

Notes to the Financial Statements

For the year ended 31 March 2001

1. GENERAL

The Company is a listed public limited company incorporated in Bermuda 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.

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.

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\$52,455,000 at 31 March 2001. At the balance sheet date, an amount of HK\$36,376,000 (2000: HK\$58,835,000) was owing to a deemed substantial shareholder of the Company. Further loans of HK\$6,000,000 from the same deemed substantial shareholder have been obtained subsequent to the year end. The above loans are unsecured, bear interest at the best lending rate plus one percent and have no fixed repayment term. However, the deemed substantial shareholder has confirmed that the loans will not be repayable so as to render the Group insolvent.

Furthermore, on the basis that the deemed 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 financial statements have been prepared on a going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Notes to the Financial Statements

For the year ended 31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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 31 March each year.

Where a subsidiary operates under severe restrictions which significantly impair control by the Group over its assets and operations for the foreseeable future, the subsidiary is excluded from consolidation from the date on which the restriction came into force.

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.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

Goodwill or capital reserve

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Capital reserve, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

On disposal of investments in subsidiaries, the attributable amount of goodwill or capital reserve previously eliminated against or credited to reserves is included in the determination of the gain or loss on disposal.

Notes to the Financial Statements

For the year ended 31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Sales of goods are recognised when goods are delivered.

Service fees are recognised when services are provided.

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

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any impairment loss.

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associate 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.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Notes to the Financial Statements

For the year ended 31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation or amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

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.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Leasehold land and buildings are revalued annually and are stated at their open market value based on professional valuations 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.

Notes to the Financial Statements

For the year ended 31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation and amortisation are charged so as 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.

Finance leases

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 term 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.

Notes to the Financial Statements

For the year ended 31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories comprise food supplies and consumables and are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling at the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than Hong Kong dollars and which operate overseas are translated into Hong Kong dollars at the rates ruling at the balance sheet date. All exchange differences arising on consolidation, are dealt with in the translation reserve.

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.

Notes to the Financial Statements

For the year ended 31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant leases.

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.

4. 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:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Sale of goods	230,046	254,715
Services rendered	21,960	23,186
	252,006	277,901

Services rendered represent surcharge for service provided in the restaurants.

5. OTHER REVENUE

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Bank interest income	326	720
Others	1,573	1,057
	1,899	1,777

Notes to the Financial Statements

For the year ended 31 March 2001

6. SELLING AND DISTRIBUTION COSTS

Included in selling and distribution costs is an amount of HK\$10 million (2000: HK\$Nil) in respect of sole and exclusive right to use the name and likeness of Dr. Chan Kong Sang, Jackie ("Dr. Jackie Chan"), the Chairman of the Company, on the internet to promote any food and/or beverages and/or any related products for a term of one year.

7. LOSS FROM OPERATIONS

	2001 HK\$'000	2000 HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration		
— Current year	1,066	627
— Underprovision in prior year	390	—
	<u>1,456</u>	<u>627</u>
Depreciation and amortisation on		
— Owned assets	23,519	27,749
— Assets held under finance leases	16	16
Operating lease payments in respect of rented premises	43,647	59,405
Staff costs, including directors' emoluments (note 9) and retirement benefit scheme contributions (note 11)	<u>94,919</u>	<u>92,247</u>

The impairment loss recognised of HK\$17,624,000 in the prior year mainly represented the recognition of a decrease in the recoverable amount of furniture, fixtures and equipment and crockery, utensils, linens and uniforms of certain subsidiaries as a result of the cessation of the operations of certain outlets of these subsidiaries subsequent to the year end.

Notes to the Financial Statements

For the year ended 31 March 2001

8. FINANCE COSTS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interest on		
— Bank borrowings wholly repayable within five years	2,744	2,250
— Bank borrowings not wholly repayable within five years	1,252	1,952
— Finance leases	5	9
— Other borrowings	6,476	1,835
	<u>10,477</u>	<u>6,046</u>

9. DIRECTORS' EMOLUMENTS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Fees to:		
Executive directors	558	600
Independent non-executive directors	142	125
Non-executive directors	—	50
	<u>700</u>	<u>775</u>
Other emoluments to executive directors:		
Salaries and other benefits	—	1,320
Retirement benefit scheme contributions	—	122
	<u>—</u>	<u>1,442</u>
	<u>700</u>	<u>2,217</u>

