

Chairman's Statement

REVIEW OF OPERATIONS

Financial Reviews

The Group recorded a turnover of HK\$390,099,000 for the year ended 31st March 2001, compared with a turnover of HK\$387,614,000 for last year. The loss attributable to shareholders was HK\$39,269,000. Loss per share was HK13.1cents. As the Hong Kong economy continues to slowdown during last year, the Group inevitably operated in an extremely competitive environment.

Restaurant Operations

The Macau style cafés achieved satisfactory results. Although some of them had only operated for less than a year, they already generated stable income for the Group.

As the Group expected the Kwun Tong Branch of the Chinese restaurants, which is situated adjacent to the industrial area, be affected by the decrease of customers caused by the relocation of factories to the PRC, it had decided to close the branch in June 2001. The said premises will be leased to a third party in order to increase the Group's long term revenue.

With the continuing slowdown of the Hong Kong economy, cost-saving becomes the Group's first priority. After a series of efforts in cost control, profit margins increased by 8% as compared to last year. On the other hand, the decline in interest rates helps the Group in restructuring its financing arrangement, which in turn improves the Group's cash-flow and strengthens its operating capability.

Property Investment

Due to the disposal of Buckingham Building in last year, the rental income was decreased from HK\$10,749,000 in last year to HK\$1,907,000 this year.

Liquidity and Financial Resources

At 31st March 2001, the Group's cash and bank balance (included the pledged bank deposits) remained stable at approximately HK\$31,495,000, increased by about 1.1% when compared to last year. The Group has no material capital commitment in the coming twelve months.

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At 31st March 2001, the Group had bank loans of HK\$240,116,000 (2000: HK\$233,929,000), secured by some of the owned properties. The shareholders' equity was HK\$47,693,000 (2000: HK\$86,961,000) and the ratio of non-current liabilities to shareholders' equity was 4.0 (2000: 2.3). In April 2001, the Group had obtained a 10-year installment loan facilities of HK\$240,000,000, which replaced the previous loan facilities. At present, the current portion of bank borrowings dropped to less than HK\$25 million.

The Group's cash and bank borrowings are mainly denominated in Hong Kong dollars and United States dollars, and hence, it is less exposed to exchange risk.

Numbers of employees and remuneration policy

At 31st March 2001, the Group had more than 1,000 employees, the remuneration packages of whom are being reviewed regularly by reference to the prevailing job market condition.

OUTLOOK

Given the satisfactory performances achieved by the newly opened Macau style cafés during the year, the Group closely monitors the market responses in order to maintain its competitive edges. Meanwhile, the Group will step up its diversification strategy progress for the purpose of increasing its operating revenue in the future.

ACKNOWLEDGEMENT

I take this opportunity to express the board's gratitude to the Group's staff and business associates for their strong support and valuable contribution during the past year, and look to their continuous support in the coming years.

By Order of the Board

Chan Shu Kit

Chairman

Hong Kong, 23 July 2001