</i> )	232,381,325	65.07%

The shares are registered in the name of and beneficially owned by Super Empire, a company controlled by Mr. Wong. Accordingly, Mr. Wong was deemed to be interested in the 232,381,325 shares held by Super Empire.

Other than 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 31st March, 2003.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section headed "Share Options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of 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.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the laws in Bermuda.

### CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st March, 2003 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.



## Report of the Directors

### AUDITORS

A resolution will be submitted at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Ko Chi Keung**

*Director*

Hong Kong, 21st July, 2003

# Report of the Auditors

## 德勤 • 關黃陳方會計師行

Certified Public Accountants  
26/F, Wong On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中 111 號  
永安中心 26 樓

**Deloitte  
Touche  
Tohmatsu**

### **TO THE MEMBERS OF JADE DYNASTY FOOD CULTURE GROUP LIMITED (FORMERLY KNOWN AS GLOBAL FOOD CULTURE GROUP LIMITED)**

*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 19 to 49 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **OPINION**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March, 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 21st July, 2003



## Consolidated Income Statement

For the year ended 31st March, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Turnover	5	235,133	242,516
Cost of goods sold		(72,931)	(75,792)
Direct operating expenses		(150,451)	(163,799)
		11,751	2,925
Other operating income	7	2,050	2,742
Selling and distribution costs		(6,575)	(9,908)
Administrative expenses		(22,239)	(23,319)
Deficit on revaluation of leasehold land and buildings	15	(992)	(1,538)
Impairment loss recognised in respect of property, plant and equipment	8	(4,136)	(9,442)
Loss on disposal/write off of property, plant and equipment		(1,032)	(5,132)
Loss from operations	8	(21,173)	(43,672)
Finance costs	9	(2,886)	(5,520)
Loss before tax		(24,059)	(49,192)
Income tax (expense) credit	13	(40)	104
Loss before minority interests		(24,099)	(49,088)
Minority interests		(248)	—
Net loss for the year		<u>(24,347)</u>	<u>(49,088)</u>
			(restated)
Loss per share	14	<u>(HK\$0.07)</u>	<u>(HK\$0.16)</u>



## Consolidated Balance Sheet

At 31st March, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	81,679	91,753
Intangible asset	17	200	—
Interests in subsidiaries not consolidated	18	—	—
Interest in an associate	19	—	—
		<b>81,879</b>	<b>91,753</b>
<b>Current assets</b>			
Inventories		5,450	5,295
Trade debtors	21	1,025	1,793
Other debtors		307	1,020
Deposits and prepayments		16,237	12,140
Pledged bank deposits	33	3,319	6,836
Bank balances and cash		1,538	3,424
		<b>27,876</b>	<b>30,508</b>
<b>Current liabilities</b>			
Trade creditors	22	10,380	12,388
Other creditors and accrued charges		13,488	16,539
Amount due to a related company	23	100	—
Taxation payable		40	—
Obligations under finance leases — amount due within one year	24	71	67
Bank borrowings (secured) — amount due within one year	25	46,015	12,713
Other loan	26	37,000	—
Loan from a related company	27	5,000	—
Loan from a former shareholder	28	—	73,267
		<b>112,094</b>	<b>114,974</b>
<b>Net current liabilities</b>		<b>(84,218)</b>	<b>(84,466)</b>
<b>Total assets less current liabilities</b>		<b>(2,339)</b>	<b>7,287</b>



## Consolidated Balance Sheet

At 31st March, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Capital and reserves			
Share capital	29	714	595
Reserves		(22,859)	(7,913)
		(22,145)	(7,318)
Minority interests	31	9,184	—
Non-current liabilities			
Obligations under finance leases — amount due after one year	24	191	261
Bank borrowings (secured) — amount due after one year	25	10,431	14,344
		10,622	14,605
		<u>(2,339)</u>	<u>7,287</u>

The financial statements on pages 19 to 49 were approved and authorised for issue by the Board of Directors on 21st July, 2003 and are signed on its behalf by:

**Tong Kai Lap**  
Director

**Ko Chi Keung**  
Director



## Balance Sheet

At 31st March, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
<b>Non-current asset</b>			
Investments in subsidiaries	16	—	18,194
<b>Current assets</b>			
Debtors, deposits and prepayments		118	226
Amounts due from subsidiaries	20	839	41,596
Pledged bank deposits	33	—	6,836
Bank balances and cash		52	22
		<b>1,009</b>	<b>48,680</b>
<b>Current liabilities</b>			
Creditors and accrued charges		416	865
Amounts due to subsidiaries		—	71
Amount due to a related company	23	100	—
Loan from a related company	27	5,000	—
Loan from a former shareholder	28	—	73,267
		<b>5,516</b>	<b>74,203</b>
<b>Net current liabilities</b>		<b>(4,507)</b>	<b>(25,523)</b>
<b>Total assets less current liabilities</b>		<b>(4,507)</b>	<b>(7,329)</b>
<b>Capital and reserves</b>			
Share capital	29	714	595
Reserves	30	(5,221)	(7,924)
		<b>(4,507)</b>	<b>(7,329)</b>

