

Notes to the Financial Statements

For the year ended 31st March, 2002

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.

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\$84,466,000 at 31st March, 2002. Since the year end, the directors have been taking active steps to improve the liquidity position of the Group. As explained in note 37(a), net proceeds of approximately HK\$9.5 million were received from the issue of 11,900,000 new shares to two independent investors. Also, as explained in note 37(c), an additional banking facility of HK\$100 million, which will be expired in June 2003, was obtained.

Furthermore, on the basis that the substantial shareholder has confirmed his willingness to grant further financial support to the Group, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared 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 led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 4. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosure for the prior year have been restated in order to achieve a consistent presentation.

Notes to the Financial Statements

For the year ended 31st March, 2002

3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

(continued)

In adopting SSAP 30 “Business Combinations” (“SSAP 30”), the Group has elected to restate goodwill previously eliminated against reserves. Accordingly, the amount of such goodwill has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation in respect of goodwill between the date of acquisition of the relevant subsidiary and associate and the date of adoption of SSAP 30 has been recognised retrospectively. Following restatement, goodwill is presented as an asset in the balance sheet. Goodwill is amortised over its estimated useful life, i.e. over a period of 3 years.

The financial effect of the adoption of SSAP 30 described above is summarised as follows:

	Accumulated losses	Goodwill reserve	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1st April, 2000			
As originally stated	(100,732)	(28,717)	(129,449)
Restatement as an asset of goodwill held in reserves with retrospective recognition of accumulated amortisation	<u>(28,717)</u>	<u>28,717</u>	<u>—</u>
As restated	<u><u>(129,449)</u></u>	<u><u>—</u></u>	<u><u>(129,449)</u></u>

Notes to the Financial Statements

For the year ended 31st March, 2002

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 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Notes to the Financial Statements

For the year ended 31st March, 2002

4. 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

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.

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.

Notes to the Financial Statements

For the year ended 31st March, 2002

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

Property, plant and equipment *(continued)*

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.

Notes to the Financial Statements

For the year ended 31st March, 2002

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 losses are recognised as an expense immediately.

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.

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 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.

Inventories

Inventories comprise food supplies and consumables and are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

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.

Notes to the Financial Statements

For the year ended 31st March, 2002

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

Foreign currencies *(continued)*

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.

Retirement benefits scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's Mandatory Provident Fund Scheme.

Notes to the Financial Statements

For the year ended 31st March, 2002

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:

	2002 HK\$'000	2001 HK\$'000
Sale of goods	220,965	230,046
Services rendered	21,551	21,960
	<u>242,516</u>	<u>252,006</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.

7. OTHER REVENUE

	2002 HK\$'000	2001 HK\$'000
Bank interest income	180	326
Others	2,562	1,573
	<u>2,742</u>	<u>1,899</u>

8. SELLING AND DISTRIBUTION COSTS

Including in selling and distribution costs is an amount of HK\$Nil (2001: HK\$10 million) 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 since April 2000.

Notes to the Financial Statements

For the year ended 31st March, 2002

9. LOSS FROM OPERATIONS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Auditors' remuneration		
– Current year	962	1,066
– (Over)underprovision in prior year	(200)	390
	<hr/> 762	<hr/> 1,456
Depreciation and amortisation on		
– Owned assets	21,119	23,519
– Assets held under finance leases	32	16
Operating lease payments in respect of rented premises	37,561	43,647
Staff costs, including directors' other emoluments (note 11) and retirement benefits scheme contributions (note 13)	86,565	94,919
	<hr/> 86,565	<hr/> 94,919

The impairment loss recognised of HK\$9,442,000 (2001: HK\$Nil) mainly represented the impairment in respect 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. The impairment loss recognised was the carrying amount of the above furniture, fixtures and equipment and crockery, utensils, linens and uniforms.

