

CHAIRMAN'S STATEMENT

主席報告

To our shareholders:

2003 remained a challenging year for the Group. The worsening operating environment during the first half of the year together with the outbreak of Severe Acute Respiratory Syndrome ("SARS") in Hong Kong in March had further dampened the weakened economy. Despite improved economic sentiment in the second half of the year, unemployment rate still hovered at high levels and price competition intensified within the restaurant industry. All these factors had made the Group's operation very difficult.

Facing these unfavourable market conditions, the Group adopted a series of cost control measures, enhanced food quality to attract more customers, and implemented market segmentation strategies through making more business adjustments. As a result, the Group succeeded in improving its operating performance during the year under review.

To restructure its restaurant network and utilise its corporate resources more efficiently, the Group disposed of two properties located in Mongkok and To Kwa Wan for an aggregate net sales proceeds of HK\$35 million, and disposed of four of its subsidiaries, which resulted in a gain of HK\$41 million during the year under review.

Following the outbreak of SARS in 2003, the restaurant industry in Hong Kong underwent a period of substantial market consolidation, during which restaurants with relatively lower operational efficiency were eliminated or forced to suspend operation. In the second half of the year, the retail market conditions in Hong Kong slightly improved amid the gradual recovery of the local economy and the implementation of "Individual Visit Scheme". However, the change in the spending pattern of Hong Kong people together with the relative high costs such as rentals and salaries, the local restaurant industry still faced severe challenges.

BUSINESS REVIEW

In 2003, the operating environment of the restaurant industry continued to be daunting, despite improvement in the overall Hong Kong economy. According to the Census and Statistics Department of Hong Kong, the total revenue of the restaurant sector in Hong Kong for 2003 amounted to HK\$48.1 billion, representing a substantial decline of 10% from HK\$53.4 billion in 2002. The restaurant industry experienced sluggish sales. In particular, the impact on Chinese restaurants was most significant. To cope with the decline in catering expenditures, many of the Chinese restaurant operators lowered prices to attract customers, which resulted in a cutthroat competition. As such, the profitability of the overall industry declined further.

致各位股東：

二零零三年對本集團而言繼續為具挑戰性的一年。上半年的惡劣經營環境，加上香港於三月份爆發嚴重急性呼吸系統綜合症（「非典型肺炎」），進一步令疲弱的經濟雪上加霜。儘管經濟氣氛於下半年好轉，惟失業率依然高企及酒樓業的減價戰亦趨劇烈。以上種種因素令本集團的經營十分困難。

面對種種不利市場之因素，本集團採取一系列控制成本及提高食品質素之措施以吸引更多食客，並透過進一步採取各項業務調整以迎合不同層面顧客的要求。據此，本集團於回顧年度成功改善其營運表現。

為重組其酒樓網絡及更有效地動用公司資源，本集團出售位於旺角及土瓜灣之兩項物業，銷售所得款項淨額合共為35,000,000港元。同時，透過出售四家附屬公司，於回顧年度為本集團帶來41,000,000港元之收益。

繼二零零三年爆發非典型肺炎後，香港酒樓業步入市場整固高峰期，其中經營效率較低之酒樓遭淘汰或被逼暫停營運。至下半年，在本地經濟逐漸復甦及實施「自遊行計劃」下，香港的零售市場情況獲得輕微改善。然而，香港人的消費模式轉變，加上租金及薪金成本仍處於較高水平，本地酒樓業仍需面對重大挑戰。

業務回顧

二零零三年，香港整體經濟氣氛雖見改善，惟酒樓業經營環境持續惡劣。根據香港政府統計處資料顯示，本港飲食業去年整體收入約為481億港元，較二零零二年之約534億港元大幅減少10%。飲食業市道表現疲弱，其中以中式酒樓所受的衝擊尤為顯著。面對飲食消費下跌的壓力，中式酒樓經營者大都以減價作招徠，令市場出現割喉式惡性競爭，損害整個行業的盈利能力。

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OPERATING RESULTS

Affected by the closure of certain restaurants and adverse operating environment, the Group's consolidated turnover for the year ended 31 December 2003 decreased by 30.5% from 2002 to HK\$507.9 million. The Group's consolidated net profit attributable to shareholders for 2003 was approximately HK\$31.2 million, compared with consolidated net loss attributable to shareholders of HK\$74.6 million in 2002.

OPERATION REVIEW

In 2003, the deteriorating market conditions led to intensified competition in the restaurant industry. Moreover, high unemployment rate and the price war among Chinese restaurants had eroded the profit margins of the overall Chinese restaurant industry. Meanwhile, the increasing popularity of western cuisine, Japanese cuisine and "homemade" cuisine in Hong Kong in recent years had also had severe impact on the operations of traditional Chinese restaurants.

Despite the poor market conditions in Hong Kong, the Group continued to adopt prudent and innovative operating strategies. The Group made every effort to provide customers with high quality service and a wide variety of delicacies at affordable prices. Besides, the Group implemented different marketing promotion strategies during the year under review to maintain its market share.

