BUSINESS REVIEW

Overall performance

The year under review was challenging due to the persistently high unemployment rate, which further weakened the local economy and consumer spending. In addition, the outbreak of Severe Acute Respiratory Syndrome ("SARS") in Hong Kong and People's Republic of China ("PRC") in March 2003 has stagnated the already weak consumer market, which in turn deepened the adversity over our operating environment. The performance of the Group's business in the first half of the current financial year was unavoidably affected. Confronting with the actue market conditions, the Group was able to maintain our consolidated turnover at last year's level. Consolidated turnover for the year ended 30 April 2004 is approximately HK$318.1 million, representing a mild drop of 2.1% as compared to the consolidated turnover of approximately HK$324.9 million for the year ended 30 April 2003.

For the year ended 30 April 2004, the Group recorded a net loss attributable to shareholders of HK$26.8 million (2003: HK$7.9 million). At 30 April 2004, the Group had consolidated net current liabilities of HK$10.0 million (2003: HK$2.2 million) and consolidated net assets of HK$70.8 million (2003: HK$100.0 million), respectively.

During the year, the net loss for the year, net current liabilities and net assets of the Group deteriorated, which was largely due to poor business operation for the Group's sale and distribution of bakery, and other food and beverage products during the year. The bakery, and other food and beverage products' business segment of the Group operated at a loss of HK$23 million for the year ended 30 April 2004 (2003: 15 million), which was principally the result of the adverse impact of the outbreak of SARS in mid-2003, and the effect of increasing competitiveness in this sector.

In view of the persistent difficult economic environment surrounding the bakery business, the Group is of the opinion that the operations and future development of the business of Bakery and other Food Products Business may incur further losses and require additional working capital to finance its operations. This, in turn, will increase the gearing of the Group and will require additional working capital from internally generated resources to finance the operations.

In order to improve the Group's operating results and its existing financial position, the Group entered into a conditional subscription agreement and sale of the shareholder's loan agreement with an independent third party on 28 May 2004 which when completed and become unconditional would improve the financial position of the Group.

The Restaurant Business

Catering industry is very sensitive to local economy. Faced with such challenging operating environment, the restaurant business of the Group managed to sustain a consolidated turnover of approximately HK$242.9 million, represented an increase of 10.4% from the consolidated turnover of approximately HK$220.0 million in last year. The encouraging growth in customer flow after signing of the CEPA and the Individual Visit Scheme with the Central Government of the PRC has shown sign of full scale recovery in the catering industry.

FINANCIAL REVIEW

Working capital and liquidity resources

As at 30 April 2004, the Group's consolidated shareholders' fund was approximately HK$70.8 million, represented a drops of 29.2% from approximately HK$100.0 million as at 30 April 2003. The current ratio as at 30 April 2004 was 0.798 (2003: 0.946). Out of the above, cash and bank balances as at 30 April 2004 was approximately HK$6.1 million (2003: HK$6.5 million).

As at 30 April 2004, the Group has a total borrowings of approximately HK$3.7 million (2003: 8.9 million), of which approximately HK$3.2 million (2003: HK$8.6 million) is represented by bank loans and approximately HK$0.5 million (2003: HK$0.3 million) represented by finance leases.

Total borrowings, matured within one year, in the second year and in the third to fifth years, inclusive, amounted to approximately HK$0.83 million (2003: HK$3.2 million), approximately 0.86 million (2003: HK$1.9 million) and approximately HK$1.53 million (2003: HK$3.5 million), respectively. The Group's gearing ratio (consolidated total borrowings to consolidated net assets) is 0.05 as at 30 April 2004 (2003: 0.09). The interest rate for most of the borrowings was charged by reference to prime rate.

There are no seasonal factors materially affecting the Group's borrowing requirements. Since the Group's major source of income and all bank borrowings are denominated in Hong Kong dollars, the Group has minimal exposure on exchange rate fluctuations.

As at 30 April 2004, the capital commitments in respect of leasehold improvements/purchases of fixed assets and investment in certain of its subsidiaries amounted to approximately HK$0.4 million (2003: HK$1.9 million) and approximately HK$2.5 million (2003: HK$1.4 million), respectively. The Group remained a low gearing policy and generally finances its ordinary operations with internally generated resources.

Charges on assets

As 30 April 2004, the Group's leasehold land and buildings were pledged to its bankers and supported by corporate guarantee of the Company and certain of its subsidiaries.

Contingent Liabilities

As at 30 April 2004, the Company has provided corporate guarantees to (i) landlords in respect of operating lease payment in subsidiaries; and (ii) banks in respect of banking facilities granted to its subsidiaries.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 April 2004, the Group has 1,108 (2003: 885) full-time employee. The Group remunerates its employees by reference to the market practices. Staff benefits and mandatory provident fund, if any, are provided in accordance to the prevailing requirements of the place of operations. The Group has not experienced any significant labour problems, disputes or shortage of labour which lead to disruption of the Group's operations.

Under the terms of a share option scheme (the "Scheme") adopted by the Company, the board of directors of the Company may, at its discretion, grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. The Scheme became effective on 9 October 2001.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 17 August 2001 which was established in accordance with the requirements of the Code of Best Practice (the "Code") as set out in the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange with written terms of reference, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Committee comprises two independent non-executive directors of the Company. The Group's audited financial statements as at 30 April 2004 and for the year then ended have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards and the Stock Exchange's and legal requirements, and that adequate disclosures have been made.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by this announcement, except that the non-executive directors are not appointed for a specific term as required by paragraph 7 of the Code because they are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the Company's bye-laws.