Notes to the Financial Statements

For the year ended 31st March, 2002

10. FINANCE COSTS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interest on		
– Bank borrowings wholly repayable within five years	1,092	2,744
– Bank borrowings not wholly repayable within five years	773	1,252
– Finance leases	14	5
– Other borrowings	3,641	6,476
	<u>5,520</u>	<u>10,477</u>

11. DIRECTORS' EMOLUMENTS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Fees to:		
Executive directors	504	558
Independent non-executive directors	196	142
	<u>700</u>	<u>700</u>
Other emoluments to executive directors:		
Salaries and other benefits	847	—
Retirement benefits scheme contributions	49	—
	<u>896</u>	<u>—</u>
	<u>1,596</u>	<u>700</u>

Emoluments of the directors were within the following band:

	Number of directors	
	2002	2001
Nil to HK\$1,000,000	<u>9</u>	<u>9</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2001: none) was a director of the Company as at 31st March, 2002, whose emoluments are included in note 11 above. The total emoluments of that director and the emoluments of the remaining four (2001: five) highest paid individuals were as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Salaries and other benefits	3,575	3,903
Retirement benefits scheme contributions	179	177
	<hr/> 3,754 <hr/>	<hr/> 4,080 <hr/>

Their emoluments were within the following bands:

	Number of individuals	
	2002	2001
Nil to HK\$1,000,000	4	4
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$2,000,001 to HK\$2,500,000	—	1
	<hr/> 5 <hr/>	<hr/> 5 <hr/>

13. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Retirement benefits scheme contributions	3,852	2,510
Less: Forfeited contributions	(598)	(569)
	<hr/> 3,254 <hr/>	<hr/> 1,941 <hr/>

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of independent trustees.

Notes to the Financial Statements

For the year ended 31st March, 2002

13. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS *(continued)*

The retirement benefits cost charged to the income statement represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

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

At 31st March, 2002, 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\$348,000 (2001: HK\$369,000).

14. INCOME TAX CREDIT

	2002 HK\$'000	2001 HK\$'000
Hong Kong Profits Tax		
Overprovision in prior years	104	584
Deferred taxation (Note 29)		
Credit for the year	—	68
	<u>104</u>	<u>652</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.

15. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of HK\$49,088,000 (2001: HK\$78,099,000) and the weighted average number of 59,524,520 (2001: 39,943,171) shares in issue during the year. Loss per share for both years has been adjusted for the share consolidation on 23rd February, 2002, details of which are set out in note 26 to the financial statements.

No diluted loss per share has been presented for the year 2001 as the exercise of the Company's warrants did not result in any dilutive effect.

Notes to the Financial Statements

For the year ended 31st March, 2002

16. 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 1st April, 2001	40,300	195,844	3,257	2,727	242,128
Additions	—	18,714	87	160	18,961
Disposals/written off	(3,200)	(8,129)	(19)	(450)	(11,798)
Deficit arising on revaluation	(2,340)	—	—	—	(2,340)
At 31st March, 2002	34,760	206,429	3,325	2,437	246,951
Comprising:					
At cost	—	206,429	3,325	2,437	212,191
At valuation – 2002	34,760	—	—	—	34,760
	34,760	206,429	3,325	2,437	246,951
DEPRECIATION AND AMORTISATION/IMPAIRMENT					
At 1st April, 2001	—	126,965	2,682	—	129,647
Provided for the year	835	20,113	203	—	21,151
Eliminated on disposals/ written off	(33)	(4,202)	(5)	—	(4,240)
Eliminated on revaluation	(802)	—	—	—	(802)
Impairment loss	—	9,125	—	317	9,442
At 31st March, 2002	—	152,001	2,880	317	155,198
NET BOOK VALUES					
At 31st March, 2002	34,760	54,428	445	2,120	91,753
At 31st March, 2001	40,300	68,879	575	2,727	112,481

Notes to the Financial Statements

For the year ended 31st March, 2002

16. 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\$34,760,000 were revalued at 31st March, 2002 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 deficit arising on revaluation of the leasehold land and buildings amounting to 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 cost less accumulated depreciation and amortisation of HK\$67,892,000 (2001: HK\$75,262,000).

The net book value of property, plant and equipment of the Group included an amount of HK\$333,000 (2001: HK\$99,000) in respect of furniture, fixtures and equipment held under finance leases.

17. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	88,174	88,174
Less: Impairment loss	(69,980)	(56,665)
	<u>18,194</u>	<u>31,509</u>

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").

Notes to the Financial Statements

For the year ended 31st March, 2002

17. INVESTMENTS IN SUBSIDIARIES (continued)

The impairment loss recognised mainly represented the recognition of a decrease in recoverable amount as determined by the discounted cashflow using discount rate of 7%. The impairment loss has taken into consideration of cessation of operations of certain outlets of subsidiaries subsequent to the year end.

Details of the principal subsidiaries of the Company as at 31st March, 2002 are set out in note 39.

18. INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
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.

Notes to the Financial Statements

For the year ended 31st March, 2002

19. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net liabilities	(1,217)	(1,217)
Amount due from an associate	1,217	1,217
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

As at 31st March, 2002, 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%	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, have been provided for to the extent that the Group has made payments to satisfy obligations of the associate that the Group has guaranteed.

20. AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Amounts due from subsidiaries	414,876	398,205
Less: Allowance	(373,280)	(355,335)
	<u> </u>	<u> </u>
	<u>41,596</u>	<u>42,870</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

21. 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	
	2002	2001
	HK\$'000	HK\$'000
0 – 30 days	1,763	875
31 – 60 days	27	203
61 – 90 days	3	8
Over 90 days	—	82
	<u>1,793</u>	<u>1,168</u>

22. TRADE CREDITORS

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
0 – 30 days	5,809	6,165
31 – 60 days	5,144	5,456
61 – 90 days	1,435	1,770
Over 90 days	—	685
	<u>12,388</u>	<u>14,076</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

23. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts payable under finance leases:				
Within one year	85	25	67	24
In the second to fifth years inclusive	291	—	261	—
	<u>376</u>	<u>25</u>	<u>328</u>	<u>24</u>
Less: Future finance charges	(48)	(1)	N/A	N/A
Present value of lease obligations	<u>328</u>	<u>24</u>	<u>328</u>	<u>24</u>
Less: Amount due within one year shown under current liabilities			(67)	(24)
Amount due after one year			<u>261</u>	<u>—</u>

It is the Group's policy to lease certain of its furniture, fixtures and equipment under finance leases. The lease term is 5 years. For the year ended 31st March, 2002, 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, 2002 or 31st March, 2001.

Notes to the Financial Statements

For the year ended 31st March, 2002

24. BANK BORROWINGS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Bank borrowings comprise:		
Bank loans	18,216	24,051
Bank overdrafts	8,841	7,474
Total	27,057	31,525
Less: Amount due within one year shown under current liabilities	(12,713)	(13,269)
Amount due after one year	<u>14,344</u>	<u>18,256</u>
The maturity of the above bank borrowings is as follows:		
Within one year or upon demand	12,713	13,269
More than one year but not exceeding two years	3,906	3,487
More than two years but not exceeding five years	9,678	11,598
More than five years	760	3,171
	<u>27,057</u>	<u>31,525</u>
Analysed as:		
Secured	27,057	27,954
Unsecured	—	3,571
	<u>27,057</u>	<u>31,525</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

25. LOAN FROM A SHAREHOLDER

At 31st March, 2001, an amount of HK\$36,376,000 was owing to Mr. Albert Yeung, a deemed substantial shareholder of the Company. On 1st December, 2001, amounts including subsequent loans and accrued interest totalling HK\$61,302,000 were assigned by the deemed substantial shareholder to Forever Rich Profits Limited ("Forever Rich"), a substantial shareholder of the Company. The outstanding loan owing to Forever Rich was approximately HK\$73,267,000 (2001: HK\$Nil) as at 31st March, 2002. The loan was fully repaid subsequent to 31st March, 2002 as mentioned in note 37(c).