**Tong Kai Lap**  
Director

**Ko Chi Keung**  
Director



## Consolidated Statement of Changes in Equity

For the year ended 31st March, 2003

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000 (Note 30)	Accumulated losses HK\$'000	Total HK\$'000
At 1st April, 2001	119,049	167,079	—	(36,810)	(207,548)	41,770
Credit arising from capital reduction	(118,454)	—	118,454	—	—	—
Elimination against accumulated losses	—	—	(118,454)	—	118,454	—
Net loss for the year	—	—	—	—	(49,088)	(49,088)
At 1st April, 2002	595	167,079	—	(36,810)	(138,182)	(7,318)
Issue of shares	119	9,401	—	—	—	9,520
Net loss for the year	—	—	—	—	(24,347)	(24,347)
At 31st March, 2003	<u>714</u>	<u>176,480</u>	<u>—</u>	<u>(36,810)</u>	<u>(162,529)</u>	<u>(22,145)</u>





## Consolidated Cash Flow Statement

For the year ended 31st March, 2003

	2003 HK\$'000	2002 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Loss before tax	(24,059)	(49,192)
Adjustments for:		
Bank interest income	(60)	(180)
Interest expenses	2,886	5,520
Depreciation and amortisation	18,104	21,151
Deficit on revaluation of leasehold land and buildings	992	1,538
Impairment loss recognised in respect of property, plant and equipment	4,136	9,442
Loss on disposal/written off of property, plant and equipment	1,032	5,132
Operating cash flows before movements in working capital	3,031	(6,589)
(Increase) decrease in inventories	(155)	2,497
Decrease (increase) in trade debtors	768	(625)
Decrease (increase) in other debtors	713	(379)
Increase in deposits and prepayments	(4,097)	(1,715)
Decrease in trade creditors	(2,008)	(1,688)
(Decrease) increase in other creditors and accrued charges	(3,099)	1,764
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(4,847)</b>	<b>(6,735)</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	60	180
Purchase of property, plant and equipment	(14,351)	(18,596)
Purchase of intangible asset	(200)	—
Proceeds from disposal of property, plant and equipment	161	2,426
Decrease (increase) in bank deposits pledged	3,517	(197)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(10,813)</b>	<b>(16,187)</b>
<b>FINANCING</b>		
Interest paid	(6,479)	(1,879)
Increase in amount due to a related company	100	—
Advances from minority shareholders of subsidiaries	8,936	—
(Repayment of) loan from a former shareholder	(69,626)	33,250
New bank loans raised	32,528	—
Repayment of bank loans	—	(5,835)
Repayment of obligations under finance leases	(66)	(61)
Proceeds from the issue of new shares	9,520	—
Other loan raised	37,000	—
Loan from a related company	5,000	—
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>16,913</b>	<b>25,475</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,253</b>	<b>2,553</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>(5,417)</b>	<b>(7,970)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>(4,164)</b>	<b>(5,417)</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	1,538	3,424
Bank overdrafts	(5,702)	(8,841)
	<b>(4,164)</b>	<b>(5,417)</b>



## Notes to the Financial Statements

*For the year ended 31st March, 2003*

### 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in the operation of restaurants in Hong Kong.

### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the 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\$84,218,000 and negative shareholders' funds of approximately HK\$22,145,000 at 31st March, 2003. On the basis that the substantial shareholder has confirmed his willingness to grant further financial support to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future, the directors have prepared the financial statements on a going concern basis.

### 3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

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

#### **Employee benefits**

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.



## Notes to the Financial Statements

*For the year ended 31st March, 2003*

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, other than those excluded for the reasons referred to below, made up to 31st March, each year.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

#### **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary and associate at the date of acquisition.

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary and associate, or at such time as the goodwill is determined to be impaired.

#### **Revenue recognition**

Sales of goods are recognised when goods are delivered.

Service fees are recognised when services are provided.

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

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

#### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

#### **Interests in associates**

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation and amortisation and accumulated impairment losses.

Leasehold land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of leasehold land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation and amortisation are provided to write off the cost or valuation of items of property, plant and equipment, over their estimated useful lives using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of the leases
Buildings	Over the estimated useful lives of 50 years or over the term of the leases, if less than 50 years
Furnitures and equipment	10 – 33 $\frac{1}{3}$ %
Fixtures	10 – 20% or over the term of the leases, whichever is shorter
Motor vehicles	20 – 25%

Initial expenditure incurred for crockery, utensils, linens and uniforms is capitalised and no depreciation is provided thereon. The cost of subsequent replacement for these items is charged to the income statement as and when incurred.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

#### Intangible asset

Intangible asset represents an exclusive right to operate a restaurant under a name, is measured initially at cost and amortised on a straight-line basis over the contract period.



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as revaluation increase under that SSAP.

#### Finance leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as finance lease obligations. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

#### Operating leases

Rentals receivable and payable under operating leases are credited and charged respectively to the income statement on a straight-line basis over the relevant lease term.

