

REVIEW OF OPERATIONS

Dividend

The Directors do not recommend the payment of any dividend for the year.

Financial Review

The Group recorded a turnover of HK\$255,343,000 for the year ended 31 March, 2003, compared with a turnover of HK\$319,714,000 for the last year. The loss attributable to shareholders was HK\$35,675,000. Loss per share was HK11.9 cents.

In light of the slow recovery of the economy outside the region last year, the local economy, in lack of external momentum, remained sluggish. Consumers were not optimistic about the future which resulted in weak customer sentiment. In addition, the outbreak of Severe Acute Respiratory Syndrome ("SARS") in late March had brought business plunging downwards, while the overall consumer market suffered a heavy setback. With reference to the recent market performance, uncertainties within the market will linger for some time in the near future.

Restaurant Operations

Due to the sustained stringent internal control of cost, gross margin of restaurants remained stable. The gross margin decreased from 65% to 64% in the past year. Meanwhile, the low interest rate environment enabled the Group to improve its internal resources, improve its cash flow and also enhance its market strategies.

Happy Valley Branch was closed for business in April 2003 due to the expiration of its lease.

Due to its prime location in a commercial district, the Causeway Bay Branch was subject to severe price competition from other restaurants in the district. Hampered by the material adverse effect of the soaring SARS in recent months, the Group resolved to close down the branch in June 2003 in order to maintain its long-term operating profit. The said premises were leased to a third party in order to increase the Group's long-term revenue.

After due and careful consideration, the Group recorded an impairment loss of HK\$10,610,000 for the remaining fixed assets of certain loss making branches during the year.

Property Investment

The Group has a joint venture with third parties to invest in the development of properties in Lantau Island. The development consists of twelve blocks of houses. With the favourable market response, the properties were all sold out in the year, and generated profits before tax of HK\$6,128,000 for the Group.

Having considered the recent local economic condition which suggested it inappropriate for land development for the time being, in addition to a dim land premium prospect, the Group disposed of its 33% interest in the parcel of land in Lantau Island owned by an associate, Billion Gain Limited, during the year at a consideration of HK\$4,500,000. As a result, the Group recorded a loss of HK\$1,126,000.

Liquidity and Financial Resources

On 18 July, 2003, the Group placed 60,000,000 new shares through a placing agent at a price of HK\$0.105 per share to raise capital to enhance its level of liquidity and to strengthen its ability of long-term operation. The placing shares represented approximately 19.98% of the Company's existing share capital. The net proceeds from the placing of HK\$6,150,000 were used as general working capital.

As at 31 March, 2003, the Group's cash and bank balance (included the pledged bank deposits) remained at an adequate level of approximately HK\$18,666,000, decreased by about 22.5% compared to that of last year. The Group has no material capital commitment in the coming twelve months.

As at 31 March, 2003, the Group had bank and other loans totaling HK\$275,746,000 (2002: HK\$277,280,000), mostly secured by certain of the Group's properties. The shareholder's equity was HK\$54,887,000 (2002: HK\$119,862,000) and the ratio of non-current liabilities to shareholders' equity was 4.39 (2002: 1.85).

The Group's cash and bank borrowings are mainly denominated in Hong Kong dollars, and hence it is not exposed to exchange risk.

Number of employees and remuneration policy

As at 31 March, 2003, the Group had more than 590 employees, the remuneration packages of whom are being reviewed annually with reference to the prevailing job market condition.

OUTLOOK

As the outbreak of SARS in late March received extensive concern of the public, the Board of Directors announced on 5 May 2003 that SARS would have a material adverse effect on the Group's business for the first half of the year ending 31 March 2004.

The Group has always kept pace with time, and continuously supplies various kinds of delicious cuisine, and also to strive for constant improvements in food and services. In addition to the introduction of trendy food to customers, we also take progressive steps to stick closely to the market in conjunction with its marketing strategy. The return from increased savings and reduced cost will be offered to our customers by way of value-added service and strengthened business operations. The pursuance of high quality service has always been the goal of the Group. We will tackle the future competition with a practical and fair attitude.

The Group will closely monitor the market trend from time to time, and will proactively consider to participate whenever there are suitable investment opportunities.

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, 24 July 2003