Notes to the Financial Statements

For the year ended 31 March 2001

9. DIRECTORS' EMOLUMENTS (continued)

Emoluments of the directors were within the following bands:

	Number of directors	
	2001	2000
Nil to HK\$1,000,000	9	11
HK\$1,500,001 to HK\$2,000,000	—	1
	<u>9</u>	<u>12</u>

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none (2000: one) was a director of the Company, whose emoluments are included in note 9 above. The emoluments of the five (2000: remaining four) highest paid individuals were as follows:

	2001	2000
	HK\$'000	HK\$'000
Salaries and other benefits	3,903	2,635
Retirement benefit scheme contributions	177	227
	<u>4,080</u>	<u>2,862</u>

Their emoluments were within the following bands:

	Number of individuals	
	2001	2000
Nil to HK\$1,000,000	4	4
HK\$2,000,001 to HK\$2,500,000	1	—
	<u>5</u>	<u>4</u>

Notes to the Financial Statements

For the year ended 31 March 2001

11. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Retirement benefit scheme contributions	2,510	1,873
Less: Forfeited contributions	<u>(569)</u>	<u>(838)</u>
	<u>1,941</u>	<u>1,035</u>

The Group operated defined contribution retirement benefit schemes (“Retirement Schemes”) for all qualifying employees. The assets of the schemes were held separately from those of the Group in funds under the control of independent trustees.

The cost charged to the income statement represents contributions payable to the funds by the Group at rates specified in the rules of the schemes. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

With effect from 1 December 2000, the Group has terminated the Retirement Schemes and joined a Mandatory Provident Fund Scheme (“MPF Scheme”) for all employees. The MPF Scheme is registered with the Mandatory Provident Fund Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, both employer and employees are required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF scheme is to make the required contribution under the MPF Scheme. Except for the balances as of 30 November 2000 transferred from the Retirement Schemes to MPF Scheme, no forfeited contribution under the MPF Scheme is available to reduce the contributions payable in future years.

At 31 March 2001, the total amount of forfeited contributions, which arose upon employees who had joined the Retirement Schemes and which are available to reduce the contributions payable by the Group in the future years was approximately HK\$369,000 (2000: HK\$87,000).

Notes to the Financial Statements

For the year ended 31 March 2001

12. INCOME TAX CREDIT (EXPENSE)

	2001 HK\$'000	2000 HK\$'000
Hong Kong Profits Tax		
Current year	—	(584)
Over (under) provision in prior years	584	(2)
	<u>584</u>	<u>(586)</u>
Deferred taxation (<i>Note 29</i>)		
Credit for the year	68	—
	<u>652</u>	<u>(586)</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the year.

13. NET LOSS FOR THE YEAR

Of the Group's net loss for the year, a loss of HK\$78,103,000 (*2000: HK\$88,200,000*) has been dealt with in the financial statements of the Company.

14. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of HK\$78,099,000 (*2000: HK\$110,937,000*) and the weighted average number of 798,863,419 (*2000: 590,214,772*) shares in issue during the year.

Loss per share was not adjusted for the rights issue of shares on 27 November 2000 because the subscription price of the rights issue was higher than the market price of the Company's shares immediately prior to the exercise of rights.

No diluted loss per share has been presented as the exercise of the Company's warrants does not result in any dilutive effect.

Notes to the Financial Statements

For the year ended 31 March 2001

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>
THE GROUP					
COST OR VALUATION					
At 1 April 2000	40,900	222,027	3,709	3,741	270,377
Additions	—	7,115	—	71	7,186
Disposals/written off	—	(33,298)	(452)	(1,085)	(34,835)
Deficit arising on valuation	(600)	—	—	—	(600)
At 31 March 2001	40,300	195,844	3,257	2,727	242,128
Comprising:					
At cost	—	195,844	3,257	2,727	201,828
At valuation 2001	40,300	—	—	—	40,300
	40,300	195,844	3,257	2,727	242,128
DEPRECIATION AND AMORTISATION					
At 1 April 2000	—	128,921	2,585	411	131,917
Charge for the year	866	22,431	238	—	23,535
Eliminated on disposals/ written off	—	(24,387)	(141)	(411)	(24,939)
Eliminated on valuation	(866)	—	—	—	(866)
At 31 March 2001	—	126,965	2,682	—	129,647
NET BOOK VALUES					
At 31 March 2001	40,300	68,879	575	2,727	112,481
At 31 March 2000	40,900	93,106	1,124	3,330	138,460