#### Inventories

Inventories comprise food supplies and consumables and are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all costs to be incurred in marketing, selling and distribution.

#### Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

#### Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

### 5. TURNOVER

Turnover represents the net amounts received and receivable for goods sold and services rendered in the restaurants during the year, and is analysed as follows:

	2003 HK\$'000	2002 HK\$'000
Sale of goods	214,342	220,965
Services rendered	20,791	21,551
	<u>235,133</u>	<u>242,516</u>

Services rendered represent surcharge for services provided in the restaurants.

### 6. BUSINESS AND GEOGRAPHICAL SEGMENTS

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.



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 7. OTHER OPERATING INCOME

	2003 HK\$'000	2002 HK\$'000
Bank interest income	60	180
Rental income less outgoings of HK\$6,000	554	—
Others	1,436	2,562
	<u>2,050</u>	<u>2,742</u>

### 8. LOSS FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration		
— Current year	680	962
— Overprovision in prior years	—	(200)
	<u>680</u>	<u>762</u>
Depreciation and amortisation on		
— Owned assets	18,049	21,119
— Assets held under finance leases	55	32
Operating lease payments in respect of rented premises	35,645	37,561
Staff costs, including directors' emoluments (note 10) and retirement benefits scheme contributions (note 12)	<u>81,633</u>	<u>86,565</u>

The impairment loss recognised in respect of property, plant and equipment of HK\$4,136,000 (2002: HK\$9,442,000) mainly represented the impairment in respect of furniture, fixtures and equipment and crockery, utensils, linens and uniforms of certain restaurants operated by subsidiaries. The above furniture, fixtures and equipment and crockery, utensils, linens and uniforms have been written down to their recoverable amounts determined by reference to their net selling prices. Subsequent to year end, those restaurants have ceased operation.



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 9. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on		
– Bank borrowings wholly repayable within five years	970	1,092
– Bank borrowings not wholly repayable within five years	541	773
– Finance leases	19	14
– Other borrowings	1,356	3,641
	<u>2,886</u>	<u>5,520</u>

### 10. DIRECTORS' EMOLUMENTS

	2003 HK\$'000	2002 HK\$'000
Fees to:		
Executive directors	1,830	504
Independent non-executive directors	533	196
	<u>2,363</u>	<u>700</u>
Other emoluments to an executive director:		
Salaries and other benefits	542	847
Retirement benefits scheme contributions	27	49
	<u>569</u>	<u>896</u>
	<u>2,932</u>	<u>1,596</u>

Emoluments of the directors were within the following band:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	<u>15</u>	<u>9</u>





## Notes to the Financial Statements

For the year ended 31st March, 2003

### 11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none (2002: one) was a director of the Company as at 31st March, 2003, whose emoluments are included in note 10 above. The total emoluments of the remaining five (2002: four) highest paid individuals were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	3,464	3,575
Retirement benefits scheme contributions	173	179
	<u>3,637</u>	<u>3,754</u>

Of these five individuals, one was a director who resigned during the year and whose emoluments as a director are also included in the disclosures of note 10 above.

Their emoluments were within the following bands:

	Number of individuals	
	2003	2002
Nil to HK\$1,000,000	4	4
HK\$2,000,001 to HK\$2,500,000	1	—
	<u>5</u>	<u>4</u>

### 12. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS

	2003 HK\$'000	2002 HK\$'000
Retirement benefits scheme contributions	3,606	3,852
Less: Forfeited contributions	(42)	(598)
	<u>3,564</u>	<u>3,254</u>

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of independent trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 12. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS *(continued)*

The Group operated a defined contribution retirement benefit scheme ("Retirement Scheme") up to 30th November, 2000. Except for the balance as of 30th November, 2000 transferred from the Retirement Scheme to MPF Scheme, no forfeited contributions under the MPF Scheme are available to reduce the contributions payable in future years.

At 31st March, 2003, the total amount of forfeited contributions, which arose upon employees leaving the Retirement Scheme and which are available to reduce the contributions payable by the Group in the future years was approximately HK\$5,000 (2002: HK\$348,000).

### 13. INCOME TAX (EXPENSE) CREDIT

	2003 HK\$'000	2002 HK\$'000
Hong Kong Profits Tax		
Current year	(40)	—
Overprovision in prior years	—	104
	<u>(40)</u>	<u>104</u>

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made in the financial statements in prior year as the Group incurred a tax loss during the year.

Details of the unprovided deferred taxation are set out in note 32 to the financial statements.

### 14. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$24,347,000 (2002: HK\$49,088,000) and the weighted average number of 355,981,504 (2002: 297,622,600) shares in issue during the year. Loss per share for both years has been adjusted for the share subdivision on 7th October, 2002, details of which are set out in note 29.

No diluted loss per share has been presented as the exercise of the Company's share options would reduce the loss per share.



