

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the operation of Chinese restaurants in Hong Kong which specialise in Chiu Chow cuisine and the manufacture and sales of environmental friendly paper tableware. During the year, the Company disposed of certain subsidiaries which were engaged in the operation of restaurants and a hotel in the People's Republic of China (the "PRC").

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 16.

MAJOR SUPPLIERS AND CUSTOMERS

The aggregate purchases attributable to the largest supplier and five largest suppliers of the Group were 10.6% and 32.4%, respectively, of the Group's purchases for the year under review.

The aggregate turnover attributable to the five largest customers of the Group was less than 30% of the Group's turnover for the year under review.

SHARE CAPITAL

Details of the Company's share capital are set out in note 19 to the financial statements. There were no movements in the Company's share capital during the year.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$156,000 on property, plant and equipment. Details of the movements in property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

INVESTMENT PROPERTIES

The Group's investment properties were valued at 31 March 2005 by RHL Appraisal Ltd., a firm of independent professional property valuers, on an open market existing use basis, and the resulting deficit of HK\$3,040,000 was charged to the income statement. Details of the valuation and of the investment properties at 31 March 2005 are set out in note 12 to the financial statements.

PRINCIPAL SUBSIDIARIES

The details of the Company's principal subsidiaries at 31 March 2005 are set out in note 13 to the financial statements.

ASSOCIATES

The details of the Group's associates at 31 March 2005 are set out in note 14 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Cheng Hop Fai (*Chairman and Managing Director*)

Mrs. Cheng Kwok Kwan Yuk

Ms. Cheng Pak Ming, Judy

Miss Cheng Pak Man, Anita (appointed on 30 September 2004)

Mr. Chan Ming Fai (re-designated from independent non-executive director to executive director on 30 September 2004)

Independent non-executive directors:

Mr. Law Toe Ming

Mr. Mark Yiu Tong, William (re-designated from non-executive director to independent non-executive director on 16 September 2004)

Ms. Kan Lai Kuen, Alice (appointed on 30 September 2004)

In accordance with Clauses 86(1) and 87(1) of the Company's Bye-laws, Mrs. Cheng Kwok Kwan Yuk, Miss Cheng Pak Man, Anita and Ms. Kan Lai Kuen, Alice retire and, being eligible, offer themselves for re-election.

Each of Miss Cheng Pak Man, Anita and Mr. Chan Ming Fai has entered into a service contract with the Company for a fixed term of two years from 30 September 2004.

Other than as disclosed above, no directors proposed for re-election has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Ms. Kan Lai Kuen, Alice has been appointed for a term of three years. The term of office of other non-executive directors is the period up to their retirement by rotation in accordance with the Company's Bye-laws.

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DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND CONVERTIBLE BONDS

At 31 March 2005, the interests of the directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies, were as follows:

Long positions

Ordinary shares of HK\$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheng Hop Fai	Held by controlled corporation (note)	339,397,470	70%
Mrs. Cheng Kwok Kwan Yuk	Held by controlled corporation (note)	339,397,470	70%
Ms. Cheng Pak Ming, Judy	Held by controlled corporation (note)	339,397,470	70%
Miss Cheng Pak Man, Anita	Held by controlled corporation (note)	339,397,470	70%
Mr. Law Toe Ming	Beneficial owner	500,000	0.1%

Note: Golden Toy Investments Limited ("Golden Toy") and Kong Fai International Limited ("Kong Fai") held 43,217,445 shares (or 8.91% interest) and 296,180,025 shares (or 61.09% interest) of the Company, respectively. Golden Toy and Kong Fai are wholly-owned by two discretionary trusts of which family members of Mr. Cheng Hop Fai, including Mr. Cheng Hop Fai, Mrs. Cheng Kwok Kwan Yuk, Ms. Cheng Pak Ming, Judy and Miss Cheng Pak Man, Anita, are discretionary objects.

Save as disclosed above, at 31 March 2005, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31 March 2005.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the Company's share option scheme, which was approved and adopted on 22 August 2002, are set out in note 20 to the financial statements.

No option has been granted under the share option scheme since its adoption and up to 31 March 2005.

Save as disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

On 12 May 2005, share options with an exercise price of HK\$0.10 per share were granted to the following directors:

	Number of share options
Mr. Cheng Hop Fai	4,848,535
Mrs. Cheng Kwok Kwan Yuk	4,848,535
Ms. Cheng Pak Ming, Judy	4,848,535
Miss Cheng Pak Man, Anita	4,848,535
Mr. Chan Ming Fai	4,848,535
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	24,242,675

The total number of shares available for issue under the share option scheme as at the date of this report is 48,485,352, representing approximately 10% of the issued share capital of the Company as at that date.