Notes to the Financial Statements

For the year ended 31 March 2001

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

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\$40,300,000 were revalued at 31 March 2001 on an open market value basis by Mr. Tse Wai Chuen, FRICS, FHKIS, a director of Emperor International Holdings Limited ("Emperor International"). Mr. Yeung Sau Shing, Albert ("Mr. Albert Yeung") was deemed to be a substantial shareholder of both the Company and Emperor International.

The net surplus arising on revaluation of the leasehold land and buildings amounted to HK\$266,000, of which a surplus of HK\$1,296,000 has been credited against the corresponding deficits previously recognised in the income statement and a deficit of HK\$1,030,000 is 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 cost less accumulated depreciation and amortisation of HK\$75,262,000 (2000: HK\$76,782,000).

The net book value of property, plant and equipment of the Group included an amount of HK\$99,000 (2000: HK\$115,000) in respect of assets held under finance leases.

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	88,174	88,174
Less: Impairment loss	(56,665)	(29,489)
	<u>31,509</u>	<u>58,685</u>

Notes to the Financial Statements

For the year ended 31 March 2001

16. INVESTMENTS IN SUBSIDIARIES (continued)

The cost of the unlisted shares is determined based on the underlying net assets of Everwin Capital Limited (“Everwin”) and its subsidiaries at the time they became members of the Group pursuant to the corporate reorganisation in preparation for the listing of the Company’s shares on the Stock Exchange in August 1997 (the “Reorganisation”).

Details of the principal subsidiaries of the Company as at 31 March 2001 are set out in note 38.

17. INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Share of net liabilities of subsidiaries not consolidated	—	(14,690)
Goodwill reserve reversed on deconsolidation	—	21,460
	<hr/>	<hr/>
	—	6,770
Loss on deconsolidation	—	(6,770)
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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 29 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 during the year ended 31 March 2000 and consequently neither subsidiary has been consolidated.

Notes to the Financial Statements

For the year ended 31 March 2001

18. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Share of net liabilities	(1,217)	(4)
Amount due from an associate	1,217	—
	<u>—</u>	<u>(4)</u>

As at 31 March 2001, the Group had interest in the following associate:

Name of entity	Place of incorporation	Principal place of operation	Class of share held	Percentage interest	Nature of business
eFoodland Limited	Hong Kong	Hong Kong	Ordinary	40%	Internet website operation

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

19. AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2001	2000
	HK\$'000	HK\$'000
Amounts due from subsidiaries	398,205	352,498
Less: Provisions	(355,335)	(313,511)
	<u>42,870</u>	<u>38,987</u>

Notes to the Financial Statements

For the year ended 31 March 2001

20. 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 balance sheet date:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 – 30 days	875	709
31 – 60 days	203	188
61 – 90 days	8	120
Over 90 days	82	104
	<u>1,168</u>	<u>1,121</u>

21. TRADE CREDITORS

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

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 – 30 days	6,165	11,813
31 – 60 days	5,456	5,406
61 – 90 days	1,770	2,533
Over 90 days	685	626
	<u>14,076</u>	<u>20,378</u>

Notes to the Financial Statements

For the year ended 31 March 2001

22. OBLIGATIONS UNDER FINANCE LEASES

The maturity of obligations under finance leases is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Under one year	24	47
More than one year but not exceeding two years	—	24
Total	24	71
Less: Amount due within one year shown under current liabilities	(24)	(47)
Amount due after one year	—	24

23. BANK BORROWINGS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Bank borrowings comprise:		
Bank loans	24,051	33,685
Bank overdrafts	7,474	2,472
Total	31,525	36,157
Less: Amount due within one year shown under current liabilities	(13,269)	(12,124)
Amount due after one year	18,256	24,033

Notes to the Financial Statements

For the year ended 31 March 2001

23. BANK BORROWINGS (continued)

The maturity of the above bank borrowings is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Within one year or upon demand	13,269	12,124
More than one year but not exceeding two years	3,487	5,732
More than two years but not exceeding five years	11,598	11,523
More than five years	3,171	6,778
	<u>31,525</u>	<u>36,157</u>
Analysed as:		
Secured	27,954	28,157
Unsecured	3,571	8,000
	<u>31,525</u>	<u>36,157</u>

24. LOAN FROM A SHAREHOLDER

The amount is unsecured, bears interest at the best lending rate plus one percent and has no fixed repayment term.

