



## Chairman's Statement

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### *Consolidated results*

The turnover of the Group for the year ended 31st March 2001 was HK\$65 million, representing a decline of 40% as compared to the previous year. Such decline are mainly due to a reduced number of restaurants in operation as the Group embarked on its downsizing exercise since the beginning of this financial year. An operating loss of HK\$3.5 million (before finance costs) was recorded against a loss of HK\$28.8 million in the previous year. This significant reduction in operating loss is made possible by the closure of loss making restaurants within the Group.

### *Restaurant operations*

During this financial year the Group had closed down three of its loss making restaurants in order to reduce further bleeding of the Group's resources.

The Causeway Bay Branch was closed as of 31st March 2000 with part of the remaining leasing contract sub-leased to a third party until the original contract was terminated in May 2001.

The Carnavon Road's Branch ceased operation in mid-July 2000 and the properties were subsequently leased to a third party.

The Universal Branch was temporarily suspended in end-July 2000 for renovation. Before commencing the renovation, the management was discouraged by the prevailing depressed market condition in launching this significant capital spending. Finally on 19th July 2001, the Group signed a tenancy agreement to lease the properties of the Universal Branch to a third party. About HK\$15.5 million of the proceeds from the placing of the Company announced on 7th March 2000 previously intended to be used for renovation of the Group's restaurants are being used as working capital of the Group.

The Star House Branch enjoyed an encouraging 14% growth in turnover during the year.

Our only restaurant in China, the Jieyang Branch, continued to suffer from weak domestic demand with turnover declined a further 10% as compared to last year. While the original co-operation agreement had a remaining life of over two years, the management reached an agreement with the local partners to early terminate the operation of our Jieyang Branch on 22nd June 2001.

### *Prospect*

In order to preserve shareholders' value, the Group downsizing exercise is inevitable. With a smaller overhead, the chance for the Group to survive in this difficult economic situation has been substantially enhanced. The management will remain alert on opportunities for reestablishing a bigger presence of our restaurant operation should economic condition warrant.

Unfortunately the Group's first major move into new business area by way of subscription of a US\$10 million convertible note (the "Note") of Opal Technologies Inc. ("Opal") has not been a success. Commercial production of its granular fertilizer has been delayed. This delay has adversely affected the financial position of Opal. The outlook for Opal's operation is also significantly held back by two negative developments in China, namely a very depressed market for agricultural products and a worsening relationship between Taiwan and China. As prices of agricultural products falling to very low levels, farmers are very reluctant to purchase up-market fertilizer despite its long-term benefit. Taiwan has previously been targeted as the major export market for Opal's new products and the tension between the two places causes a major setback for Opal's product.



## Chairman's Statement *(continued)*

Trading of Opal on NASDAQ Bulletin Board has been suspended since 23rd May 2001 primarily due to Opal's failure to file its audited accounts for the year ended 31st December 2000 with the Securities and Exchange Commission of the United States of America. The last traded price of Opal prior to its suspension is US\$0.055.

The board of directors has reassessed the financial position of Opal and is concerned about the recoverability of the Note. Opal has defaulted in paying to the Company the quarterly interest of HK\$780,000 originally due on 9th July 2001. While there always exists the possibility of converting the Note into ordinary shares of Opal, the board of directors considers such action may not be to the best interest of the Group. The board of directors is considering ways to exit from this unfortunate investment. However given the current status of Opal, there is a high uncertainty as to the timing and the amount recoverable from such action. In light of this uncertainty, the board of directors has decided to make a full provision of HK\$78 million for the investment in Opal.

While the provision has been significant in relation to the capitalization of the Group, the financial position of the Group as a whole remains healthy. The management will try every effort in recovering as much as possible from the Group's investment in the Note.

### **Liquidity and financial resources**

The Group mainly finances its operation with internally generated resources and banking facilities. As at 31st March 2001, the Group had total bank borrowings of about HK\$17.7 million which were repayable within one year.

### **Purchase, sale or redemption of securities**

There was no purchase, sale or redemption of the Company's securities by the Company or any of its subsidiaries during the year ended 31st March 2001.

### **Code of Best Practice**

None of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the Code of Best Practice, as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), at any time during the year ended 31st March 2001, save that the non-executive directors were not appointed for a specific term but are subject to retirement by rotation in annual general meetings of the Company in accordance with the Bye-laws of the Company.

### **Audit Committee**

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee comprises two independent non-executive directors, namely Mr. Chung Siu Wah and Ms. Lin Wai Yi, Deca. Two meetings were held during the current financial year.

### **Publication of detailed results announcement on the Exchange's website**

All the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules will be published on or before 31st July 2001 on the website of The Stock Exchange of Hong Kong Limited.

On behalf of the Board  
**Ma Shuk Kam**  
*Chairperson*

Hong Kong, 19th July 2001