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DIRECTORS' INTEREST IN CONTRACTS AND CONNECTED TRANSACTIONS

- (a) On 19 May 2003, the Group entered into a sub-tenancy agreement with Hung Yick Metal Company Limited ("Hung Yick") for sub-leasing from Hung Yick several units of a commercial building for a period of two years commencing 9 April 2003 to 8 April 2005 at a monthly rental of HK\$42,487.50 (exclusive of rates, air-conditioning and management fees) with the rent-free period from 9 April 2003 to 22 April 2003 and a rental deposit of HK\$127,462.50.

Rental charged by Hung Yick during the year under this agreement amounted to HK\$509,850. The monthly rental was determined by both parties with reference to the rental charged by Hung Yick's landlord and the approximate floor area occupied by Hung Yick and the Group.

Mr. Cheng Hop Fai, Mrs. Cheng Kwok Kwan Yuk, Ms. Cheng Pak Ming, Judy and Miss Cheng Pak Man, Anita are deemed to be beneficially interested in Hung Yick.

- (b) On 6 May 2002, the Group entered into a tenancy agreement with Homley Development Limited ("Homley") for leasing of Homley's premises for certain of the Group's restaurant operations for a period of three years commencing 1 May 2002 to 30 April 2005 at a monthly rental of HK\$250,000 (exclusive of rates, management fees and air-conditioning charges) and a rental deposit of HK\$750,000. The monthly rental was negotiated with Homley with reference to the market rent as at 23 April 2002 as advised by RHL Appraisal Ltd., a firm of independent professional property valuers. Rentals charged by Homley during the year under the tenancy agreement amounted to HK\$3,000,000. At 31 March 2005, accrued rental payable to Homley amounted to HK\$750,000.

On 15 April 2005, the Group renewed the tenancy agreement with Homley for a further period of three years commencing 1 May 2005 to 30 April 2008 at a monthly rental of HK\$270,000 (exclusive of rates, management fees and air-conditioning charges) and a rental deposit of HK\$810,000. The monthly rental was negotiated with Homley with reference to the market rents as at 11 April 2005 as advised by RHL Appraisal Limited, a firm of independent professional property valuers. Details of the arrangement are set out in the announcement dated 15 April 2005 issued by the Company.

Mr. Cheng Hop Fai, Mrs. Cheng Kwok Kwan Yuk, Ms. Cheng Pak Ming, Judy and Miss Cheng Pak Man, Anita are deemed to be beneficially interested in Homley.

- (c) On 1 April 2003, the Group entered into a tenancy agreement with Hover City Industrial Limited ("Hover City") for leasing from Hover City a unit of commercial building for a period of two years commencing 1 April 2003 to 31 March 2005 at a monthly rental of HK\$20,000 and a rental deposit of HK\$40,000. The tenancy agreement was terminated on 28 February 2005. Rental charged by Hover City during the year under this agreement amounted to HK\$220,000. The monthly rental was determined by both parties with reference to market rental.

Mr. Cheng Hop Fai, Mrs. Cheng Kwok Kwan Yuk, Ms. Cheng Pak Ming, Judy and Miss Cheng Pak Man, Anita are deemed to be beneficially interested in Hover City.

DIRECTORS' INTEREST IN CONTRACTS AND CONNECTED TRANSACTIONS (continued)

- (d) On 25 April 2003, the Group entered into a loan agreement with Hover City for a loan facility to the extent of HK\$10,000,000 offered to the Group by Hover City. The sum drawn down by the Group will bear interest at 3% below the best lending rate quoted by a bank in Hong Kong and shall be repaid in one lump sum (including accrued interest) by 24 April 2005. On 9 July 2004, the Group renewed the terms of the loan agreement with Hover City. The loan facility was extended to HK\$15,000,000 and the final repayment date to 30 June 2006. On 7 January 2005, the Group further renewed the terms of the loan agreement. The loan facility was further extended to HK\$25,000,000 and the final repayment date to 31 December 2006. Interest expense charged to the income statement during the year amounted to HK\$261,299. At 31 March 2005, accrued interest payable to and the principal sum outstanding of the loans from Hover City amounted to HK\$371,058 and HK\$17,915,283 respectively.
- (e) On 5 January 2005, the Group entered into a conditional agreement with Bestview International Investments Ltd. ("Bestview") for the sale of the Group's entire 90% equity interest in Tanson Development Limited ("Tanson"), the assignment of an amount of HK\$10,491,000 owing by Tanson to the Group and the discharge of Tanson's liabilities and obligations to repay a loan of HK\$50,431,000 owing to the Group for a consideration of HK\$10,500,000. Bestview is 60% owned by Mr. Chan Muk Ching, who is deemed to be beneficially interested in a company which had the remaining 10% equity interest in Tanson. The transaction was completed in January 2005.
- (f) On 31 January 2005, the Group entered into a tenancy agreement with Hover City for leasing from Hover City a unit of residential building for a period of one year commencing 1 February 2005 to 31 January 2006 at a monthly rental of HK\$50,000 and a rental deposit of HK\$100,000. Rental charged by Hover City during the year under this agreement amounted to HK\$100,000. The monthly rental was determined by both parties with reference to market rental.
- (g) During the year, the Group made rental payments of HK\$528,000, under a joint venture agreement, to the PRC joint venture partner of an indirect non wholly-owned subsidiary of the Company, 惠州君豪大酒店.