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

26. SHARE CAPITAL

During the year, the following changes in the authorised and issued share capital of the Company took place:

	Notes	Par value of ordinary share HK\$	Number of ordinary shares	Amount HK\$'000
<i>Authorised:</i>				
At 1st April, 2000 and 31st March, 2001		0.10 each	5,000,000,000	500,000
Share Subdivision	(1)		995,000,000,000	—
			<hr/>	<hr/>
		0.0005 each	1,000,000,000,000	500,000
Share Consolidation	(1)		(950,000,000,000)	—
			<hr/>	<hr/>
At 31st March, 2002		0.01 each	<u>50,000,000,000</u>	<u>500,000</u>

Notes to the Financial Statements

For the year ended 31st March, 2002

26. SHARE CAPITAL (continued)

	Notes	Par value of ordinary share HK\$	Number of ordinary shares	Amount HK\$'000
<i>Issued and fully paid:</i>				
At 1st April, 2000		0.10 each	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	(2)	0.10 each	5,000,000	500
Issue of shares pursuant to rights issue	(3)	0.10 each	595,245,200	59,524
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	<u>59,524,520</u>	<u>595</u>

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").

Notes to the Financial Statements

For the year ended 31st March, 2002

26. SHARE CAPITAL (continued)

Notes: (continued)

- (2) Pursuant to a resolution passed at a special general meeting of the Company held on 18th April, 2000, 5,000,000 shares of HK\$0.10 each were issued on 25th 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.
- (3) On 27th 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 to provide general working capital of the Group.

27. WARRANTS

At 1st April, 2001, the Company had outstanding warrants in the amount of HK\$41,305,540. During the year, no warrants were exercised to subscribe for ordinary shares of the Company and all warrants expired on 31st October, 2001.

Notes to the Financial Statements

For the year ended 31st March, 2002

28. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Goodwill reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE GROUP						
At 1st April, 2000						
– as originally stated	148,517	—	(36,810)	(28,717)	(100,732)	(17,742)
– prior year adjustment (note 3)	—	—	—	28,717	(28,717)	—
– as restated	148,517	—	(36,810)	—	(129,449)	(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)
Net loss for the year	—	—	—	—	(78,099)	(78,099)
At 31st March, 2001	167,079	—	(36,810)	—	(207,548)	(77,279)
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 31st March, 2002	167,079	—	(36,810)	—	(138,182)	(7,913)

Notes to the Financial Statements

For the year ended 31st March, 2002

28. RESERVES (continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Goodwill reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY						
At 1st April, 2000	148,517	51,286	—	—	(217,846)	(18,043)
Premium arising from issue of shares on acquisition of 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)
Net loss for the year	—	—	—	—	(78,103)	(78,103)
At 31st March, 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)
At 31st March, 2002	167,079	51,286	—	—	(226,289)	(7,924)

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.

Notes to the Financial Statements

For the year ended 31st March, 2002

28. 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, 2002 and 31st March, 2001, the Company had no reserves available for distribution to shareholders.

29. DEFERRED TAXATION

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Balance at beginning of the year	—	68
Credit for the year (note 14)	—	(68)
	<hr/>	<hr/>
Balance at end of the year	—	—
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31st March, 2002

29. DEFERRED TAXATION (continued)

At 31st March, 2002, the major components of unprovided deferred taxation (asset) liability were as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences because of:		
Difference between tax depreciation allowances and accounting depreciation	(1,061)	2,777
Unutilised taxation losses	<u>(28,545)</u>	<u>(26,058)</u>
	<u>(29,606)</u>	<u>(23,281)</u>

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

	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences because of:		
Difference between tax depreciation allowances and accounting depreciation	(3,838)	149
Taxation losses	<u>(2,487)</u>	<u>(12,575)</u>
	<u>(6,325)</u>	<u>(12,426)</u>

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.

