

To shareholders:

BUSINESS REVIEW

In year 2004, 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 changes in the spending pattern of Hong Kong people together with still relatively high operating costs such as rentals and salaries, local restaurant industry still faced severe challenges. As a result, the Group streamlined and reorganized its restaurant network to improve operational efficiency and achieve better resources allocation.

During the period under review, the Group permanently closed three of its restaurants located at Kowloon City, Kwai Chung and Mei Foo (the "Closed Restaurants"). The loss arose from disposal of the associated fixed assets and other assets and payment for employees' other benefits of the Closed Restaurants amounting to approximately HK\$10,156,000 was recorded in the accounts.

On 20 April, 2004, Oriental Team Investments Limited ("Oriental Team"), a non wholly-owned subsidiary of the Company and Trinity International Development Limited ("Trinity") entered into a sale and purchase agreement. Pursuant to the sale and purchase agreement, Oriental Team agreed to sell certain assets which include the decoration together with goods, chattels, inventories, fittings and furniture at Alhambra Building in Yaumatei to Trinity at a consideration of HK\$6,000,000. The gain arose from the transaction amounting to approximately HK\$2,000,000 was recorded in the accounts. Details of the transaction were included in the announcement and circular made by the Company on 22 April 2004 and 13 May 2004 respectively.

On 2 June 2004, More Development Limited ("More Development"), a wholly-owned subsidiary of the Company and Sino Major Company Limited ("Sino Major") entered into a sale and purchase agreement. Pursuant to the sale and purchase agreement, More Development agreed to sell certain assets which include the tools of trade, utensils, furniture, fixtures, fittings, goods, chattels and inventories at Lux Theatre Building in Hunghom to Sino Major at a consideration of HK\$2,700,000. The loss arose from the transaction amounting to approximately HK\$220,000 was recorded in the accounts. Details of the transaction were included in the announcement and circular made by the Company on 11 June 2004 and 5 July 2004 respectively.

致各位股東：

業務回顧

於二零零四年，隨著本地經濟逐步復甦及「自由行計劃」之推行，香港零售市道輕微改善。然而，香港市民消費模式改變，加上營運成本（如租金及薪金）仍然偏高，本地酒樓業仍面對嚴峻挑戰。因此，本集團已精簡及重組其酒樓網絡以提高運作效率並達致更佳資源分配。

於回顧期內，本集團永久關閉本集團其中三間酒樓，其分別位於九龍城、葵涌及美孚（「該等關閉酒樓」）。出售相關固定資產與其他資產而產生之虧損以及支付該等關閉酒樓之僱員其他福利合共約10,156,000港元，並已入賬。

於二零零四年四月二十日，奧成投資有限公司（「奧成」，本公司一家非全資擁有之附屬公司）與 Trinity International Development Limited（「Trinity」）簽訂一份買賣協議。根據該買賣協議，奧成同意出售油麻地平安大樓之若干資產（包括裝修連同貨物、動產、存貨、裝備及傢俬）予 Trinity，代價為6,000,000港元。此交易所產生之盈利約2,000,000港元已入賬。交易詳情已載於本公司分別於二零零四年四月二十二日及二零零四年五月十三日所作之公佈及通函內。

於二零零四年六月二日，多恒發展有限公司（「多恒發展」，本公司一家全資擁有之附屬公司）與中彬有限公司（「中彬」）簽訂一份買賣協議。根據該買賣協議，多恒發展同意出售紅磡寶石戲院大廈之若干資產（包括生財工具、餐具、傢俬、固定裝置、裝備、貨物、動產及存貨）予中彬，代價為2,700,000港元。此交易所產生之虧損約220,000港元已入賬。交易詳情已載於本公司分別於二零零四年六月十一日及二零零四年七月五日所作之公佈及通函內。

On 15 October 2004, Rich Source Management Limited (“Rich Source”), a non wholly-owned subsidiary of the Company and Step Rise Investment Limited (“Step Rise”) entered into a sale and purchase agreement. Pursuant to the sale and purchase agreement, Rich Source agreed to sell the tools of trade, utensils, furniture, fixtures, fittings, goods, chattels and inventories at Eastland Towers in Sham Shui Po to Step Rise at a consideration of HK\$3,000,000. The loss arose from the transaction amounting to approximately HK\$1,670,000 was recorded in the accounts. Details of the transaction were included in the announcement and circular made by the Company on 18 October 2004 and 29 October 2004 respectively.

Upon the completion of these three transactions, the restaurant business operated by Oriental Team, More Development, Rich Source under the trading names of Chung Wah Restaurant, Hung Hom Hon Po Restaurant and Sham Shui Po Hon Po Restaurant at the relating premises were closed permanently.

As at 31 December 2004, the Group is still operating 5 restaurants located at Tsim Sha Tsui, Mongkok, Hunghom and To Kwa Wan.

RESULTS

Affected by the closure of certain restaurants, the Group's consolidated turnover for the year ended 31 December 2004 decreased by 47.6% from 2003 to HK\$266,120,000. The Group's consolidated net loss attributable to shareholders for 2004 was approximately HK\$39,988,000, compared with the consolidated net profit attributable to shareholders of HK\$31,223,000 for 2003.

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 the advantage of using internal resources instead of borrowings; and
- impact on the gearing ratio and interest rate fluctuation.