The Group had also streamlined and reorganised its restaurant network to improve operational efficiency and achieve better resources allocation. Apart from the disposal of two properties and four subsidiaries, the Group also refurbished two restaurants in Hunghom and Tsim Sha Tsui. As at 31 December 2003, the Group operated 11 restaurants in Hong Kong. While this move brought immediate cost-saving benefits to the Group, it was intended to be a long-term strategy in improving the Group's overall ability to take advantage of any business opportunities arising from a better industry environment in the future.

Meanwhile, the Group had also stepped up its cost control measures, including negotiating with restaurant lessors for rental reduction. The Group had succeeded in negotiating reduction in the rentals of two restaurant outlets, which could save the Group HK\$270,000 per month.

During the year under review, independent third party Cipla Limited had indicated interest in acquiring the controlling stake of the Group from the Company's controlling shareholder. However, as the two parties had not completed the transaction within the agreed time, the transaction had not been finalised.

經營業績

受關閉部份酒樓分店及經營環境惡劣之影響，本集團截至二零零三年十二月三十一日止年度之綜合營業額較二零零二年度下跌30.5%至約507,900,000港元。本集團二零零三年度之股東應佔綜合淨利潤約為31,200,000港元，而二零零二年度之股東應佔綜合淨虧損則約為74,600,000港元。

經營回顧

二零零三年，持續惡化的市況導致酒樓業的競爭加劇。此外，失業率高企及中式酒樓的減價戰亦削弱了中式酒樓業之整體利潤。同時，西餐、日本菜及「私房菜」在香港日趨流行亦對傳統中式酒樓的經營構成嚴重影響。

儘管香港的市場環境惡劣，本集團仍繼續採取穩健的作風及不斷創新的經營策略，積極為顧客提供優質服務和多元化的菜色，並以大眾化的價格為招徠。此外，本集團亦於年度內推行不同的市場銷售策略，以保持市場佔有率。

為改善營運效益及更妥善作出資源分配，本集團於年度內亦進一步精簡組織架構和重整旗下分店網絡。除了出售兩項物業及旗下四間附屬公司外，本集團並重新裝修兩間分別位於紅磡及尖沙咀的酒樓。於二零零三年十二月三十一日，本集團於香港共經營十一間酒樓。此舉成功為本集團減省開支。本集團將以此為長遠策略以提升集團整體競爭力，以便日後於行業環境轉好時能掌握市場發展機遇。

與此同時，本集團已加快其成本控制措施，包括與酒樓業主商討減租。本集團已成功為其兩間酒樓獲得酒樓業主減租，每月可為本集團節省270,000港元。

於年度內，獨立第三方Cipla Limited有意向本集團之控股股東購入本公司控股權，惟有關交易未能在雙方協定時間內完成，故最終並無落實。

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STAFF AND COMPENSATION POLICY

As at 31 December 2003, the Group had a total workforce of 1,111 (2002: 2,118). The salary and wages of our employees are commensurate with their duties and performance.

FINANCIAL REVIEW

Funding policy

The Group will make its funding decision on a case-by-case basis and according to the following factors:

- the availability of bank loans and the interest rate level
- the availability of and the advantage of using internal resources instead of borrowing
- impact on the gearing ratio and interest rate fluctuation

Capital structure

As at 31 December 2003, the Group had outstanding bank borrowings, other loan and finance lease payables denominated in Hong Kong dollars with an aggregate amount of HK\$11,858,000 (2002: HK\$127,350,000). The cash and bank balances of the Group amounted to HK\$7,729,000 (2002: HK\$21,927,000). The decrease in the outstanding bank borrowings was mainly due to the disposal of a properties during the year under review (as detailed in the circulars dated 25 April 2003 and dated 25 August 2003).

The short-term borrowings of the Group accounted for 81.5% (2002: 24.8%) of the total borrowings at 31 December 2003.

The interest expenses of the Group for the year under review were HK\$3,473,000 (2002: HK\$4,468,000). As at 31 December 2003, the ratio of total liabilities to total assets of the Group was 89.9% (2002: 87.9%).

僱員及補償政策

於二零零三年十二月三十一日，本集團共有1,111名員工（二零零二年：2,118名）。本集團僱員之薪酬及工資乃視乎職責及工作表現而定。

財務回顧

融資政策

本集團將根據個別個案及以下因素作出融資決定：

- 有否可動用之銀行貸款及有關利率水平
- 可否以內部資源提供資金以取代向外借貸及其好處
- 對負債比率之影響及利率波動情況

資本結構

於二零零三年十二月三十一日，本集團之未償還港元銀行借貸、其他貸款及融資租約應付款項合共11,858,000港元（二零零二年：127,350,000港元）。本集團之現金及銀行結餘為7,729,000港元（二零零二年：21,927,000港元）。未償還銀行借貸之減少主要是由於回顧年內出售若干物業所致（詳情已載於二零零三年四月二十五日及二零零三年八月二十五日刊發之通函）。