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Crockery, utensils, linens and uniforms <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>					
COST OR VALUATION					
At 1st April, 2002	34,760	206,429	3,325	2,437	246,951
Additions	—	13,703	315	333	14,351
Disposals/write-off	—	(19,760)	(131)	(317)	(20,208)
Deficit arising on revaluation	(1,760)	—	—	—	(1,760)
At 31st March, 2003	33,000	200,372	3,509	2,453	239,334
Comprising:					
At cost	—	200,372	3,509	2,453	206,334
At valuation – 2003	33,000	—	—	—	33,000
	33,000	200,372	3,509	2,453	239,334
DEPRECIATION AND AMORTISATION/IMPAIRMENT					
At 1st April, 2002	—	152,001	2,880	317	155,198
Provided for the year	768	17,105	231	—	18,104
Eliminated on disposals/write-off	—	(18,599)	(99)	(317)	(19,015)
Eliminated on revaluation	(768)	—	—	—	(768)
Impairment loss	—	3,846	—	290	4,136
At 31st March, 2003	—	154,353	3,012	290	157,655
NET BOOK VALUES					
At 31st March, 2003	<u>33,000</u>	<u>46,019</u>	<u>497</u>	<u>2,163</u>	<u>81,679</u>
At 31st March, 2002	<u>34,760</u>	<u>54,428</u>	<u>445</u>	<u>2,120</u>	<u>91,753</u>

The Group's leasehold land and buildings are situated in Hong Kong and are held on medium-term leases.

Leasehold land and buildings of the Group in Hong Kong amounting to HK\$33,000,000 were revalued at 31st March, 2003 on an open market value basis by C S Surveyors Limited, an independent professional valuer.



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 15. PROPERTY, PLANT AND EQUIPMENT (continued)

The net deficit arising on revaluation of the leasehold land and buildings amounting to HK\$992,000 (2002: HK\$1,538,000) has been charged to the income statement.

If the leasehold land and buildings of the Group had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation and amortisation of HK\$66,368,000 (2002: HK\$67,892,000).

The net book value of property, plant and equipment of the Group included an amount of HK\$278,000 (2002: HK\$333,000) in respect of furniture, fixtures and equipment held under finance leases.

### 16. INVESTMENTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Unlisted shares, at cost	—	88,174
Less: Impairment loss	—	(69,980)
	<u>—</u>	<u>18,194</u>

During the year, the Group has undertaken a restructuring in which the Company's shareholding in Global Food Culture Group Limited (formerly known as Everwin Capital Limited) ("GFCG") was transferred to another wholly-owned subsidiary of the Group, Global Mission Holdings Limited ("GMHL"). As a result, the Company only held one share of US\$1 each of GMHL, representing 100% interest, at the year end.

Details of the principal subsidiaries of the Company as at 31st March, 2003 are set out in note 39.

### 17. INTANGIBLE ASSET

	<i>HK\$'000</i>
<b>THE GROUP</b>	
COST AND NET BOOK VALUE	
Acquired during the year and at 31st March, 2003	<u>200</u>

The intangible asset represents an exclusive right to use the name of Mr. Wong Yuk Man, Raymond, an independent third party, in the operation of a restaurant. The cost will be amortised over three years.



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 18. INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED

	<b>THE GROUP</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Share of net liabilities of subsidiaries not consolidated	<u>—</u>	<u>—</u>

The Group holds 100% interest in Genryoku Sushi Company Limited (“Genryoku”) and Join Wind Investment Limited (“Join Wind”). Both companies were incorporated in Hong Kong and were principally engaged in the operation of restaurants. Following a group restructuring in April 1999, Genryoku entered into a voluntary winding up. As Join Wind has been operating at substantial losses, the Group has decided not to inject further capital in the Company and allowed it to be liquidated pursuant to a court order on 29th March, 2000 at the petition of its creditor on the basis of outstanding financial obligations. In the opinion of the directors of the Group, the Group has no control over the assets and operations of Genryoku and Join Wind and consequently neither subsidiary has been consolidated.

### 19. INTEREST IN AN ASSOCIATE

	<b>THE GROUP</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Share of net liabilities	<b>(1,217)</b>	(1,217)
Amount due from an associate	<b>1,217</b>	1,217
	<u>—</u>	<u>—</u>

As at 31st March, 2003, the Group had interest in the following associate:

<b>Name of entity</b>	<b>Place of incorporation</b>	<b>Principal place of operation</b>	<b>Class of share held</b>	<b>Percentage interest</b>	<b>Nature of business</b>
eFoodland Limited	Hong Kong	Hong Kong	Ordinary	40%	Inactive

Amount due from an associate is unsecured, non-interest bearing and not repayable within next twelve months.

The Group’s share of the post-acquisition losses of eFoodland Limited, to the extent that they exceed carrying amount of its equity investment in that company, has been provided for to the extent that the Group has made payments to satisfy obligations of the associate that the Group has guaranteed.



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 20. AMOUNTS DUE FROM SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Amounts due from subsidiaries	357,471	414,876
Less: Allowance	(356,632)	(373,280)
	<u>839</u>	<u>41,596</u>

### 21. TRADE DEBTORS

The Group does not define a fixed credit policy.

