

Chairman's Statement



For the year ended 31st March, 2002, the Company and its subsidiaries (collectively referred to as the "Group") recorded a loss of approximately HK\$49.1 million, as compared with a loss of approximately HK\$78.1 million for the last financial year. The turnover of the Group slightly decreased by 3.77% to approximately HK\$242.5 million from approximately HK\$252.0 million in last year.

DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31st March, 2002.

REVIEW OF OPERATIONS

The improvement in the results was mainly attributable to the Group's success in cost rationalization and cutting down loss-making operations. During the year, the Group also managed to dispose properties unrelated to the Group's core restaurant business. The drop in the turnover was mainly due to the closing down of Gather Food Camp in Causeway Bay and the temporary closure of some of the Group's restaurants for renovation.

G. Sushi

Despite the economic downturn, the turnover of G. Sushi, the sushi bar restaurant chain with 18 outlets as at 31st March, 2002, increased by 17.8% to HK\$178.6 million for the year. The management attributed the improvement to the Group's effective marketing strategies and the successful rejuvenation of the brand equity to suit the younger generation. Major promotion campaigns such as "Sakura Festival", "All Dishes \$1" and "Dreams Come True", a joint promotion campaign with MasterCard International, were well received by the public. The Group also received encouraging response for the two "third generation" G. Sushi outlets in Heng Fa Chuen and the Western District which were opened in November 2001, and another mega store in Mongkok which was opened in late December 2001. The management believed that the trendy design coupled with the cyber color tones and setting of the new outlets would attract a large young customer segment and contribute healthy revenue stream to the operation.

Suishaya Japanese Restaurant

Suishaya Japanese Restaurant, a reputable high-end Japanese restaurant, underwent renovation in the month of August 2001 in order to maintain its image as a niche and modernized restaurant in Hong Kong. The renovation and the construction work of East Railway Extension around the restaurant led to a drop in the turnover during the year.

Global Forever Green Taiwanese Restaurant

During the year, Global Forever Green Taiwanese Restaurant faced severe economic condition and keen competition from other Taiwanese restaurants in Hong Kong. A drop in turnover and a slight loss were recorded for the year as a result of the successful reforms in the menu of the restaurant. The reduction in the operating hours of the restaurant further reduced the loss of the operation. The management would continue to introduce local Taiwanese dishes and beverages to the menu and implement strict cost control measures to sustain the profit margin.

Fishermen's Wharf Chinese Seafood Restaurant

The restaurant encountered a particularly difficult operating environment. Competitors in this industry have resorted to "cut throat" price reduction tactics due to the declining spending power in high consumption group after the September 11 incidence. The restaurant recorded a substantial operating loss of HK\$5.9 million during the year under review. As a result, the restaurant was closed down in April 2002.

Gather Food Camp Japanese Restaurant

The repositioning of Gather Food Camp, an outlet offering Japanese buffet towards the middle-class customer segment was unsuccessful due to keen competition and location problem. As a result, the two Gather Camp outlets were closed down in January and September 2001 respectively.

REMUNERATION OF EMPLOYEES

As at 31st March, 2002, the Group had 610 permanent employees and 124 part-time employees. Employees' cost (including directors' other emoluments) amounted to approximately HK\$86.6 million for the year. All permanent employees were under the remuneration policy of fixed monthly salary with discretionary bonus. There had been no change to the share option scheme adopted by the Company on 27th August, 1997 since 1st April, 2001.

No option had been granted under the scheme since its adoption.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial year ended 31st March, 2002, the Group had been funding its operation and capital expenditure through cash from operation, secured bank loans and unsecured loan from a substantial shareholder. Total assets of the Group and shareholders' deficit as at 31st March, 2002 were approximately HK\$122.3 million and HK\$7.3 million which were financed by current liabilities and non-current liabilities of HK\$115.0 million and HK\$14.6 million respectively.

Out of the Group's total debts of HK\$129.6 million, HK\$73.3 million was an unsecured loan from a substantial shareholder. An additional bank loan facility was also obtained subsequent to 31st March, 2002 and was partially drawn down to fully repay unsecured loan from the substantial shareholder. In order to provide additional working capital, an amount of HK\$9.5 million was raised through placement of 11.9 million new shares after the balance sheet date.

Together with the cash generated from the Group's operation in its ordinary course of business and the existing banking facilities, the Directors expect that the Group will have sufficient working capital for its operation.

The Group had limited exposure to the fluctuation in exchange rates and its bank borrowings, bank balances and cash were all denominated in Hong Kong dollars.

CAPITAL STRUCTURE

Pursuant to a special resolution passed at a special general meeting of the Company held on 22nd February, 2002, the issued share capital of the Company was reduced by HK\$0.0995 on each of the shares of HK\$0.1 each in issue on 23rd February, 2002 (the "Capital Reduction") so that each issued share in the capital of the Company was treated as one fully-paid up ordinary share of HK\$0.0005 in the capital of the Company (the "Reduced Share"); each of the shares of nominal value of HK\$0.1 each on the authorized but unissued share capital of the Company following the Capital Reduction was subdivided ("Share Subdivision") into 200 shares of HK\$0.0005 each ("Subdivided Share"). The credit arising from the Capital Reduction was credited to the contributed surplus account of the Company and was applied to eliminate the accumulated losses of the Company. Subsequent to the Capital Reduction and Share Subdivision taking effect, every twenty new Reduced Shares and Subdivided Shares were consolidated into one share of HK\$0.01 each in the capital of the Company.

As mentioned above, 11.9 million shares were issued by way of placement subsequent to year ended 31st March, 2002.

As at 31st March, 2002, the Company had no outstanding warrants.

CHARGES ON ASSETS

As at 31st March, 2002, certain assets of the Group with aggregate amount of HK\$41.6 million were pledged to secure general banking facilities granted to the Group.

PROSPECTS

The management would continue to impose tight control over the operating costs and explore new operation mode and food variety to capture the changing market. With the solid foundation we have built and our well-tested management strengths during the past years, the management would consider expansion of the G. Sushi operation in Hong Kong and also entry into new markets such as China, Taiwan and Singapore. In addition, the management considers it essential to carry out a detailed review of the financial position and business operation of the Group and, subject to the result of such review, will explore suitable business opportunities.

Pursuant to the conditional sale and purchase agreements dated 27th June, 2002 ("Acquisition Agreements"), Super Empire Investments Limited ("Super Empire") conditionally agreed to acquire in aggregate 50,490,325 shares in the share capital of the Company ("Shares") at a consideration of approximately HK\$1.29 per share from Forever Rich Profits Limited (a company controlled by Mr. Yeung Sau Shing, Albert), Mr. Kong Ho Pak and Ms. Mo Yuk Ping. Super Empire and parties acting in concert with it were not interested in any Shares before the entering into of the Acquisition Agreements.

Completion of the Acquisition Agreements took place on 3rd July, 2002 and Super Empire and parties acting in concert with it are now interested in 50,490,325 Shares, representing about 70.69% of the total issued share capital of the Company. The aggregate consideration of approximately HK\$65,132,519 was satisfied in cash.

Super Empire is required under Rule 26 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued shares not already owned or agreed to be acquired by it or parties acting in concert with it.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to all our shareholders and business associates for their encouragement, support and assistance and our heartfelt thanks to all the employees of the Group who have worked hard to provide excellent services and contributions to the Group.

Chan Kong Sang, Jackie

Chairman

Hong Kong, 18th July, 2002