

RESULTS

The audited consolidated loss attributable to shareholders of the Company and its subsidiaries ("the Group") for the year ended 31 March 2005 was approximately HK\$19,938,000. Loss per share based on 484,853,527 shares amounted to 4.1 cents.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2005 (2004: Nil).

REVIEW OF OPERATIONS

- For the year ended 31 March 2005, the Group recorded an annual turnover of approximately HK\$115.5 million, an increase of approximately HK\$0.5 million or 0.5% over last year. The increment was due primarily to a general recovery of the Hong Kong economy in the past year. The net loss for the year increased by 56.8% to HK\$19.9 million.
- The Group's only hotel operation at Huizhou, PRC has persistently been operated at a loss. As the Group has decided to deploy its resources to the operation of Chinese restaurants and the development of the environmental friendly paper tableware, the Group disposed its interest in the hotel operation on 31 January 2005. Details of such disposal have been disclosed in both an announcement dated 7 January 2005 as well as a circular dated 31 January 2005. The turnover from the hotel operation for the period ended 31 January 2005, the date of completion of the disposal, and for the year ended 31 March 2004 were approximately HK\$10.7 million and HK\$16.7 million respectively. The operating loss of the hotel operation for the period ended 31 January 2005 and for the year ended 31 March 2004 were approximately HK\$5.1 million and HK\$3.6 million respectively. The Group incurred a loss of approximately HK\$1.1 million as a result of the disposal.
- Despite the steady growth in the Group's environmental friendly paper tableware business, it has yet to generate positive cash flow to the Group. After reviewing the existing operation of the business and taking into account the net cash flow position in prior years, the Group recorded an impairment loss of approximately HK\$4.5 million in respect of the property, plant and equipment for the operation.

CHAIRMAN'S STATEMENT

LIQUIDITY AND FINANCIAL RESOURCES

- The Group's cash and bank balances (including pledged bank deposits) amounted to approximately HK\$16.4 million as at 31 March 2005.
- As the Group repaid all the bank borrowings during the year ended 31 March 2005, the Group's gearing ratio was zero as at 31 March 2005. As at 31 March 2004, the Group's gearing ratio was 10.3%, based on bank borrowings of HK\$5.8 million and the shareholders' funds of HK\$56.5 million.

The Group has obtained the loan facilities from a related company, Hover City Industrial Limited, which bear interest at 3% below the best lending rate quoted by a bank in Hong Kong. As at 31 March 2005, the sum drawn down by the Group was approximately HK\$17.9 million (2004: HK\$8.3 million), with accrued interests of approximately HK\$0.4 million (2004: HK\$0.1 million). The loans are repayable in one lump sum (including accrued interest) by 31 December 2006 (2004: 24 April 2005).

- With the cash generated from the Group's operation in its ordinary course of business and the existing unutilised banking and credit facilities, the Directors consider that the Group has sufficient working capital for its operation.

PROSPECTS

The Hong Kong economy has showed solid signs of recovery, benefiting from the strong economic growth in China and the record level of mainland and overseas tourists. The better business environments will be further buoyed by the number of new tourists spots due to be opened in the second half of 2005 and will continue to provide a positive impact to the overall restaurant business of the Group. Looking ahead, the Group is confident that the production and sales of the environmental friendly paper tableware will eventually kick off given the mounting global environmental awareness. There are signs of growing demand of such tableware products from customers in various markets and the Group will strive to leverage on its well-established customer relationships and network to better position itself amongst other competitors to capture the potential market opportunities. The Group will continue to rationalise its business mix and direct its resources to businesses with better growth potential. In addition, the Group will continue to evaluate new business opportunities which may help to bring along improvement in the overall financial performance of the Group.

EMPLOYEES

At 31 March 2005, the total number of staff of the Group was 340. Total staff costs including Directors' emoluments amounted to HK\$38.5 million for the year under review.

The Group continued to review the 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 SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 March 2005 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"), such code was replaced by the Code on Corporate Governance Practices as from 1 January 2005, except that two non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Company's Bye-laws.

The Company has received, from each of the independent non-executive directors, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are to be independent.

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, 14 July 2005