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

	<b>THE GROUP</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 – 30 days	908	1,763
31 – 60 days	117	27
61 – 90 days	–	3
	<u>1,025</u>	<u>1,793</u>

### 22. TRADE CREDITORS

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

	<b>THE GROUP</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 – 30 days	5,023	5,809
31 – 60 days	4,640	5,144
61 – 90 days	717	1,435
	<u>10,380</u>	<u>12,388</u>



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 23. AMOUNT DUE TO A RELATED COMPANY

#### THE GROUP AND THE COMPANY

The related company is a company in which the deemed substantial shareholder of the Company, Mr. Wong Chun Loong ("Mr. Wong"), has a beneficial interest.

The amount is unsecured, interest free and is repayable on demand.

### 24. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts payable under finance leases:				
Within one year	85	85	71	67
In the second to fifth year inclusive	206	291	191	261
	291	376	262	328
Less: Future finance charges	(29)	(48)	N/A	N/A
Present value of lease obligations	<u>262</u>	<u>328</u>	262	328
Less: Amount due within one year shown under current liabilities			(71)	(67)
Amount due after one year			<u>191</u>	<u>261</u>

It is the Group's policy to lease certain of its furniture, fixtures and equipment under finance leases. The average lease term is 5 years. For the year ended 31st March, 2003, the average effective borrowing rate was 6.26%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

The Company had no lease obligations at 31st March, 2003 or 31st March, 2002.



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 25. BANK BORROWINGS (SECURED)

	<b>THE GROUP</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Bank borrowings (secured) comprise:		
Bank loans	50,744	18,216
Bank overdrafts	5,702	8,841
<b>Total</b>	<b>56,446</b>	<b>27,057</b>
Less: Amount due within one year shown under current liabilities	<b>(46,015)</b>	<b>(12,713)</b>
<b>Amount due after one year</b>	<b><u>10,431</u></b>	<b><u>14,344</u></b>
The maturity of the above bank borrowings is as follows:		
Within one year or upon demand	46,015	12,713
More than one year but not exceeding two years	4,109	3,906
More than two years but not exceeding five years	6,322	9,678
More than five years	—	760
	<b><u>56,446</u></b>	<b><u>27,057</u></b>

### 26. OTHER LOAN

#### THE GROUP

The loan is secured, bears interest at one percent per annum and is repayable within one year.

### 27. LOAN FROM A RELATED COMPANY

#### THE GROUP AND THE COMPANY

The related company is a company in which the deemed substantial shareholder of the Company, Mr. Wong, has a beneficial interest.

The loan is guaranteed by Mr. Wong, bears interest at the best lending rate plus 1.5% per annum and is repayable on 16th December, 2003.





## Notes to the Financial Statements

For the year ended 31st March, 2003

### 28. LOAN FROM A FORMER SHAREHOLDER

#### THE GROUP AND THE COMPANY

The loan was owed to Forever Rich Profits Limited, a former substantial shareholder of the Company.

The loan was unsecured, bore interest at the best lending rate plus one percent per annum and has been fully repaid during the year.

### 29. SHARE CAPITAL

	Notes	Par value of ordinary share HK\$	Number of ordinary shares	Amount HK\$'000
Authorised:				
At 1st April, 2001		0.10 each	5,000,000,000	500,000
Share Subdivision	(1)		995,000,000,000	—
Share Consolidation	(1)	0.0005 each	1,000,000,000,000 (950,000,000,000)	500,000 —
At 31st March, 2002		0.01 each	50,000,000,000	500,000
Share subdivision	(2)		200,000,000,000	—
At 31st March, 2003		0.002 each	<u>250,000,000,000</u>	<u>500,000</u>
Issued and fully paid:				
At 31st March, 2001			1,190,490,400	119,049
Capital Reduction	(1)		—	(118,454)
Shares Consolidation	(1)	0.0005 each	1,190,490,400 (1,130,965,880)	595 —
At 31st March, 2002		0.01 each	59,524,520	595
Issue of shares	(3)	0.01 each	11,900,000	119
Share subdivision	(2)	0.01 each	71,424,520 285,698,080	714 —
At 31st March, 2003		0.002 each	<u>357,122,600</u>	<u>714</u>



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 29. SHARE CAPITAL (continued)

Notes:

- (1) Pursuant to a special resolution passed at a special general meeting of the Company held on 22nd February, 2002, the issued share capital of the Company was reduced by HK\$0.0995 on each of the shares of HK\$0.1 each in issue on 23rd February, 2002 (the "Capital Reduction") so that each issued share in the capital of the Company was treated as one fully-paid up ordinary share of HK\$0.0005 in the capital of the Company (the "Reduced Share"); each of the shares of nominal value of HK\$0.1 each in the authorised but unissued share capital of the Company following the Capital Reduction was subdivided ("Share Subdivision") into 200 shares of HK\$0.0005 each ("Subdivided Share"). The credit arising from the Capital Reduction was credited to the contributed surplus account of the Company and was applied to eliminate the accumulated losses of the Company.

Subsequent to the Capital Reduction and Share Subdivision taking effect, every twenty new Reduced Shares and Subdivided Shares were consolidated into one share of HK\$0.01 each in the capital of the Company ("Share Consolidation").