Notes to the Financial Statements

For the year ended 31 March 2001

25. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Shares of HK\$0.10 each:		
Authorised		
At 1 April 1999	700,000,000	70,000
Increase on 16 November 1999	4,300,000,000	430,000
	<hr/>	<hr/>
At 31 March 2000 and 31 March 2001	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid		
At 1 April 1999	590,208,000	59,021
Issue of shares on exercise of warrants	37,200	4
	<hr/>	<hr/>
At 31 March 2000	590,245,200	59,025
Issue of shares as part of the consideration for the right to use the name and likeness of Dr. Jackie Chan	5,000,000	500
Issue of shares pursuant to rights issue	595,245,200	59,524
	<hr/>	<hr/>
At 31 March 2001	<u>1,190,490,400</u>	<u>119,049</u>

Notes to the Financial Statements

For the year ended 31 March 2001

25. SHARE CAPITAL *(continued)*

Pursuant to a resolution passed at a special general meeting of the Company held on 18 April 2000, 5,000,000 shares of HK\$0.10 each were issued on 25 April 2000 at HK\$1 each to Dr. Jackie Chan, the Chairman of the Company, as part of the consideration pursuant to the agreement under which Best Mix Limited, a wholly-owned subsidiary of the Company, was granted the sole and exclusive right to use the name and likeness of Dr. Jackie Chan on the Internet to promote any food and/or beverages and/or any related products for a term of one year.

On 27 November 2000, 595,245,200 new shares of HK\$0.10 each were issued by way of a rights issue on the basis of one rights share for every existing share then held at an issue price of HK\$0.128 per share ("Rights Issue"). The net proceeds of the Rights Issue of approximately HK\$73,586,000 were used by the Group to repay bank loans, other borrowings and the loan from a shareholder and provide general working capital of the Group.

26. WARRANTS

A bonus issue of warrants was made on the basis of one warrant for every five shares held on 16 November 1999. Each warrant entitles its holder to subscribe in cash for one share of the Company at a price of HK\$0.35, at any time from the date of issue to 31 October 2001.

Subsequent to the Rights Issue, the subscription price payable on exercise of the subscription rights attaching to the warrants has been adjusted from HK\$0.35 per share to HK\$0.28 per share with effect from 2 November 2000.

At 31 March 2001, the Company had outstanding warrants in the amount of HK\$41,301,540. Exercise in full of such warrants would result in the issue by the Company of 147,505,500 additional shares of HK\$0.10 each for total consideration of HK\$41,301,540.

Notes to the Financial Statements

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27. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme which was adopted by written resolutions of the shareholders of the Company passed on 27 August 1997, the board of directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than 80% of the average of the 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, whichever is the higher.

The maximum number of shares in respect of which options may be granted under the share option scheme shall not exceed 10% of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the scheme.

No option has been granted under the scheme since its adoption.

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28. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Goodwill reserve HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
THE GROUP						
At 1 April 1999	148,508	—	(36,810)	(50,177)	10,205	71,726
Premium arising from the issue of new shares	9	—	—	—	—	9
Goodwill realised on deconsolidation of subsidiaries	—	—	—	21,460	—	21,460
Loss for the year	—	—	—	—	(110,937)	(110,937)
At 31 March 2000	148,517	—	(36,810)	(28,717)	(100,732)	(17,742)
Premium arising from issue of shares in exchange for the right to use the name and likeness of Dr. Jackie Chan	4,500	—	—	—	—	4,500
Premium arising from Rights Issue	16,667	—	—	—	—	16,667
Rights Issue expenses	(2,605)	—	—	—	—	(2,605)
Loss for the year	—	—	—	—	(78,099)	(78,099)
At 31 March 2001	167,079	—	(36,810)	(28,717)	(178,831)	(77,279)
THE COMPANY						
At 1 April 1999	148,508	51,286	—	—	(129,646)	70,148
Premium arising from the issue of new shares	9	—	—	—	—	9
Loss for the year (note 13)	—	—	—	—	(88,200)	(88,200)
At 31 March 2000	148,517	51,286	—	—	(217,846)	(18,043)
Premium arising from issue of shares in exchange for the right to use the name and likeness of Dr. Jackie Chan	4,500	—	—	—	—	4,500
Premium arising from Rights Issue	16,667	—	—	—	—	16,667
Rights Issue expenses	(2,605)	—	—	—	—	(2,605)
Loss for the year (note 13)	—	—	—	—	(78,103)	(78,103)
At 31 March 2001	167,079	51,286	—	—	(295,949)	(77,584)