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

Notes to the Financial Statements

For the year ended 31st March, 2002

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Loss before tax	(49,192)	(78,751)
Share of results of an associate	—	1,213
Bank interest income	(180)	(326)
Interest expenses	5,520	10,477
Depreciation and amortisation	21,151	23,535
Deficit (surplus) on revaluation of leasehold land and buildings	1,538	(266)
Right to use the name and likeness of Dr. Jackie Chan	—	5,000
Loss on disposal/written off of property, plant and equipment	5,132	9,624
Impairment loss arising on property, plant and equipment	9,442	—
Decrease in inventories	2,497	967
Increase in trade debtors	(625)	(47)
(Increase) decrease in other debtors, deposits and prepayments	(2,094)	5,723
Decrease in trade creditors	(1,688)	(6,302)
Increase (decrease) in other creditors and accrued charges	1,764	(1,058)
	<hr/>	<hr/>
Net cash outflow from operating activities	(6,735)	(30,211)

Notes to the Financial Statements

For the year ended 31st March, 2002

31. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium HK\$'000	Loan from a shareholder HK\$'000	Bank loans HK\$'000	Obligations under finance leases HK\$'000
Balance at 1st April, 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)
Balance at 31st March, 2001	286,128	36,376	24,051	24
Capital Reduction and Share Consolidation (<i>Note 26</i>)	(118,454)	—	—	—
New loans raised	—	33,250	—	—
Inception of finance lease	—	—	—	365
Interests payable	—	3,641	—	—
Repayments	—	—	(5,835)	(61)
Balance at 31st March, 2002	167,674	73,267	18,216	328

32. MAJOR NON CASH TRANSACTION

During the year, the Group entered into finance leases arrangements in respect of certain furniture, fixtures and equipment with a total capital value at the inception of the leases of HK\$365,000.

Notes to the Financial Statements

For the year ended 31st March, 2002

33. PLEDGE OF ASSETS

At 31st March, 2002, 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	
	2002 HK\$'000	2001 HK\$'000
Leasehold land and buildings	34,760	37,100
Bank deposits pledged	6,836	6,639
	<u>41,596</u>	<u>43,739</u>

34. 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 (2001: HK\$37,978,000).

At 31st March, 2002, the Group had no significant contingent liabilities.

35. CAPITAL COMMITMENTS

At 31st March, 2002, 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\$283,000 (2001: HK\$Nil).

At 31st March, 2002, the Company had no capital commitments.

Notes to the Financial Statements

For the year ended 31st March, 2002

36. OPERATING LEASE COMMITMENTS

At 31st March, 2002, 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	
	2002 HK\$'000	2001 HK\$'000
Within one year	28,633	32,822
In the second to fifth years inclusive	16,309	21,577
	<u>44,942</u>	<u>54,399</u>

Operating lease payments represent rentals payable by the Group for certain of its 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.

At 31st March, 2002, the Company had no significant commitments under operating leases.

37. POST BALANCE SHEET EVENTS

- (a) 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.

Notes to the Financial Statements

For the year ended 31st March, 2002

37. POST BALANCE SHEET EVENTS *(continued)*

- (b) On 27th June, 2002, Forever Rich, the substantial shareholder of the Company, and Mr. Albert Yeung, a deemed substantial shareholder of the Company, entered into a conditional sale and purchase agreement with independent third parties, Super Empire Investments Limited ("Super Empire") and Mr. Wong Chun Loong, the controlling shareholder of Super Empire, pursuant to which Forever Rich agreed to sell and Super Empire agreed to purchase 38,540,325 shares of the Company. Simultaneously, Super Empire entered into conditional parallel purchase agreements with two independent investors pursuant to which Mr. Kong Ho Pak and Ms. Mo Yuk Ping agreed to sell and Super Empire agreed to purchase 6,050,000 and 5,900,000 shares of the Company respectively. These transactions were completed on 3rd July, 2002. Super Empire becomes the new substantial shareholder of the Company. Details of the transaction are set out in the Company's press announcement dated 2nd July, 2002.
- (c) On 26th June, 2002, an additional banking facility with amount of HK\$100 million was obtained. This banking facility is guaranteed by the former deemed substantial shareholder and will be expired in June 2003. On 27th June, 2002, this facility was drawn down to the extent of approximately HK\$74.4 million in order to fully repay the loan owing to Forever Rich.

