

## REVIEW OF OPERATIONS

### Dividend

The Directors recommend the payment of a final dividend of 1 cent (2004: Nil) per share for the year ended 31 March 2005, payable to shareholders whose names appear in the register of members of the Company on Monday, 12 September 2005. The dividend will be payable on Tuesday, 4 October 2005.

### Financial Review

Looking back at the year 2004, the local economy, buoyed by the favourable external economic conditions and benefited from the "Individual Visit" tourism policy implemented in China, has started to recover and the Hong Kong property market was buoyant once again. The Group seized the opportunity and disposed of its properties, including those located at Causeway Bay Commercial Building, No. 1, 3, 5 Sugar Street, Hong Kong, whole of 2/F., Peninsula Centre, 67 Mody Road, Kowloon and a commercial unit on 12/F., Fu Lee Commercial Building at Pilkem Street, Kowloon, at a reasonable price, leading to an increase in the cash flow of the Group.

The Group's audited consolidated turnover decreased by HK\$19,423,000 as compared to last year and the audited consolidated net profit from ordinary activities attributable to shareholders was turnaround from net loss of HK\$11,039,000 last year to net profit of HK\$29,301,000 in 2005. The increase in net profit is mainly attributable to the disposal of properties. The Group is continuing to cut down its cost and streamlining its work force. However, restaurant operations still met certain challenges in the past year.

The Group recorded a turnover of HK\$139,480,000 for the year ended 31 March 2005, compared with a turnover of HK\$158,903,000 for last year. The net profit attributable to shareholders was HK\$29,301,000. Earnings per share was HK8.1 cents (2004: loss per share of HK3.2 cents).

Despite the significant increase in the cost of food, the Group has spent continuous effort to search for quality food. The result is that the gross profit stayed within the range of our command and the gross profit margin remained stable at 64% for the year. In view of the rising tendency of the interest rate recently, the Group's sufficient cash flow enjoyed not only allowed a flexible allocation of internal resources, but also enabled us to generate additional interest income, thus offering an advantage in improving the revenue condition further.

### Restaurant Operations

To suit the taste of the young and fashionable ones and further develop the market for the brandname of "Yau Gwat Hei", the Group opened another restaurant with the brandname of "Lucky Rice" in Tsim Sha Tsui in June 2005 with new dishes and diversified and delicate food as its main market promotion points, with the hope of increasing revenue in the future. The Group holds 33% of the restaurant's equity interest.

**Property Investment**

As the Hong Kong property market is on upswing, the Group seized the opportunity to realize its properties at a reasonable price. On 10 August 2004, the Group disposed of its properties at Shop B on Ground Floor, 1st, 2nd and 3rd Floors, Flats A, B and C on 4th Floor, Flat Roofs A, B and C2 on 4th Floor, Flats B and C on 5th Floor, Lift "D" from Ground to 4th Floor and Lift Machine Room on 5th Floor, Causeway Bay Commercial Building, No. 1, 3, 5 Sugar Street, Hong Kong at a consideration of HK\$136,800,000. The Group would use the net proceeds of HK\$134,463,000 from the disposal as follows:

1. as to about HK\$90 million for the repayment of certain outstanding borrowings of the Group; and
2. as to about HK\$44,463,000 as additional working capital of the Group for its existing restaurant operations. (Please refer to the announcement dated 13 September, 2004 for details.)

On 17 September, 2004, the Group also disposed of the whole of 2/F., Peninsula Centre, 67 Mody Road, Kowloon. The property is currently used by the Group for its Chinese restaurant operation. Following the completion of the transaction, the Group would continue to use the property for its current operations under a new tenancy agreement entered into between the vendor and the purchaser at a monthly rental of HK\$700,000 for a term of three years. The rental was determined between the purchaser and the vendor after an arm's-length negotiation and was comparable to market rate according to CS Surveyors Limited, independent property valuers. The rental period would commence on the date of the completion. Such tenancy agreement also provided the Group with an option of renewal for a further term of three years at open market rent. A corporate guarantee for the due performance of the tenancy agreement would be given by the Company to the purchaser with aggregate liability not exceeding HK\$25.2 million (HK\$700,000 x 12 x 3), being the total rental for the three-year term under the tenancy agreement. The term in which the Company undertook the liabilities should be three years commencing from the date of the tenancy agreement. The corporate guarantee was determined between the purchaser and the vendor after an arm's-length negotiation.

The Group would use the net proceeds of about HK\$145,626,000 from the disposal as follows:

1. as to about HK\$99,828,000 for the repayment of certain outstanding borrowings of the Group; and
2. as to about HK\$45,798,000 as additional working capital of the Group for its existing restaurant operations including renovation of the restaurants and marketing activities. (Please refer to the announcement dated 14 October, 2004 for details.)

The Directors considered that it was the best opportunity for the Company to dispose of the properties at a reasonable price and that the terms of the disposals were negotiated on an arm's length basis and were made on normal commercial terms. Since the transactions of the above two properties were subsequently completed in November and early December of the year, the relevant bank borrowings had been fully settled. The balance of loans has also been significantly decreased and accordingly the interest expenses are drastically reduced.

**Property Investment** (Continued)

On 24 December 2004, the Group disposed of a commercial unit on 12/F., Fu Lee Commercial Building at Pilkem Street, Kowloon at a consideration of HK\$460,000. The purchaser is an independent third party and the unit was originally used for storage.

Holding an optimistic view on the recent prospect of the properties on Lantau Island, the Group purchased a property held for development which has a site area of 9,500 sq.ft., at a trading price of HK\$4,665,000. The property can be rebuilt for residential purposes. With its appreciation potential, the property is expected to bring profit to the Group.

In addition, the Group not only believes that tourists of Individual Visit will promote local commercial opportunities by increasing overall consuming power, but we are also confident about the future of the hotel industry. The Group has entered into a tenancy agreement for leasing of a commercial building in the centre of Mongkok in June 2005. The property is right behind Langham Place and can be transformed into a hotel with over 50 rooms. The target customers are mainly tourists of Individual Visit. The tenancy term can reach up to 10 years. The expected investment amount is approximately HK\$6 million.

**Liquidity and Financial Resources**

As at 31 March 2005, the Group had bank borrowings of HK\$11,893,000 and bank balance and cash of a total of HK\$56,727,000 (2004: HK\$12,289,000), which were secured by certain of the Group's properties, increased by 362% compared to that of last year with most of them being fixed deposits. The shareholders' equity was HK\$106,747,000 (2004: HK\$59,993,000). The ratio of non-current liabilities to shareholders' equity was 0.11 (2004: 3.35).

The Group's cash and 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 a property rental deposit amounting to HK\$1,000,000 (2004: HK\$2,620,000).

**Number of Employees and Remuneration Policy**

As at 31 March 2005, the Group had more than 360 employees, the remuneration packages of whom are being reviewed annually with reference to the prevailing job market condition.

**OUTLOOK**

With the up-rising trend of interest rate, the Group will have additional gain from interest. Coupled with the corresponding drastic decrease in interest expenses, the Group expects an improvement in its revenue in the future.

In view of the practical improvement in Hong Kong's economy, together with opening of the Disney theme park in September, the Group holds an optimistic view on the market development. Apart from paying attention to and looking for suitable investment opportunities constantly, the Group will allocate its existing resources in such a way to maintain the Group's competitive edge and lay a good foundation for future development.

By Order of the Board

**Chan Shu Kit**

*Chairman*

Hong Kong, 25 July 2005