Notes to the Financial Statements

For the year ended 31 March 2001

28. RESERVES (continued)

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 Everwin and its subsidiaries and the nominal value of the Company's shares which were issued under the Reorganisation.

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 31 March 2001, the Company had no distributable reserves (2000: nil).

29. DEFERRED TAXATION

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Balance at beginning of the year	68	10,058
Credit for the year (note 12)	(68)	—
Reversed on deconsolidation of subsidiaries	—	(9,990)
	<hr/>	<hr/>
Balance at end of the year	<u>—</u>	<u>68</u>

Notes to the Financial Statements

For the year ended 31 March 2001

29. DEFERRED TAXATION (continued)

At 31 March 2001, the major components of the deferred taxation liability (asset), provided and unprovided, were as follows:

	THE GROUP			
	PROVIDED		UNPROVIDED	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences because of:				
Difference between tax depreciation allowances and accounting depreciation	—	154	2,777	2,628
Unutilised taxation losses	—	(86)	(26,058)	(13,483)
	<u>—</u>	<u>68</u>	<u>(23,281)</u>	<u>(10,855)</u>

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

	2001	2000
	HK\$'000	HK\$'000
Tax effect of timing differences because of:		
Difference between tax depreciation allowances and accounting depreciation	149	2,408
Taxation losses	(12,575)	(13,269)
	<u>(12,426)</u>	<u>(10,861)</u>

Notes to the Financial Statements

For the year ended 31 March 2001

29. DEFERRED TAXATION *(continued)*

Deferred taxation has not been provided on the surplus arising on revaluation of leasehold land and buildings as any profit realised on their subsequent disposal would not be subject to taxation. Accordingly, the surplus on revaluation does not constitute a timing difference for deferred tax purposes.

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

30. RECONCILIATION OF LOSS BEFORE TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Loss before tax	(78,751)	(110,351)
Share of result of an associate	1,213	4
Bank interest income	(326)	(720)
Interest expenses	10,477	6,046
Depreciation and amortisation	23,535	27,765
Surplus on revaluation of leasehold land and buildings	(266)	(2,123)
Right to use the name and likeness of Dr. Jackie Chan	5,000	—
Loss on deconsolidation of subsidiaries	—	6,770
Loss on disposal/write off of property, plant and equipment	9,624	17,267
Impairment loss arising on property, plant and equipment	—	17,624
Decrease in inventories	967	818
Increase in trade debtors	(47)	(61)
Decrease in other debtors, deposits and prepayments	5,723	4,729
(Decrease) increase in trade creditors	(6,302)	13,853
(Decrease) increase in other creditors and accrued charges	(1,058)	1,532
	<u>(30,211)</u>	<u>(16,847)</u>
Net cash outflow from operating activities	<u>(30,211)</u>	<u>(16,847)</u>

Notes to the Financial Statements

For the year ended 31 March 2001

31. SUBSIDIARIES NOT CONSOLIDATED

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
NET LIABILITIES DECONSOLIDATED		
Trade debtors	—	100
Other debtors, deposits and prepayments	—	322
Bank balances and cash	—	51
Trade creditors	—	(104)
Other creditors and accrued charges	—	(3,806)
Taxation payable	—	(1,263)
Deferred taxation	—	(9,990)
	—	(14,690)
Goodwill reserve reversed on deconsolidation	—	21,460
Loss on deconsolidation of subsidiaries	—	6,770
Analysis of net outflow on deconsolidation of subsidiaries.		
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Bank balance and cash deconsolidated	—	(51)

In the prior year, prior to deconsolidation, subsidiaries contributed HK\$25,319,000 to the Group's net operating cash outflow, paid HK\$1,746,000 in respect of the net returns on investments and servicing of finance, contributed HK\$118,142,000 in respect of investing activities and paid HK\$146,584,000 in respect of financing activities.