- (2) Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 7th October, 2002 (the "SGM"), every then issued and unissued ordinary shares of HK\$0.01 each on 7th October, 2002 was subdivided into 5 shares of HK\$0.002 each.
- (3) On 20th March, 2002, the Company entered into conditional subscription agreements with two independent investors pursuant to which Mr. Kong Ho Pak and Ms. Mo Yuk Ping subscribed for 6,000,000 and 5,900,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.8 per share respectively. These new shares rank pari passu with the existing shares in all respects. The subscription was completed on 8th April, 2002.

### 30. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE COMPANY</b>				
At 1st April, 2001	167,079	51,286	(295,949)	(77,584)
Credit arising from Capital Reduction	—	118,454	—	118,454
Elimination against accumulated losses	—	(118,454)	118,454	—
Net loss for the year	—	—	(48,794)	(48,794)
<hr/>				
At 31st March, 2002	167,079	51,286	(226,289)	(7,924)
Issue of shares	9,401	—	—	9,401
Net loss for the year	—	—	(6,698)	(6,698)
<hr/>				
At 31st March, 2003	<u>176,480</u>	<u>51,286</u>	<u>(232,987)</u>	<u>(5,221)</u>

The special reserve of the Group represents the difference between the nominal amount of the shares of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the shares issued for the acquisition.

The contributed surplus of the Company represents the difference between the underlying consolidated net assets of Global Food Culture Group Limited (formerly known as Everwin Capital Limited) and its subsidiaries and the nominal value of the Company's shares which were issued under a group reorganisation in 1997.



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 30. RESERVES (continued)

In addition to accumulated profits, under the company law in Bermuda, the contributed surplus account of a company is also available for distribution to its shareholders. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At 31st March, 2003 and 31st March, 2002, the Company had no reserves available for distribution to shareholders.

### 31. MINORITY INTERESTS

#### THE GROUP

Investments in certain subsidiaries were in the form of equity and loans from the Group and minority shareholders in accordance with respective percentages of equity shareholding in these subsidiaries. Investments in the form of loans were comparatively more significant than those in the form of equity, and the entire amounts were treated as quasi-capital. Under these circumstances, losses incurred by these subsidiaries were shared by the minority shareholders to the extent that the losses did not exceed the aggregate of their equity and loan investments.

### 32. UNPROVIDED DEFERRED TAXATION

At 31st March, 2003, the major components of unprovided deferred taxation asset were as follows:

	<b>THE GROUP</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Tax effect of timing differences because of:		
Difference between tax depreciation allowances and accounting depreciation	<b>1,863</b>	1,061
Unutilised tax losses	<b>29,772</b>	28,545
	<b><u>31,635</u></b>	<b><u>29,606</u></b>



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 32. UNPROVIDED DEFERRED TAXATION (continued)

The amount of unprovided deferred tax credit of the Group for the year is as follows:

	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences because of:		
Difference between tax depreciation allowances and accounting depreciation	802	3,838
Tax losses arising	1,227	2,487
	<u>2,029</u>	<u>6,325</u>

Deferred taxation asset has not been recognised in the financial statements in respect of unutilised tax losses available to offset future profits as it is not certain that the unutilised tax losses will be utilised in the foreseeable future.

The Company had no material unprovided deferred taxation at the balance sheet date.

### 33. PLEDGE OF ASSETS

At 31st March, 2003, certain of the Group's assets have been pledged to banks to secure general credit facilities granted to the Company and its subsidiaries. Details of the carrying values of assets pledged are as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Leasehold land and buildings	33,000	34,760
Bank deposits pledged	3,319	6,836
	<u>36,319</u>	<u>41,596</u>



## Notes to the Financial Statements

*For the year ended 31st March, 2003*

### **34. CONTINGENT LIABILITIES**

At 31st March, 2003, the Group and the Company had no significant contingent liabilities.

At 31st March, 2002, the Company had given corporate guarantees and pledged bank deposits in order to secure general banking facilities granted to subsidiaries. The amount utilised as at 31st March, 2002 amounted to approximately HK\$31,335,000.

### **35. CAPITAL COMMITMENTS**

At 31st March, 2003, the Group had commitments for the acquisition of property, plant and equipment which were contracted for but not provided in the financial statements amounted to approximately HK\$194,000 (2002: HK\$283,000).

At 31st March, 2003, the Company had no capital commitments.

### **36. SHARE OPTION SCHEME**

Pursuant to an ordinary resolution passed at the SGM, the Company's share option scheme which was adopted pursuant to written resolutions of the shareholders of the Company passed on 27th August, 1997 (the "Old Scheme") was terminated and ceased to have any further effect. No option has been granted under the Old Scheme since its adoption.

The Company's existing share option scheme (the "Scheme") was adopted pursuant to an ordinary resolution passed at the SGM for the primary purpose of providing incentives to directors and eligible employees. The Scheme will expire on 6th October, 2012. Under the Scheme, the board of directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, suppliers, customers, advisers or consultants and joint venture partners or business alliances of the Company or any of its subsidiaries to subscribe for shares in the Company.

