

CHAIRMAN'S STATEMENT

RESULTS

The audited consolidated loss attributable to shareholders of the Company and its subsidiaries ("The Group") for the year ended 31 March 2006 was approximately HK\$5,415,000. Loss per share based on 484,853,527 shares amounted to 1.1 cents.

DIVIDENDS

The Board of Directors has resolved not to declare any final dividend for the year ended 31 March 2006 (2005: Nil).

REVIEW OF OPERATIONS

For the year ended 31 March 2006, the Group recorded a consolidated turnover of approximately HK\$105.3 million, representing a decrease of approximately HK\$10.1 million or 8.8% compared to last year. The decrease was due primarily to the disposal of the Group's hotel operation in China in January 2005, which had accounted for a turnover of approximately HK\$10.7 million in the previous year.

The Group's restaurant operation in Hong Kong has stabilized after a rapid improvement of market conditions last year. It continues to provide a stable source of revenue and remains the largest contributor to turnover, generating 90.8% of the Group's turnover for the year under review.

Meanwhile, the Group's environmental friendly paper tableware business has experienced a substantial improvement in the reporting year. The segment turnover increased by approximately 109.7% to HK\$9.7 million, whilst the corresponding segment loss reduced significantly by approximately 71.2%. The increase in business was supported by several factors which included mounting global environmental awareness; encouraging government green policies in our target markets as well as the persistently high oil price which had caused some plastic tableware users to switch to recyclable and biodegradable products. During the reporting period, the Group had also diversified into the manufacture of paper pulp products from reclaimed paper and it will continue to explore business opportunities in this area.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank balances (including pledged bank deposits) amounted to approximately HK\$15.3 million as at 31 March 2006.

As the Group had no bank borrowings, the Group's gearing ratio was zero as at 31 March 2006 and 31 March 2005.

The Group has obtained loan facilities from a related company, Hover City Industrial Limited ("Hover City"), which bear interest at 3% below the best lending rate quoted by a bank in Hong Kong. As at 31 March 2006, the sum drawn down by the Group was approximately HK\$18.8 million (31 March 2005: HK\$17.9 million), with accrued interests of approximately HK\$1.1 million (31 March 2005: HK\$0.4 million). The loans are repayable in one lump sum (including accrued interests) by 31 December 2008.

CHAIRMAN'S STATEMENT

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

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.

EXCHANGE EXPOSURE

As most of our sales, purchases, cash and bank balances were denominated in Hong Kong dollars, United States dollars and Renminbi during the year, the Group was not exposed to material foreign exchange risks.

PROSPECTS

The Group's restaurant operation is expected to maintain a steady growth amid the generally favourable economic environment. The Group, however, envisages enormous potential in its environmental friendly paper tableware business and is targeting another year of strong growth in this segment. It is anticipated that the environmental friendly paper tableware segment will generate a positive contribution to the Group's overall results in the foreseeable future through business diversification, improvement in the manufacturing process and introduction of various cost control measures.

Management review has been conducted across all business segments of the Group with the aim to better position the Group to meet the challenges ahead and to capture any business opportunities as they arise.

EMPLOYEES

At 31 March 2006, the Group had approximately 374 staff. Total staff costs including Directors' emoluments amounted to HK\$36 million (31 March 2005: HK\$38.5 million) for the year under review.

Review of the employees' remuneration packages is normally conducted annually and as required from time to time. The salary and benefit levels of the Group's employees are competitive and individual performance is rewarded through the Group's bonus scheme. Other benefits including medical coverage and Mandatory Provident Fund Scheme are also provided to employees.

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 2006