於二零零三年十二月三十一日，本集團之短期借貸佔借貸總額81.5%（二零零二年：24.8%）。

本集團於回顧年度之利息支出為3,473,000港元（二零零二年：4,468,000港元）。於二零零三年十二月三十一日，本集團負債總額與資產總值之比率為89.9%（二零零二年：87.9%）。

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Pledges of assets

As at 31 December 2003, leasehold land and buildings and investment properties of the Group with a net book value HK\$650,000 (2002: HK\$141,120,000) was pledged as security for bank loans. As at 31 December 2003, shares of two subsidiaries were pledged as security for a short-term borrowing amounting to HK\$6,000,000 for working capital of the Group.

Issuance of preference shares in subsidiaries

Two subsidiaries of the Group placed and issued 3,000,000 new non-voting, non-convertible and non-redeemable preference shares each on 30 June 2003 at HK\$1 per share. The total proceeds HK\$6,000,000 had been used for their working capital.

Exchange exposure

Since most of our sales, purchases and bank loans were denominated in Hong Kong dollars during the year under review, the Group was only exposed to insignificant exchange risks.

Capital commitment

As at 31 December 2003, there was no material capital commitment for the Group.

Contingent liabilities

At 31 December 2003, a number of current employees had achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance should their employment be terminated under certain prescribed circumstances. A provision has not been recognized in respect of such possible payments, as it is not considered probable that there will be a material future outflow of resources from the Group in respect thereof.

At 31 December 2003, the Group has a contingent liability in respect of possible future payments to employees under the Employment Ordinance, with a maximum possible amount of HK\$23,322,000 (2002: HK\$24,440,000).

資產抵押

於二零零三年十二月三十一日，本集團已將賬面淨值650,000港元（二零零二年：141,120,000港元）之租賃土地與樓宇及投資物業抵押，作為銀行貸款之擔保。於二零零三年十二月三十一日，兩家附屬公司之股份已抵押作為本集團用作營運資金之6,000,000港元短期借貸之擔保。

發行附屬公司優先股

本集團兩家附屬公司已各自於二零零三年六月三十日分別配售及發行3,000,000股不附投票權、不可轉換及不可贖回之新優先股份，每股作價1.00港元。所得款項合共6,000,000港元已用作營運資金。

外匯風險

由於本集團於回顧年內之大部份銷售、採購及銀行借貸均以港元為主，故此本集團所承受之外匯風險並不重大。

資本承擔

於二零零三年十二月三十一日，本集團並無任何重大資本承擔。

或然負債

截止至二零零三年十二月三十一日，本集團若干現職僱員之服務年期已達到僱傭條例之要求，即倘於規定情況下遭終止受聘，在離職時可獲支付長期服務金。由於本集團認為日後不會因此出現重大資金流出，因此並無在賬目中確認有關該等可能須支付之金額，亦無作出撥備。

截止至二零零三年十二月三十一日，根據僱傭條例，本集團可能須支付僱員之最高潛在金額為23,322,000港元（二零零二年：24,440,000港元）。

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PROSPECTS

The year of 2004 will continue to be a challenging year for the Group. With the impact of the bird flu outbreak on Hong Kong's restaurant industry, the Group will dedicate to lowering its operating cost, including further strengthening of its centralized purchasing strategy and negotiating with lessors to reduce rentals of its restaurants, in order to maintain a reasonable cash flow and further improve the financial situation of the Group. On the other hand, the Group will continue to restructure its restaurant network through relocating its restaurants and business rationalisation.

To increase cost effectiveness, the Group is actively reviewing methods and possibilities of further fine-tuning of its operation structure. However, the continuous unfavourable market conditions of the food and beverage industry have severely affected the Group's expansion and development plan.

On behalf of the board, I would like to extend appreciation to all of our staff for their hard work and contribution during the year. I would also like to express my deepest gratitude to our shareholders, customers and suppliers for their continued support.

By the order of the board

Cheung To Sang

Chairman and Managing Director

Hong Kong, 16 April 2004

展望

二零零四年將仍為充滿挑戰的一年，其中禽流感的爆發對香港酒樓業造成一定的打擊。本集團將努力降低營運成本，包括進一步加強中央採購措施及與酒樓業主磋商減租事宜，致力保持合理的現金流和進一步改善整體財政狀況；另一方面，本集團將繼續通過重新選址及整合措施以重整集團分店網絡。

為提高成本效益，本集團現正對精簡營運架構之方式及可能性作出積極的研究。惟飲食業持續不景氣已嚴重影響本集團擴充及發展計劃。

本人藉此代表董事會向全體員工於年內所付出的努力及作出的貢獻致以衷心感激，並且由衷感謝本集團的股東、客戶及供應商對我們的不斷支持。

承董事會命

主席兼董事總經理

張道生

香港，二零零四年四月十六日