Notes to the Financial Statements

For the year ended 31 March 2001

32. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium <i>HK\$'000</i>	Loan from a shareholder <i>HK\$'000</i>	Bank loans <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>
Balance at 1 April 1999	207,529	—	59,275	45
Proceeds from the issue of new shares	13	—	—	—
Inception of new finance leases	—	—	—	65
New loans raised	—	57,000	23,300	—
Interests payable	—	1,835	—	—
Repayments	—	—	(48,890)	(39)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2000	207,542	58,835	33,685	71
Issue of shares in exchange for the right to use the name and likeness of Dr. Jackie Chan	5,000	—	—	—
Proceeds from the issue of shares under Rights Issue	76,191	—	—	—
Rights Issue Expenses	(2,605)	—	—	—
New loans raised	—	47,155	—	—
Interests payable	—	6,476	—	—
Repayments	—	(76,090)	(9,634)	(47)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2001	<u>286,128</u>	<u>36,376</u>	<u>24,051</u>	<u>24</u>

33. MAJOR NON CASH TRANSACTION

On 25 April 2000, 5,000,000 shares of HK\$0.10 each were issued at HK\$1 each to Dr. Jackie Chan, the Chairman of the Company, as part of the consideration pursuant to the agreement under which Best Mix Limited, a wholly-owned subsidiary of the Company, was granted the sole and exclusive right to use the name and likeness of Dr. Jackie Chan on the internet to promote any food and/or beverages and/or any related products for a term of one year.

Notes to the Financial Statements

For the year ended 31 March 2001

34. PLEDGE OF ASSETS

At 31 March 2001, 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 assets pledged are as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Leasehold land and buildings	37,100	36,900
Bank deposits pledged	6,639	6,259
	<u>43,739</u>	<u>43,159</u>

35. CONTINGENT LIABILITIES

At 31 March 2001, the Company had outstanding guarantees given to secure general banking facilities granted to subsidiaries. The amount utilised as at 31 March 2001 amounted to approximately HK\$37,978,000 (2000: HK\$39,397,000).

At 31 March 2001, the Group had no significant contingent liabilities.

Notes to the Financial Statements

For the year ended 31 March 2001

36. OPERATING LEASE COMMITMENTS

At 31 March 2001, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises. The portion of these commitments which is payable in the following year is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Operating leases which expire:		
Within one year	3,302	3,430
In the second to fifth years inclusive	29,388	24,818
	<u>32,690</u>	<u>28,248</u>

At 31 March 2001, the Company had no significant commitments under operating leases.

37. RELATED PARTY TRANSACTIONS

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

- (a) During the year, amounts totalling HK\$47,155,000 were advanced by Mr. Albert Yeung, a deemed substantial shareholder of the Company. The loan is unsecured, bears interest at the best lending rate plus one percent and has no fixed repayment term. During the year, part of the accumulated loan amounting to HK\$76,090,000 was repaid to Mr. Albert Yeung and an accrued interest of approximately HK\$6,476,000 (2000: HK\$1,835,000) was provided on the advance.
- (b) On 25 April 2000, Best Mix Limited, a wholly-owned subsidiary of the Company, was granted the sole and exclusive right to use the name and likeness of Dr. Jackie Chan, the Chairman of the Company, on the internet to promote any food and/or beverages and/or any related products for a term of one year at a consideration of HK\$10 million. The consideration was satisfied by HK\$5,000,000 in cash and by the issue of 5,000,000 shares of HK\$0.10 each of the Company at HK\$1 each.

