

## RESULTS

The audited consolidated loss attributable to shareholders of the Company and its subsidiaries ("the Group") for the year ended 31 March 2003 was approximately HK\$38,247,000. Loss per share based on 484,853,527 shares amounted to 7.9 cents.

## DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2003 (2002: nil).

## REVIEW OF OPERATIONS

- For the year ended 31 March 2003, the Group recorded an annual turnover of approximately HK\$132 million, a decline of approximately HK\$79 million or 37% over last year. Persisting deflation as well as mounting unemployment in Hong Kong have impacted on domestic consumer spending. The food and beverages sector in Hong Kong continued to contract as a result of the overall deteriorating retail market conditions. In order to streamline the resources of the Group, three loss making outlets in Hong Kong have been closed in the past two years, accounting for the significant decline in turnover during the reporting period.
- The Tsuen Wan outlet in the New Territories was closed in October 2001 whereas the Wanchai outlet on Hong Kong Island was closed in March 2002 upon the expiration of the lease. To complete the last stage of the Group's restructuring plan on its restaurant business, the Group closed its Kwun Tong outlet, which recorded an operating loss of approximately HK\$5.8 million for the year, in September 2002. The property in which the Kwun Tong outlet was located was sold during the year at a consideration of HK\$18 million. A loss on disposal of the relevant property, plant and equipment amounting to approximately HK\$16 million was recognised during the year.
- During the year, the Group commenced the production of 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 paper tableware when full production capacity is attained. The first stage and second stage of the production line commenced trial operations in April 2002 and March 2003 respectively, which was in line with the Group's production plan. While the diversification into the environmental friendly paper tableware business is still in its investment stage, customer base in Japan and Australia has already been gradually built up. The Group envisages that there will be an increasing demand for the environmental friendly tableware globally and will actively solicit distributors in Europe and the Asia Pacific region in order to secure a steady customer base for its products.

## LIQUIDITY AND FINANCIAL RESOURCES

- As at 31 March 2003, the Group had in aggregate HK\$8.8 million secured bank borrowings on certain bank deposits owned by the Group. The Group's cash and bank balances (including pledged bank deposits) amounted to approximately HK\$10.2 million as at 31 March 2003.
- The Group's gearing ratio as at 31 March 2003 was 12.7% (2002: 8.5%), based on bank borrowings of HK\$8.8 million (2002: HK\$9.1 million) and the shareholders' funds of HK\$69.2 million (2002: HK\$107.5 million).

## PROSPECTS

The outbreak of the Severe Acute Respiratory Syndrome ("SARS") in March 2003 has caused an abrupt disruption to the economies of both Hong Kong and China. Local consumer spending on dining out has dropped drastically and the tourist industry and business travel in the South East Asia region have almost come to a standstill. As a result, the Group has recorded an unprecedented drop in sales since mid-March 2003. To tackle the impact of the SARS, the Group has implemented a series of cost containment and customer retention measures. With a view of boosting our customers' confidence in dining out, the Group has adopted various stringent measures on public health and food safety, improving the hygiene conditions in the restaurants and the safe preparation and serving of food. Various sale-promotion initiatives were also launched with an aim of enhancing the turnover of the restaurants and maintaining the reputation of the Group.

The Group does not anticipate a rebound of domestic consumer spending, which has been hardest hit during the SARS outbreak, in the year 2003/2004. Nevertheless, given the mounting environmental awareness globally, the Board is confident that the Group's investment in the production and selling of the environmental friendly paper tableware will be able to provide an impetus to a steady growth in the Group's business.

## EMPLOYEES

At 31 March 2003, the total number of staff of the Group was 710. Total staff costs including Director's emoluments amounted to HK\$47.6 million for the year under review.

The Group continued to review remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Staff benefits include contributions to the Mandatory Provident Fund Scheme and a discretionary bonus payment which is linked both to the Group's and individual employee's performance.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 31 March 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2003.

## **ACKNOWLEDGEMENTS**

I would like to express my gratitude to the management and staff members of the Group for their dedication and invaluable efforts and contributions to the Group during the year.

By Order of the Board

**Cheng Hop Fai**

*Chairman*

Hong Kong, 17 July 2003