



## Notes to the Financial Statements

*For the year ended 31st March, 2003*

### 1. GENERAL

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

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

### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

#### **Cash flow statements**

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

#### **Employee benefits**

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### **Basis of consolidation**

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

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

#### **Goodwill**

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

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

#### **Revenue recognition**

Sales of goods are recognised when goods are delivered.

Service fees are recognised when services are provided.

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

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

#### **Investments in subsidiaries**

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

#### **Interests in associates**

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

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

#### Property, plant and equipment

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

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

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

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

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

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

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

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

#### Intangible asset

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

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

#### Impairment

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

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

#### Finance leases

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

#### Operating leases

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

#### Inventories

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

#### Foreign currencies

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

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

#### Taxation

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

#### Retirement benefit costs

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

### 5. TURNOVER

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

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

Services rendered represent surcharge for services provided in the restaurants.

### 6. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 7. OTHER OPERATING INCOME

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

### 8. LOSS FROM OPERATIONS

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

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 9. FINANCE COSTS

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

### 10. DIRECTORS' EMOLUMENTS

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

Emoluments of the directors were within the following band:

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 11. EMPLOYEES' EMOLUMENTS

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

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

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

Their emoluments were within the following bands:

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

### 12. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS

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

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





## Notes to the Financial Statements

For the year ended 31st March, 2003

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

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

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

### 13. INCOME TAX (EXPENSE) CREDIT

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

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

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

### 14. LOSS PER SHARE

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

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 15. PROPERTY, PLANT AND EQUIPMENT

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

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

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

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

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

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

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

### 16. INVESTMENTS IN SUBSIDIARIES

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

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

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

### 17. INTANGIBLE ASSET

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

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 18. INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net liabilities of subsidiaries not consolidated	—	—

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

### 19. INTEREST IN AN ASSOCIATE

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

As at 31st March, 2003, 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, has been provided for to the extent that the Group has made payments to satisfy obligations of the associate that the Group has guaranteed.



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 20. AMOUNTS DUE FROM SUBSIDIARIES

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

### 21. TRADE DEBTORS

The Group does not define a fixed credit policy.

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

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

### 22. TRADE CREDITORS

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

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 23. AMOUNT DUE TO A RELATED COMPANY

#### THE GROUP AND THE COMPANY

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

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

### 24. OBLIGATIONS UNDER FINANCE LEASES

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

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

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

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 25. BANK BORROWINGS (SECURED)

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

### 26. OTHER LOAN

#### THE GROUP

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

### 27. LOAN FROM A RELATED COMPANY

#### THE GROUP AND THE COMPANY

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

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 28. LOAN FROM A FORMER SHAREHOLDER

#### THE GROUP AND THE COMPANY

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

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

### 29. SHARE CAPITAL

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





## Notes to the Financial Statements

For the year ended 31st March, 2003

### 29. SHARE CAPITAL (continued)

Notes:

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

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

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

### 30. RESERVES

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

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

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 30. RESERVES (continued)

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

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

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

### 31. MINORITY INTERESTS

#### THE GROUP

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

### 32. UNPROVIDED DEFERRED TAXATION

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

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 32. UNPROVIDED DEFERRED TAXATION (continued)

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

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

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

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

### 33. PLEDGE OF ASSETS

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

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



## Notes to the Financial Statements

*For the year ended 31st March, 2003*

### 34. CONTINGENT LIABILITIES

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

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

### 35. CAPITAL COMMITMENTS

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

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

### 36. SHARE OPTION SCHEME

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

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

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

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 36. SHARE OPTION SCHEME (continued)

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

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

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

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

### 37. OPERATING LEASES

#### The Group and the Company as lessee

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

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

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 37. OPERATING LEASES (continued)

#### The Group as lessor

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

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

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

### 38. RELATED PARTY TRANSACTIONS

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

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 38. RELATED PARTY TRANSACTIONS (continued)

- (c) The Group also had the following transactions with companies in which a former deemed substantial shareholder had beneficial interests:

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



## Notes to the Financial Statements

For the year ended 31st March, 2003

### 38. RELATED PARTY TRANSACTIONS (continued)

Notes:

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

### 39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

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





## Notes to the Financial Statements

For the year ended 31st March, 2003

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

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

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

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

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