Notes to the Financial Statements

For the year ended 31 March 2001

37. RELATED PARTY TRANSACTIONS (continued)

- (c) On 26 September 2000, the Company entered into an underwriting agreement with Ample Wealth Limited (“Ample Wealth”) pursuant to which Ample Wealth agreed to underwrite not less than 514,060,700 rights shares and not more than 610,908,200 rights shares. Ample Wealth is an indirect wholly-owned subsidiary of Questrel. The Company paid to Ample Wealth an underwriting commission of approximately HK\$1,955,000 which was calculated on the basis of 2.5% of the amount underwritten.
- (d) The Group also had the following transactions with companies in which a deemed substantial shareholder had beneficial interests:

Contracting party	Nature of transaction	Terms	Amount for the year ended 31 March 2001 HK\$'000	Amount for the year ended 31 March 2000 HK\$'000
China-V (HK) Ltd (note 1)	Purchase of food products	N/A	3,608	3,377
Hong Kong Daily News, Limited (note 1)	Advertising fee paid	N/A	131	290
Smart Ideal Limited (note 1)	Advertising fee paid	N/A	58	153
Ying Wong Property Limited (note 2)	Operating lease rental paid and forfeiture of rental deposit	8 July 1999 until 7 April 2001 at a monthly market rental of HK\$45,000 (exclusive of rates and charges) and forfeiture of rental deposit upon early termination of lease in May 2000	180	354

Notes to the Financial Statements

For the year ended 31 March 2001

37. RELATED PARTY TRANSACTIONS (continued)

Contracting party	Nature of transaction	Terms	Amount for the year ended 31 March 2001 HK\$'000	Amount for the year ended 31 March 2000 HK\$'000
Roseley Limited (note 2)	Operating lease rental paid and forfeiture of rental deposit	7 June 1999 until 6 June 2001 at a monthly market rental of HK\$32,000 (exclusive of rates and charges) and forfeiture of rental deposit upon early termination of lease in August 2000	193	286
A-Hing Limited (note 2)	Operating lease rental paid	2 June 2000 until 31 May 2001 at a monthly market rental of HK\$14,000 (inclusive of rates)	140	—
Emperor Investment (Management) Limited ("EIML") (note 2)	Management fees paid	HK\$70,000 per month	840	840
EIML (note 2)	Professional fee and advertising agency commission paid	N/A	575	30
EIML (note 2)	Accounting services fees paid	N/A	100	200
EIML (note 2)	Incorporation fees paid	N/A	—	356
Emperor Stage Limited (note 3)	Promotion fee paid	N/A	482	—

Notes to the Financial Statements

For the year ended 31 March 2001

37. 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. Ying Wong Property Limited, Roseley Limited, A-Hing Limited and EIML are indirect wholly-owned subsidiaries of Emperor International Holdings Limited, a listed company of which Mr. Albert Yeung was deemed to be a substantial shareholder.
 3. Emperor Stage Limited is an indirect wholly-owned subsidiary of Questrel, a company controlled by Mr. Albert Yeung.
- (e) Amount due from an associate totalling HK\$1,217,000 (2000: HK\$ Nil) is unsecured, non-interest bearing and not repayable within next twelve months.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

At 31 March 2001, 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
Bright Crystal Development Limited	Hong Kong	HK\$2	100%	Property holding
Century Creations Limited	Hong Kong	HK\$10,000	100%	Property holding
Everwin Capital Limited	British Virgin Islands	US\$10,000	100%*	Investment holding

Notes to the Financial Statements

For the year ended 31 March 2001

38. 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
Free Gold Holdings Limited	British Virgin Islands	US\$1	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
Glory Brain Limited	Hong Kong	HK\$2	100%	Property holding
Golden Finder Limited	Hong Kong	HK\$2	100%	Property holding
Golden Top Enterprise Limited	Hong Kong	HK\$2	100%	Property holding
Kindfield Limited	Hong Kong	HK\$2	100%	Operation of a restaurant
Kidman Limited	Hong Kong	HK\$2	100%	Operation of a restaurant and became inactive during the year
Maxbest Limited	Hong Kong	HK\$2	100%	Property holding
Mega Benefit Limited	Hong Kong	HK\$2	100%	Property holding
Rich Delight Limited	Hong Kong	HK\$2	100%	Operation of a restaurant

Notes to the Financial Statements

For the year ended 31 March 2001

38. 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
Suishaya Japanese Restaurant (Kowloon) Limited	Hong Kong	HK\$2	100%	Operation of a restaurant
Sho-Genryoku Sushi Limited	Hong Kong	HK\$2	100%	Operation of take away sushi shops and became inactive during the year
Top Popular Limited	Hong Kong	HK\$2	100%	Operation of restaurants

* Other than Everwin and Free Gold Holdings Limited 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 loan capital outstanding at the end of the year or at any time during the year.