

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 September 2002 (2001: Nil).

REVIEW OF OPERATIONS

For the six months ended 30 September, 2002, the Group recorded a turnover of approximately HK\$67.6 million, representing a decline of approximately HK\$40.0 million or 37% compared to the corresponding period last year. Such decline was caused primarily by the fewer number of outlets in operation during the reporting period. As the unfavorable economic conditions persisted, the food and beverages industry experienced the toughest time ever. To complete the last stage of the restructuring plan on its restaurant business, the Group announced the closure of its Kwun Tong outlet in September 2002. The property in which the Kwun Tong outlet operated was sold by the Group during the reporting period at a consideration of HK\$18,000,000. A loss on disposal of the relevant property, plant and equipment amounting to HK\$16,440,000. was recognised during the current period.

During the reporting period under review, the Group commenced the production of the environmental friendly paper tableware. The manufacturing plant is located in Dongguan, Guangdong Province, China and is targeted to accommodate an annual production of approximately 200 million pieces of products after full production capacity is attained. The first stage of the production line commenced trial operation in April 2002. Such progress was in line with the Group's strategic plan. The Group anticipates that the second stage of the production line will be in place by early 2003. In line with the Group's long term strategic plan, the Group is actively seeking distributors in Europe and the Asia Pacific region who will form the basis of steady demand for the environmental friendly products of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2002, the Group had in aggregate approximately HK\$17.9 million bank borrowings secured on certain properties owned by the Group. The Group's cash and bank balances (including pledged bank deposits) amounted to approximately HK\$10.9 million as at 30 September 2002.

The Group's gearing ratio as at 30 September 2002 was 24.7% (31 March 2002: 8.5%), based on bank borrowings of HK\$17.9 million (31 March 2002: HK\$9.1 million) and shareholders' funds of HK\$72.4 million (31 March 2002: HK\$107.5 million).

As at 30 September 2002, an aggregate sum of HK\$1,800,000 had been received by the Group in accordance with the terms of the agreement relating to the sale of the said property in Kwun Tong. The balance of HK\$16,200,000 was received by the Group in November 2002 upon completion of the transaction. Approximately HK\$7.7 million was applied to discharge the mortgage of the property (30 September 2002: HK\$7,853,000) and the remaining balance of the net proceeds was retained by the Group as general working capital.