At 31st March, 2003, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 9,600,000 (2002: Nil), representing 2.69% (2002: Nil) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholder or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 per option. Options may be exercised from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company and will not less than the highest of the closing price of the shares on the Stock Exchange on the date of grant, the average closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options or the nominal value of the shares.



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 36. SHARE OPTION SCHEME (continued)

The following table discloses details of the Company's share option held by the Company's directors and the Group's consultants and movements in such holdings during the year.

	Date of grant	Exercisable period	Exercise price	Granted during the year and outstanding at 31st March, 2003
Directors	27th March, 2003	28th March, 2003 to 27th March, 2006	HK\$0.27	7,200,000
Consultants	27th March, 2003	28th March, 2003 to 27th March, 2006	HK\$0.27	2,400,000
				<u>9,600,000</u>

Total consideration received during the year from directors for taking up the options granted is amounted to HK\$4 (2002: HK\$Nil).

No charge is recognised in the income statement in respect of the value of options granted in the year (2002: HK\$Nil).

### 37. OPERATING LEASES

#### The Group and the Company as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	25,623	28,633	492	—
In the second to fifth year inclusive	22,818	16,309	—	—
Over five years	760	—	—	—
	<u>49,201</u>	<u>44,942</u>	<u>492</u>	<u>—</u>

Operating lease payments represent rentals payable by the Group and the Company for certain of their office and restaurants properties. Leases are negotiated for an average term of three years and rentals are either fixed or determined based on 8% to 10% of turnover.



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 37. OPERATING LEASES (continued)

#### The Group as lessor

Property rental income earned during the year was HK\$554,000 (2002: HK\$Nil). The leasehold land and building held for rental purpose with a carrying value of HK\$8,000,000 is expected to generate rental yields of 8% on an ongoing basis. The leasehold land and building held has committed a tenant for the next three years.

At the balance sheet date, the Group had contracted with a tenant for the following future minimum lease payments:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within one year	660	—
In the second to fifth year inclusive	715	—
	1,375	—

### 38. RELATED PARTY TRANSACTIONS

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

- (a) During the year, amounts totalling HK\$5,000,000 (2002: HK\$Nil) were advanced by Jade Dynasty Publications Limited, a company in which Mr. Wong has a beneficial interest. The loan is guaranteed by Mr. Wong, bears interest at the best lending rate plus 1.5% per annum and is repayable on 16th December, 2003. During the year, no repayment was made and an accrued interest of approximately HK\$48,000 was provided on the advance.
- (b) During the year, amounts totalling HK\$74,349,000 were repaid to Forever Rich Profits Limited ("Forever Rich"), a former substantial shareholder of the Company. In prior year, amounts totalling HK\$22,670,000 were advanced by Mr. Yeung Sau Shing, Albert ("Mr. Albert Yeung"), a former deemed substantial shareholder of the Company. The loan was unsecured, bore interest at the best lending rate plus one percent per annum and had no fixed repayment term. On 1st December, 2001, amounts totalling HK\$61,302,000 were assigned to Forever Rich. During last year, amounts totalling HK\$10,580,000 were advanced by Forever Rich. The loan was unsecured, bore interest at the best lending rate plus one percent per annum and had no fixed repayment term. During the year, an accrued interest of approximately HK\$1,082,000 was provided on the advances from Forever Rich. In prior year, no repayment was made either to Mr. Albert Yeung or Forever Rich and an accrued interest of approximately HK\$2,256,000 and HK\$1,385,000 were provided on the advances respectively.



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 38. RELATED PARTY TRANSACTIONS (continued)

- (c) 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 year ended 31st March, 2003 HK\$'000	Amount for the year ended 31st March, 2002 HK\$'000
China-V (HK) Ltd (notes 1 and 5)	Purchase of food products	N/A	201	2,449
Hong Kong Daily News, Limited (notes 1 and 5)	Advertising fee paid	N/A	—	171
Smart Ideal Limited (notes 1 and 5)	Advertising fee paid	N/A	—	42
A-Hing Limited (notes 2 and 5)	Operating lease rental paid	Commenced from 2nd June, 2000 at a monthly market rental of HK\$14,000 (inclusive of rates)	42	169
Emperor Investment (Management) Limited ("EIML") (notes 2 and 5)	Management fees paid	HK\$70,000 per month for the period from 1st April, 2000 to 30th September, 2001 and HK\$30,000 per month for the period from 1st October, 2001 to 31st March, 2002	—	600
EIML (notes 2 and 5)	Professional fee and advertising agency commission paid	N/A	130	548
Emperor Entertainment Limited (notes 3 and 5)	Promotion fee paid	N/A	80	399
Strong Time Investments Limited (notes 4 and 5)	Operating lease rental paid	Commenced from 6th April, 2002 at a monthly market rental of HK\$41,000 (exclusive of rates)	297	—
Ulferts of Sweden (Far East) Limited (notes 2 and 5)	Purchase of furniture	N/A	—	67





