

Chairman's Statement

REVIEW OF OPERATIONS

Dividend

The Directors recommend the payment of a final dividend of HK1 cent per share (2005: HK1 cent per share) for the year ended 31 March 2006, payable to shareholders whose names appear in the register of members of the Company on Monday, 11 September 2006. The dividend will be payable on Monday, 25 September 2006.

Financial Review

Looking back at the previous year, the local economy, buoyed by the favourable external economic conditions, has started to recover and the local consumer market has also improved significantly. The Hong Kong property market was buoyant once again. The Group seized the opportunity and disposed of its properties in last year at a reasonable price, leading to an increase in the cash flow of the Group.

The Group's audited consolidated revenue for the year ended 31 March 2006 was HK\$143,990,000, as compared to revenue of HK\$139,480,000 in last year. The audited consolidated loss for the year attributable to equity holders of the parent was HK\$11,027,000. The profit for 2005 was HK\$28,176,000 (restated). The occurrence of loss as compared to last year was mainly attributable to the restaurant operations and the disposal of assets. The loss per share was HK3.1 cents (2005: earnings per share of HK 7.8 cents).

The Group continues to seek out ways to reduce purchase cost and integrate its internal resources so as to satisfy the changing demands of the market. Looking back at last year, despite the improvements attained in our business, we remain cautious to the market.

The Group spent continuous effort to search for good quality food while using the bulk purchase mechanism to make the decrease in the cost of food possible. The result is that the gross profit stayed within the range of our command and the gross profit margin was raised to 66% for the year. In view of the rising tendency of the interest rate recently, the Group's sufficient cash flow 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

The Group was invited by Chun Wha Sport Association to invest in and manage its catering department, which commenced operation in mid-April 2006. The catering department is situated at 2nd Floor, 81 Nathan Road, Tsim Sha Tsui, Kowloon. The total amount of investment was approximately HK\$1,000,000. This investment project allows a diversified development of the Group in the catering market.

Due to the expiration of the leases of South China Athletic Association branches, the Chinese and Western catering operations were closed down in March 2006 and April 2006, respectively.

To enlarge our market share, deliver quality services to customers and suit the taste of the fashionable ones, the Group set up a branch in Wanchai in January 2006, at the whole of 2nd Floor, 9-13 O'Brien Road, Wanchai, Hong Kong which delivers Guangdong cuisine. The Wanchai restaurant also promotes its diversified dim sum and selected hot pot as its main market selling points. The investment amounted to approximately HK\$7,400,000. The board of directors believes that the investment will bring profit to the Group in the coming year.

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, of which the management believes will enhance future profitability. The Group holds 33% of Lucky Rice's equity interest.

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At the beginning of the financial year, the Group carried out renovation of its restaurants to prepare for a better operating condition in the second half of the year. The renovation expenses were over HK\$2.5 million. The Group believes that the competitiveness of each restaurant should be strengthened accordingly and more decorative elements and featured atmosphere was thus added for customers.

Property Investment

As the Hong Kong property market is on upswing, the Group seized the opportunity to realize its properties at a reasonable price. Subsequent to year end date on 30 May 2006, the Group disposed of its properties at Shop G30, Kwun Tong Plaza, No. 68 Hoi Yuen Road, Kowloon at a consideration of HK\$4,800,000. The Group would use the net proceeds of HK\$4,700,000 from the disposal as the additional working capital for the existing restaurant operations.

In addition, the Group not only believes that tourists of Individual Visit will promote local commercial opportunities, but is 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 with a leasing term of ten years. The property is right behind Langham Place and can be used for hotel operation purpose with about 40 rooms. The target customers are mainly tourists of Individual Visit. As the relevant document of the hotel project has been approved by the relevant authority in June 2006, the project is expected to be completed in October 2006. The expected investment amount is approximately HK\$6 million.

The Group acquired a parcel of land in Lantau Island in May 2005. The land could be used for property development or residential buildings redevelopment. The Group is still working out a feasible plan for the project. The board of directors holds an optimistic view on the project.

Liquidity and Financial Resources

As at 31 March 2006, the Group had bank borrowings of HK\$11,509,000 (2005: HK\$11,893,000), which were secured by certain of the Group's properties. The bank borrowings of the Group as at 31 March 2006 include: borrowings of HK\$355,000 are repayable within one year; borrowings of HK\$381,000 are repayable within two years; borrowings of HK\$1,321,000 are repayable within three to five years; borrowings of HK\$9,452,000 are repayable after five years. All bank borrowings are subject to floating rates.

The aggregate cash and bank balance was approximately HK\$36,821,000 (2005: HK\$56,727,000), representing a decrease of 35%, with most of them being fixed deposits with a maturity of less than 3 months. The shareholders' equity was HK\$90,312,000 (2005: HK\$104,631,000 (restated)). The ratio of non-current liabilities to shareholders' equity was 0.13 (2005: 0.11).

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 (2005: HK\$1,000,000).

Number of Employees and Remuneration Policy

As at 31 March 2006, the Group had more than 369 employees, the remuneration packages of whom are being reviewed annually with reference to the prevailing market condition.

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OUTLOOK

The interest expenses of the Group remain stable without any increase in our loans in the coming year. The significant increase in interest income brings about a stream of income to the Group.

In view of the increasing number of tourists coming to Hong Kong, together with opening of the Disney theme park in September last year and the practical improvement in the economy of Hong Kong, the Group believes that its business will be benefited from such favourable circumstances. 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. The board of directors holds an optimistic view on the future economic development of Hong Kong.

By Order of the Board

Chan Shu Kit

Chairman

Hong Kong, 20 July 2006