



### REVIEW OF OPERATIONS

#### Dividend

The Directors do not recommend the payment of any dividend for the year.

#### Financial Review

The Group recorded a turnover of HK\$158,903,000 for the year ended 31 March 2004, compared with a turnover of HK\$255,343,000 for the last year. The loss attributable to shareholders was HK\$11,039,000. Loss per share was HK3.2 cents (2003: HK11.9 cents).

The outbreak of Severe Acute Respiratory Syndrome ("SARS") since late March last year had a considerable impact on the catering industry during the year. Thanks to the subsequent "Individual Visit" tourism policy implemented in China since July 2003 which resulted in an increased number of tourists visiting Hong Kong, the Group's turnover showed significant improvement.

Due to the stringent control of operating cost in recent years, gross profit margin of restaurants remained stable at 64% for the year. Meanwhile, the low interest rate environment enabled the Group to improve its cash flow and also enhance its internal resource allocation in the future.

#### Restaurant Operations

Happy Valley Branch was closed for business in April 2003 due to the expiration of its lease.

Due to its prime location in a commercial district, the Causeway Bay Branch was subject to severe price competition from other restaurants in the district. Hampered by the material adverse effect of the soaring SARS, the Group resolved to close down the branch in June 2003 in order to maintain its long-term operating profit. The said premises were leased to a third party in order to increase the Group's long-term revenue.

With a remarkable improvement in recent consumer sentiment, the Group opened a Café with an independent third party in Metropole City Plaza, Tseung Kwan O in early December 2003. Café has commenced operation. The Group held 33% of the share equity therein.

During the year, the Group decided to close the "Dim Sum Restaurant" in Kowloon City due to failure to reach agreement with the landlord in relation to its lease.

In April 2004, with the popularity of Japanese food in Hong Kong, the Group opened a restaurant offering Japanese style noodles in Kwun Tong named "Ninki Ramen" to cater to customers from all walks of life.

Although the hot-pot eating trend has prevailed for a long time, it still gains popularity among quite a lot of customers. In order to establish a diversified group of restaurants serving different cuisines, the Group cooperated with an independent third party to open a new restaurant with a brandname of "有骨氣", aiming at creating an innovative style among hot-pot eateries. The Group's investment in the restaurant was an 33% equity interest. The move is in line with our development strategy and keeps pace with the dynamic market trend.



## Chairman's Statement (continued)

### Property Investment

As the Hong Kong economy has bottomed out and the property market is revitalizing, the Group has actively looked for opportunity to realize its investment properties at a reasonable price. On 15 January 2004, the Group agreed to sell its property of Portion A on 15/F and whole of 16/F (excluding the internal staircase and landings linking 15/F and 16/F but including those areas and spaces underneath the said staircase and landings) Kwun Tong Plaza, No. 68 Hoi Yuen Road, Kowloon, at a price of HK\$63,130,000. The Group has used the net proceeds of about HK\$62 million from the disposal, after deduction of stamp duty, legal expenses, valuation expenses, printing charges and miscellaneous expenses, as follows:

1. as to about HK\$50 million for the repayment of the outstanding borrowings of the Group; and
2. as to about HK\$12 million as additional working capital of the Group for its existing operations. (Details are set out in the announcement dated 5 February 2004.)

The Directors believe that the disposal represents a good opportunity for the Company to realize the properties at a reasonable price, thus enabling the Group to reduce its borrowings and future interest expenses and improve its working capital position.

### Liquidity and Financial Resources

In July 2003, the Group placed 60,000,000 new shares through a placing agent at a price of HK\$0.105 per share to raise capital to enhance its level of liquidity and to strengthen its ability of long-term operation. The placing shares represented approximately 19.98% of the Company's then existing share capital. The net proceeds from the placing of approximately HK\$6.2 million were used as general working capital.

As at 31 March 2004, the Group's cash and bank balance (included the pledged bank deposits) remained at an adequate level of approximately HK\$12,289,000 (2003: HK\$18,666,000), decreased by about 34.2% compared to that of last year.

As at 31 March 2004, the Group had bank and other loans totaling HK\$282,770,000 (2003: HK\$275,746,000), mostly secured by certain of the Group's properties. The shareholders' equity was HK\$59,993,000 (2003: HK\$54,887,000) and the ratio of non-current liabilities to shareholders' equity was 3.35 (2003: 4.39).

The Group's cash and bank borrowings are mainly denominated in Hong Kong dollars, and hence it is not exposed to exchange risk.

### Contingent Liabilities

At the balance sheet date, the Group had bank guarantees given in lieu of utility and property rental deposits amounting to HK\$2,620,000 (2003: HK\$3,776,000).

### Number of Employees and Remuneration Policy

As at 31 March 2004, the Group had more than 370 employees, the remuneration packages of whom are being reviewed annually with reference to the prevailing job market condition.



## OUTLOOK

Since the outbreak of SARS in late March of last year, the Board of Directors has been focusing on the improvement of sanitation in our restaurants, so that our customers will have confidence in using our in-house service facilities and enjoy delicious dishes in a pleasant environment. On the other hand, in order to cater to the increased number of tourists visiting Hong Kong, each restaurant is dedicated to serve exquisite and delicious dishes and improve services offered to each customer.

With the upheaval of the Hong Kong economy in recent years and continuously keen market competition in the future, the Group must strive to strengthen its risk management, monitor market trend from time to time, identify investment opportunities and keep its competitive edge. By doing so, we aim at achieving our mission to offer high quality catering service to the Hong Kong people. With regard to the Group's properties, the Directors are of the opinion that the relevant properties should be disposed of if there arises an appropriate opportunity in the foreseeable future in order to reduce the debt ratio and improve the working capital of the Group.

By Order of the Board

**Chan Shu Kit**

*Chairman*

Hong Kong, 28 June 2004