

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2003.

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 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 13 to 47.

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and minority interests 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 48. This summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND WARRANTS

Details of movements in the Company's share capital and warrants during the year, together with the reasons therefor, are set out in note 24 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.

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 during the year are set out in note 25 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2003, the Company had no reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended). However, the Company's share premium account, in the amount of HK\$37,634,000, 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

Independent non-executive directors:

Kung Fan Cheong
Chan Ka Ling, Edmond

In accordance with the Company's bye-laws, all 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.

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 of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES AND WARRANTS

At 31 March 2003, the interests of the directors 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	1,350,000	5,530,000 (note 3)	270,000	3,106,000 (note 3)

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	5,000
		<hr style="width: 100%;"/>

(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	50,000
		<hr style="width: 100%;"/>

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 family.

In addition to the above, a director has non-beneficial personal equity interest 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' interest in shares and warrants" 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.

The Company's share option scheme adopted on 18 January 1993 ceased to be effective from 18 January 2003. No share option had been granted under the share option scheme.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2003, the following interests of 10% or more of the issued 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:

Name	Number of share held	Percentage of the Company's issued share capital
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 under the section "Connected transactions" below, 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.

BIOGRAPHICAL DETAILS OF THE DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Chan Shu Kit	54	Chairman	20	Mr. Chan is a co-founder of the Group and has over 31 years' experience in the catering business. He is responsible for the overall corporate strategy of the Group.
Kung Wing Yiu	51	Deputy chairman	17	Mr. Kung is responsible for business development and restaurant site selection. He has over 26 years' business experience. He joined the Group in 1986.
Ng Wai	86	Executive director	17	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 61 years' business experience.
Chan Leung Huen	69	Executive director	17	Mr. Chan is in charge of the central purchasing department of the Group. He joined the Group in 1986 and has over 34 years' experience in the catering business.

REPORT OF THE DIRECTORS (Continued)

BIOGRAPHICAL DETAILS OF THE DIRECTORS (continued)

Name	Age	Position held	Number of years of service	Business experience
Kung Fan Cheong	48	Non-executive director	11	Mr. Kung is a partner in the law firm of Pang, Kung & Co. and is a member of the Law Society of Hong Kong.
Chan Ka Ling, Edmond	44	Non-executive director	11	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.

CONNECTED TRANSACTIONS

During the year, the Company and its subsidiaries entered into several transactions with certain connected persons. These transactions are considered to be connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which need to be disclosed herein in accordance with the requirements of the Listing Rules.

The independent non-executive directors have confirmed to the board of directors that the connected transactions arose in the ordinary and usual course of the Group's business and they were entered into based on normal commercial terms and in accordance with the terms of the agreements of the underlying transactions.

The connected transactions, which were carried out in the normal course of the Group's business, are as follows:

- a) On 26 April 2000, Worlden Industries Limited, a subsidiary owned as to 62% by the Company up to 19 December 2002, entered into a tenancy agreement with Smart Vantage Investments Limited, pursuant to which Worlden Industries Limited agreed to lease certain premises from Smart Vantage Investments Limited. The tenancy agreement is of the terms of a 2-year period from 16 April 2000 to 15 April 2002. On 4 June 2002, Tack Hsin Restaurant (Western) Limited, a subsidiary owned as to 80% by the Company, and Worlden Industries Limited entered into two separate tenancy agreements with Smart Vantage Investments Limited, pursuant to which Tack Hsin Restaurant (Western) Limited and Worlden Industries Limited agreed to lease certain premises from Smart Vantage Investments Limited. These two tenancy agreements are of the terms of a 2-year period from 1 March 2002 to 29 February 2004 and from 16 April 2002 to 15 April 2004, respectively.
- b) On 22 October 1999 and 18 November 1999, Royal Power Investment Limited, a subsidiary owned as to 51% by the Company, entered into two separate tenancy agreements with Dorshare Development Limited and Mennex Investment Limited, respectively, pursuant to which Royal Power Investment Limited agreed to lease certain premises from Dorshare Development Limited and Mennex Investment Limited, respectively. These two tenancy agreements are of the terms of a 36-month period from 1 October 1999 to 30 September 2002 and a 34-month period from 1 December 1999 to 30 September 2002, respectively. On 6 November 2002, Royal Power Investment Limited renewed the tenancy agreement with Dorshare Development Limited for a term of 2 years from 1 October 2002 to 30 September 2004.

CONNECTED TRANSACTIONS (continued)

- c) On 28 June 2001, Tack Hsin Restaurant (London) Limited, a wholly-owned subsidiary of the Company, entered into a tenancy agreement with Chan Shu Kit, an executive director of the Company, pursuant to which Tack Hsin Restaurant (London) Limited agreed to lease certain premises from Mr. Chan. This tenancy agreement is of the terms of a 2-year period from 1 July 2001 to 30 June 2003.
- d) On 16 February 2001, Tack Hsin Restaurant (Peninsula) Limited, a wholly-owned subsidiary of the Company, entered into two separate tenancy agreements with Best Champion Asia Limited, pursuant to which Tack Hsin Restaurant (Peninsula) Limited agreed to lease certain car parking spaces from Best Champion Asia Limited. These two tenancy agreements are of the terms of a 2-year period from 1 February 2001 to 31 January 2003. On 6 March 2003, Tack Hsin Restaurant (Peninsula) Limited entered into a tenancy agreement with Best Champion Asia Limited, pursuant to which Tack Hsin Restaurant (Peninsula) Limited agreed to lease certain car parking spaces from Best Champion Asia Limited. This tenancy agreement is of the terms of a 1-year period from 1 February 2003 to 31 January 2004.

For the year ended 31 March 2003, the Group paid aggregate rental expenses of HK\$2,756,000 in respect of the tenancy agreements described above during the relevant period where the persons were connected. The rentals were determined with reference to open market rentals and the details of which are as follows:

	HK\$'000
Rental expenses paid to the landlords:	
Smart Vantage Investments Limited (note i)	1,595
Dorshare Development Limited (note ii)	482
Mennex Investment Limited (note iii)	127
Mr. Chan Shu Kit	72
Best Champion Asia Limited (note iv)	480
	2,756

Notes:

- i. Smart Vantage Investments Limited was owned as to 60% in aggregate by two executive directors of the Company and as to 20% by an executive director of a subsidiary of the Company. On 5 December 2002, the two executive directors of the Company and the executive director of a subsidiary of the Company disposed of their entire interests in Smart Vantage Investments Limited to an independent third party.
- ii. Dorshare Development Limited is owned as to 75% in aggregate by an executive director of the Company and his associate and as to 25% by another executive director of the Company. On 20 December 2002, the relevant premises held by Dorshare Development Limited were disposed of to an independent third party.
- iii. Mennex Investment Limited is owned as to 50% in aggregate by two executive directors of the Company. On 16 September 2002, the relevant premises held by Mennex Investment Limited were disposed of to an independent third party.
- iv. Best Champion Asia Limited is owned as to 25% in aggregate by an executive director of the Company and his associate, as to 25% by another executive director of the Company and as to 25% by an executive director of a subsidiary of the Company.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in notes 1, 19 and 24 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, 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.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors 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
24 July 2003