

# Report of The Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2001.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 16 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

## SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to loss from operating activities by principal activity and geographical area of operations for the year ended 31 March 2001 is as follows:

	Turnover		Contribution to loss from operating activities	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By activity:				
Restaurant operations	<b>388,192</b>	376,865	<b>(15,062)</b>	3,262
Property investment	<b>1,907</b>	10,749	<b>448</b>	(23,656)
	<b><u>390,099</u></b>	<u>387,614</u>	<b><u>(14,614)</u></b>	<u>(20,394)</u>
By geographical area:				
The People's Republic of China:				
Hong Kong	<b>390,099</b>	356,935	<b>(14,614)</b>	(19,980)
Macau	-	30,679	-	731
Elsewhere	-	-	-	(1,145)
	<b><u>390,099</u></b>	<u>387,614</u>	<b><u>(14,614)</u></b>	<u>(20,394)</u>

## RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 17 to 57.

The directors do not recommend the payment of any dividend in respect of the year.

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## SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 58. This summary is not part of the audited financial statements.

## FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 11 to the financial statements.

## INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 12 to the financial statements.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 16 to the financial statements.

## JOINTLY CONTROLLED ENTITY AND ASSOCIATES

Particulars of the Group's interests in its jointly controlled entity and associates are set out in notes 13 and 14 to the financial statements, respectively.

## BORROWINGS

Details of the borrowings of the Group are set out in notes 18 and 19 to the financial statements.

## SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year, together with reasons therefor, are set out in note 22 to the financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

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

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

## RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 23 to the financial statements.

## DISTRIBUTABLE RESERVES

At 31 March 2001, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK\$130,551,000. In addition, the Company's share premium account, in the amount of HK\$37,272,000, may be distributed in the form of fully paid bonus shares.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the five largest customers of the Group accounted for less than 30% of the Group's total sales for the year. Purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

## DIRECTORS

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

### **Executive directors:**

Chan Shu Kit

Kung Wing Yiu

Ng Wai

Chan Leung Huen

Lai Lak Keung

(resigned on 28 February 2001)

### **Independent non-executive directors:**

Kung Fan Cheong

Chan Ka Ling, Edmond

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## DIRECTORS (continued)

In accordance with the Company's bye-laws, all present directors will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors are not appointed for specific terms and are subject to retirement and re-election at each annual general meeting of the Company in accordance with the Company's bye-laws.

## EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments of the directors of the Company and of the five highest paid employees of the Group are set out in notes 6 and 7 to the financial statements, respectively.

## DIRECTORS' SERVICE CONTRACTS

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

## DIRECTORS' INTERESTS IN SHARES AND WARRANTS

At 31 March 2001, the interests of the directors and their associates in the share capital and warrants of the Company and its subsidiaries as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

### (i) The Company

Name of director	Number of ordinary shares held and nature of interest		Number of warrants held and nature of interest	
	Personal	Corporate	Personal	Corporate
Chan Shu Kit	–	114,240,000 (note 1)	–	22,848,000 (note 1)
Kung Wing Yiu	7,802,000	–	1,560,400	–
Ng Wai	658,000	5,847,000 (note 2)	131,600	1,169,400 (note 2)
Chan Leung Huen	<u>1,350,000</u>	<u>5,530,000</u> (note 3)	<u>270,000</u>	<u>1,106,000</u> (note 3)

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## DIRECTORS' INTERESTS IN SHARES AND WARRANTS (continued)

### (ii) Subsidiaries

#### (a) Long Yuet Investment Limited

Name of director	Nature of interest	Number of non-voting deferred shares held
Chan Shu Kit	Personal	5,000
Kung Wing Yiu	Personal	<u>5,000</u>

#### (b) Conyick Investments Limited

Name of director	Nature of interest	Number of non-voting deferred shares held
Chan Shu Kit	Personal	400,000
Kung Wing Yiu	Personal	<u>50,000</u>

#### Notes:

1. These shares and warrants are held through Hoylake Holdings Limited, a company wholly-owned by Chan Shu Kit.
2. These shares and warrants are held through Kemma Investment Limited, a company wholly-owned by Ng Wai and his family.
3. These shares and warrants are held through Loong Yip Shing Investment Company Limited, a company wholly-owned by Chan Leung Huen and his wife.

In addition to the above, a director has non-beneficial personal equity interests in a subsidiary held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

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## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Saved as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

At the balance sheet date, no options had been granted pursuant to the share option scheme as described in note 22 to the financial statements.

## SUBSTANTIAL SHAREHOLDERS

At 31 March 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

<b>Name</b>	<b>Number of shares held</b>	<b>%</b>
Hoylake Holdings Limited	<u>114,240,000</u>	<u>38</u>

This interest has also been disclosed as an interest of Chan Shu Kit under the section "Directors' interests in shares and warrants" above.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and warrants" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 28 to the financial statements, no director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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## BIOGRAPHICAL DETAILS OF DIRECTORS

<b>Name</b>	<b>Age</b>	<b>Position held</b>	<b>Number of years of service</b>	<b>Business experience</b>
Chan Shu Kit	52	Chairman	18	Mr. Chan is a co-founder of the Group and has over 29 years' experience in the catering business. He is responsible for the overall corporate strategy of the Group.
Kung Wing Yiu	49	Deputy chairman	15	Mr. Kung is responsible for business development and restaurant site selection. He has over 24 years' business experience. He joined the Group in 1986.
Ng Wai	84	Executive director	15	Mr. Ng is responsible for the quality control of the Group's food and service, as well as menu planning. He joined the Group in 1986 and has over 59 years' business experience.
Chan Leung Huen	67	Executive director	15	Mr. Chan is in charge of the central purchasing department of the Group. He joined the Group in 1986 and has over 32 years' experience in the catering business.
Lai Lak Keung	66	Former executive director	18	Mr. Lai was a co-founder of the Group. He has over 34 years' experience in the catering business and was responsible for the Group's administration. He resigned as an executive director on 28 February 2001.

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## BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

<b>Name</b>	<b>Age</b>	<b>Position held</b>	<b>Number of years of service</b>	<b>Business experience</b>
Kung Fan Cheong	46	Non-executive director	9	Mr. Kung is a partner in the law firm of Remus Wong, Pang, Kung & Co. and is a member of the Law Society of Hong Kong and the Law Society of England & Wales.
Chan Ka Ling, Edmond	42	Non-executive director	9	Mr. Chan is a partner in Chan and Chan, Certified Public Accountants. He is a fellow member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants.

## CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied 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, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement and re-election at each annual general meeting of the Company in accordance with the bye-laws of the Company.

## AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Chan Shu Kit**

*Chairman*

Hong Kong, 23 July 2001