



Report of the Directors

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

CHANGE OF NAME

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

PRINCIPAL ACTIVITIES

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

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

RESULTS

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

SHARE CAPITAL

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

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

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



Report of the Directors

FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

DIRECTORS AND SERVICE CONTRACTS

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

Executive directors:

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

Independent non-executive directors:

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

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



Report of the Directors

DIRECTORS AND SERVICE CONTRACTS *(continued)*

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

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

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

SHARE OPTIONS

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

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

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

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

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



Report of the Directors

SHARE OPTIONS *(continued)*

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

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

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN SHARES

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

Name of director	Number of shares	Notes
Dr. Chan Kong Sang, Jackie ("Dr. Jackie Chan") — shares of the Company	27,449,500	(1)
Mr. Cheung Ting Kau, Vincent ("Mr. Vincent Cheung") — shares of the Company	2,875,000	(2)
Mr. Tong Kai Lap ("Mr. Tong") — shares of an associated corporation	5	(3)

Notes:

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

Other than as disclosed above, at 31st March, 2003, none of the directors or chief executives or their respective associates had any interests in any securities of the Company or any of its associated corporations.



Report of the Directors

CONNECTED TRANSACTIONS

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

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

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

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

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

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



Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholder had an interest of 10% or more in the issued share capital of the Company:

Name of substantial shareholder	Number of shares	Shareholding percentage
Super Empire	232,381,325	65.07%
Mr. Wong Chun Loong (<i>"Mr. Wong"</i>)	232,381,325	65.07%

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

Other than save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st March, 2003.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section headed "Share Options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

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

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

PRE-EMPTIVE RIGHTS

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

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st March, 2003 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.



Report of the Directors

AUDITORS

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

On behalf of the Board

Ko Chi Keung

Director

Hong Kong, 21st July, 2003