## Notes to the Financial Statements

For the year ended 31st March, 2003

### 38. RELATED PARTY TRANSACTIONS (continued)

Notes:

1. China-V (HK) Limited and Hong Kong Daily News, Limited are indirect wholly-owned subsidiaries of Emperor Technology Venture Limited ("ETV"). Smart Ideal Limited is an indirectly 70% owned subsidiary of ETV, a listed company of which Mr. Albert Yeung was deemed to be a substantial shareholder.
2. A-Hing Limited, EIML and Ulferts of Sweden (Far East) Limited are indirect wholly-owned subsidiaries of Emperor International, a listed company of which Mr. Albert Yeung was deemed to be a substantial shareholder.
3. Emperor Entertainment Limited is an indirect wholly-owned subsidiary of Emperor Entertainment Group Limited, a company listed on GEM Board of the Stock Exchange of which Mr. Albert Yeung was deemed to be a substantial shareholder.
4. Strong Time Investments Limited is indirectly controlled by the spouse of Mr. Albert Yeung.
5. 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 on 2nd July, 2002.

### 39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

At 31st March, 2003, the particulars of the principal subsidiaries of the Company are as follows:

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued share capital	Percentage of issued share capital attributable to the Group	Principal activities
Billion Motion Limited	Hong Kong	HK\$10,000	100%	Property holding
Century Creations Limited	Hong Kong	HK\$10,000	100%	Property holding
Global Food Culture Group Limited (formerly known as Everwin Capital Limited)	British Virgin Islands	US\$10,000	100%	Investment holding
Genroyku Sushi (HK) Limited	Hong Kong	HK\$2	100%	Operation of restaurants
Global Food Culture Trading Limited	Hong Kong	HK\$2	100%	Purchasing agent of the Group
Global Mission Holdings Limited	British Virgin Islands	US\$1	100% *	Investment holding



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued share capital	Percentage of issued share capital attributable to the Group	Principal activities
Glory Brain Limited	Hong Kong	HK\$2	100%	Property holding
Golden Finder Limited	Hong Kong	HK\$2	100%	Property holding
Jade Dynasty Multi-Media Limited	Samoa	US\$1	100% *	Investment holding
Kindfield Limited	Hong Kong	HK\$100	51%	Operation of a restaurant
Mass Success Limited	British Virgin Islands	US\$1	100%	Investment holding
Maxbest Limited	Hong Kong	HK\$2	100%	Property holding
Rich Delight Limited	Hong Kong	HK\$2	100%	Operation of a restaurant
Royal Grace Limited	Hong Kong	HK\$100	51%	Operation of a joint venture sushi bar restaurant
Scorewell Investments Limited	British Virgin Islands	US\$1	100% *	Investment holding
State Wing Limited	Hong Kong	HK\$100	51%	Operation of a joint venture sushi bar restaurant
Suishaya Japanese Restaurant (Kowloon) Limited	Hong Kong	HK\$2	100%	Operation of a restaurant

\* Other than these subsidiaries which are directly held by the Company, all subsidiaries are indirectly held by the Company.

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

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.



## Financial Summary

<b>RESULTS</b>	<b>Year ended 31st March,</b>				
	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	<u>390,050</u>	<u>277,901</u>	<u>252,006</u>	<u>242,516</u>	<u>235,133</u>
Loss from operations	(133,209)	(97,531)	(67,061)	(43,672)	<b>(21,173)</b>
Finance costs	(8,688)	(6,046)	(10,477)	(5,520)	<b>(2,886)</b>
Share of results of associates	(904)	(4)	(1,213)	—	—
Loss on deconsolidation of subsidiaries	—	(6,770)	—	—	—
Loss before tax	(142,801)	(110,351)	(78,751)	(49,192)	<b>(24,059)</b>
Income tax credit (expense)	918	(586)	652	104	<b>(40)</b>
Loss after tax	(141,883)	(110,937)	(78,099)	(49,088)	<b>(24,099)</b>
Minority interests	312	—	—	—	<b>(248)</b>
Net loss for the year	<u>(141,571)</u>	<u>(110,937)</u>	<u>(78,099)</u>	<u>(49,088)</u>	<u><b>(24,347)</b></u>
Loss per share					
Basic	<u>(HK\$1.07)</u>	<u>(HK\$0.75)</u>	<u>(HK\$0.39)</u>	<u>(HK\$0.16)</u>	<u><b>(HK\$0.07)</b></u>
	<b>At 31st March,</b>				
<b>ASSETS AND LIABILITIES</b>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Total assets	226,570	173,253	141,088	122,261	<b>109,755</b>
Total liabilities	(95,812)	(131,970)	(99,318)	(129,579)	<b>(122,716)</b>
Minority interests	—	—	—	—	<b>(9,184)</b>
Balance (deficit) of shareholders' funds	<u>130,758</u>	<u>41,283</u>	<u>41,770</u>	<u>(7,318)</u>	<u><b>(22,145)</b></u>

Note: Loss per share figures have been adjusted for the share subdivision on 7th October, 2002.