In the opinion of the independent non-executive directors of the Company, the above transactions were conducted on normal commercial terms, in the ordinary course of the Group's business and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Other than as disclosed above, there was no other contract of significance, to which the Company, its holding company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

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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.

CORPORATE GOVERNANCE

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 (the "Listing Rules"), 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 the independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2005.

AUDITORS

A resolution will be submitted at the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Cheng Kwok Kwan Yuk
DIRECTOR

Hong Kong, 14 July 2005

DETAILS OF EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS

EXECUTIVE DIRECTORS

Mr. Cheng Hop Fai, aged 61, is the Chairman and Managing Director of the Company. He is one of the founders of the Group and has over 20 years experience in the restaurant business. He has been instrumental in the formulation and implementation of the business policies of the Group and is responsible for the general management and strategic planning of the Group.

Mrs. Cheng Kwok Kwan Yuk, aged 59, is the wife of Mr. Cheng and an Executive Director of the Company. She is one of the founders of the Group and has over 20 years experience in the restaurant business. She is, with Mr. Cheng, responsible for the general management of the Group.

Ms. Cheng Pak Ming, Judy, aged 34, is a daughter of Mr. and Mrs. Cheng. She holds a Bachelor degree in Economics from the University of Sydney. She is a Certified Practising Accountant of CPA Australia and an Associate Member of the Hong Kong Institute of Certified Public Accountants. She is an Executive Director of the Company and oversees the accounting functions of the Group.

Miss Cheng Pak Man, Anita, aged 33, is a daughter of Mr. and Mrs. Cheng. She holds a Bachelor of Commerce degree from the University of New South Wales and a Master of Applied Finance degree from Macquarie University, Sydney. She is a Certified Practising Accountant of CPA Australia and an Associate Member of the Hong Kong Institute of Certified Public Accountants. She has over 5 years experience in the banking and accounting field in Hong Kong. She is responsible for the business development and the marketing function of the Group.

Mr. Chan Ming Fai, aged 43, holds a Bachelor degree in Social Sciences from the University of Hong Kong. He was a former director of Jardine Fleming Investment Management Services and one of the founding directors of KGI Group. He has substantial experience in unit trusts, pension funds, asset and investment management. He is responsible for the strategic planning and financial functions of the Group. He is also an independent non-executive director of Sino Technology Investments Company Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Law Toe Ming, aged 63, was appointed as Non-executive Director of the Group on 1 December 1994. He is also a director of Texful Textile Limited.

Mr. Mark Yiu Tong, William, aged 69, is a renowned food critic and a regular contributor to many newspapers and magazines in Hong Kong and overseas. He writes under the pen name of “唯靈” in Chinese newspapers and magazines and is the author of several books on Chinese cookery. He holds many awards in the food industry.

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Ms. Kan Lai Kuen, Alice, aged 50, is a shareholder and a director of Asia Investment Management Limited providing corporate advisory and investment management services and Asia Investment Research Limited involving in research work in Hong Kong and China based companies. She is a licensed person under the Securities and Futures Ordinance (“SFO”). She is currently an independent non-executive director of Regal Hotels International Holdings Limited, Shougang Concord International Enterprises Company Limited, Shougang Concord Technology Holdings Limited and SNP Leefung Holdings Limited, all of which are listed on The Stock Exchange of Hong Kong Limited.

Ms. Kan has over 15 years of experience in corporate finance and is well versed in all aspects of the equity and debt markets. She had held various senior positions in international and local banks and other financial institutions. Ms. Kan is a Fellow Member of The Association of Chartered Certified Accountants, a Fellow Member of the CPA Australia and an Associate Member of the Hong Kong Institute of Certified Public Accountants. Ms. Kan is also a fellow member of the Hong Kong Institute of Directors.

SENIOR MANAGEMENT

Mr. Cheng Kwun Hung, Peter, aged 31, is a son of Mr. and Mrs. Cheng. He holds a Bachelor degree in Commerce and a Bachelor degree in Laws from the University of New South Wales and is an Associate member of CPA Australia. He is responsible for the strategic planning and financial functions of the Group.

Ms. Chu Ka Yee, aged 38, is the Chief Financial Officer and Company Secretary of the Group. She holds a Bachelor degree in Business Administration from the Chinese University of Hong Kong and is a Fellow Member of the Association of Chartered Certified Accountants. She is responsible for the financial and company secretarial functions of the Group.