38. RELATED PARTY TRANSACTIONS

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

- (a) During the year, amounts totalling HK\$22,670,000 (2001: 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. On 1st December, 2001, amounts totalling HK\$61,302,000 were assigned to Forever Rich, a substantial shareholder of the Company and is indirectly-controlled by the discretionary trust of Mr. Albert Yeung. During the year, amounts totalling HK\$10,580,000 (2001: HK\$Nil) were advanced by Forever Rich. The loan is unsecured, bears interest at the best lending rate plus one percent and has no fixed repayment term. During the year, no repayment was made either to Mr. Albert Yeung (2001: HK\$76,090,000) or Forever Rich and an accrued interest of approximately HK\$2,256,000 (2001: HK\$6,476,000) and HK\$1,385,000 (2001: HK\$Nil) were provided on the advances respectively.

Notes to the Financial Statements

For the year ended 31st March, 2002

38. RELATED PARTY TRANSACTIONS (continued)

- (b) 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 31st March, 2002 HK\$'000	Amount for the year ended 31st March, 2001 HK\$'000
China-V (HK) Ltd (note 1)	Purchase of food products	N/A	2,449	3,608
Hong Kong Daily News, Limited (note 1)	Advertising fee paid	N/A	171	131
Smart Ideal Limited (note 1)	Advertising fee paid	N/A	42	58
Ying Wong Property Limited (note 2)	Operating lease rental paid and forfeiture of rental deposit	8th July, 1999 until 7th 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

Notes to the Financial Statements

For the year ended 31st March, 2002

38. RELATED PARTY TRANSACTIONS (continued)

Contracting party	Nature of transaction	Terms	Amount for the year ended 31st March, 2002 HK\$'000	Amount for the year ended 31st March, 2001 HK\$'000
Roseley Limited (note 2)	Operating lease rental paid and forfeiture of rental deposit	7th June, 1999 until 6th 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
A-Hing Limited (note 2)	Operating lease rental paid	Commenced from 2nd June, 2000 at a monthly market rental of HK\$14,000 (inclusive of rates)	169	140
Emperor Investment (Management) Limited ("EIML") (note 2)	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	840
EIML (note 2)	Professional fee and advertising agency commission paid	N/A	548	575

Notes to the Financial Statements

For the year ended 31st March, 2002

38. RELATED PARTY TRANSACTIONS (continued)

Contracting party	Nature of transaction	Terms	Amount for the year ended 31st March, 2002 HK\$'000	Amount for the year ended 31st March, 2001 HK\$'000
EIML (note 2)	Accounting services fees paid	N/A	—	100
Emperor Entertainment Limited (note 3)	Promotion fee paid	N/A	399	—
Ulferts of Sweden (Far East) Limited (note 2)	Purchase of furniture	N/A	67	—
Emperor Stage Limited (note 4)	Promotion fee paid	N/A	—	482

Notes:

- 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.
- Ying Wong Property Limited, Roseley Limited, 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.
- 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.
- Emperor Stage Limited is an indirect wholly-owned subsidiary of Questrel Holdings Limited, a company controlled by Mr. Albert Yeung.

Notes to the Financial Statements

For the year ended 31st March, 2002

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

At 31st March, 2002, 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%	Inactive*
Century Creations Limited	Hong Kong	HK\$10,000	100%	Property holding
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
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%	Inactive*
Kindfield Limited	Hong Kong	HK\$2	100%	Operation of a restaurant
Maxbest Limited	Hong Kong	HK\$2	100%	Property holding
Mega Benefit Limited	Hong Kong	HK\$2	100%	Inactive*

Notes to the Financial Statements

For the year ended 31st March, 2002

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
Rich Delight Limited	Hong Kong	HK\$2	100%	Operation of a restaurant
Suishaya Japanese Restaurant (Kowloon) Limited	Hong Kong	HK\$2	100%	Operation of a restaurant
Top Popular Limited	Hong Kong	HK\$2	100%	Operation of restaurants and became inactive during the year

* Other than Everwin which is directly held by the Company, all subsidiaries are indirectly held by the Company.

+ These subsidiaries were principally engaged in property holding and became inactive during the year.

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.