於二零零四年十月十五日，富源管理有限公司（「富源」，本公司一家非全資擁有之附屬公司）與振陞投資有限公司（「振陞」）簽訂一份買賣協議。根據該買賣協議，富源同意出售深水埗東蘭閣之生財工具、餐具、傢俬、固定裝置、裝備、貨物、動產及存貨予振陞，代價為3,000,000港元。此交易所產生之虧損約1,670,000港元已入賬。交易詳情已載於本公司分別於二零零四年十月十八日及二零零四年十月二十九日所作出之公佈及通函內。

於上述三項交易完成後，於有關物業由奧成、多恒發展及富源分別以中華酒樓、紅磡漢寶酒樓及深水埗漢寶酒樓商號經營之酒樓業務已永久關閉。

截至二零零四年十二月三十一日，本集團仍然經營位於尖沙咀、旺角、紅磡及土瓜灣之五間酒樓。

業績

受若干酒樓結業所影響，本集團於截至二零零四年十二月三十一日止年度之綜合營業額較二零零三年下跌47.6%至266,120,000港元。本集團於二零零四年之綜合股東應佔虧損淨額約為39,988,000港元，二零零三年之綜合股東應佔純利則為31,223,000港元。

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；及
- 對負債比率之影響及利率波動情況。

Capital Structure

As at 31 December 2004, the Group had outstanding bank borrowings, other loan and finance lease payables denominated in Hong Kong dollars with an aggregate amount of HK\$2,019,000 (2003: HK\$11,858,000). The cash and bank balances of the Group amounted to HK\$10,535,000 (2003: HK\$7,729,000). During the year, certain bank borrowings and other loan were repaid by using internal resources and funds from the immediate holding company.

The short-term borrowings of the Group accounted for 37.8% (2003: 81.5%) of the total borrowings as at 31 December 2004.

The interest expenses of the Group for the year under review were HK\$1,515,000 (2003: HK\$3,473,000). As at 31 December 2004, the ratio of total liabilities to total assets of the Group was 169.2% (2003: 89.9%).

Pledges of Assets

As at 31 December 2004, there was no (2003: net book value of HK\$650,000) leasehold land and buildings and investment properties of the Group pledged as security for bank loans. As at 31 December 2004, there was no subsidiary (2003: 2 subsidiaries) pledged as security for any short-term borrowing (2003: borrowing amounting to HK\$6,000,000).

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.

Employee Information

As at 31 December 2004, the Group had a total workforce of 494 (2003: 1,111). The salary and wages of our employees are commensurate with their duties and performance.

Capital Commitment

As at 31 December 2004 and 31 December 2003, there was no material capital commitment for the Group.

資本結構

於二零零四年十二月三十一日，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2,019,000港元（二零零三年：11,858,000港元）。本集團之現金及銀行結餘為10,535,000港元（二零零三年：7,729,000港元）。年內，本集團已利用內部資源及直接控股公司提供之資金償還若干銀行借貸及其他貸款。

於二零零四年十二月三十一日，本集團之短期借貸佔借貸總額37.8%（二零零三年：81.5%）。

本集團於回顧年內之利息支出為1,515,000港元（二零零三年：3,473,000港元）。於二零零四年十二月三十一日，本集團負債總額與資產總值之比率為169.2%（二零零三年：89.9%）。

資產抵押

於二零零四年十二月三十一日，本集團並無（二零零三年：賬面淨值650,000港元）抵押租賃土地與樓宇及投資物業作為銀行貸款之擔保。於二零零四年十二月三十一日，並無抵押任何附屬公司（二零零三年：兩家附屬公司）作為任何短期借貸（二零零三年：借貸為數6,000,000港元）之擔保。

外匯風險

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

僱員資料

於二零零四年十二月三十一日，本集團合共有494名員工（二零零三年：1,111名）。本集團僱員之薪金及工資與彼等之職責及表現掛鈎。

資本承擔

於二零零四年十二月三十一日及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。

Contingent Liabilities

As at 31 December 2004 and 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 services payments under the Employment Ordinance should their employment be terminated under certain prescribed circumstances. Provision has not been made 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.

As at 31 December 2004, the Group had contingent liabilities in respect of possible future payments to employees under the Employment Ordinance, with a maximum possible amount of HK\$6,700,000 (2003: HK\$23,322,000).

PROSPECTS

In February 2005, the Company successfully placed 126,000,000 new shares at a price of HK\$0.0624 per share to certain independent individual investors. The net proceeds of the placing were approximately HK\$7,600,000 and had been fully utilized as general working capital.

In February 2005, the Company appointed a securities company to place a series of convertible notes of the Company to certain potential independent placees (the "Placing") for a maximum principal value of HK\$40,000,000. The proceeds of the Placing, if completed, will intend to be used as working capital and the financial position of the Group will be improved significantly.

With these additional financial resources, together with the completion of the reorganization of the restaurant network, the management of the Company is optimistic about the operation results of the Group in the forthcoming year.

By Order of the Board

Cheung To Sang

Chairman and Managing Director

Hong Kong, 22 April 2005

或然負債

於二零零四年十二月三十一日及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，倘於規定情況下遭終止受聘，在離職時則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，因此並無在賬目中就有關可能須支付之金額作出撥備。

於二零零四年十二月三十一日，本集團之或然負債為根據僱傭條例日後可能須支付僱員之款項，其最高潛在金額為6,700,000港元（二零零三年：23,322,000港元）。

展望

於二零零五年二月，本公司成功按每股0.0624港元之價格配售126,000,000股新股予若干獨立個別投資者。配售事項之所得款項淨額約為7,600,000港元，已全數動用作一般營運資金。

於二零零五年二月，本公司已委任一間證券公司向若干潛在獨立承配人配售本公司之一系列可換股票據（「配售事項」），本金上限40,000,000港元。配售事項（倘完成）所得款項擬用作本集團之營運資金，屆時本集團之財政狀況將會顯著改善。

憑藉此等額外財務資源，加上重組酒樓網絡之完成，本公司管理層對本集團來年之經營業績感到樂觀。

承董事會命

主席兼董事總經理

張道生

香港，二零零五年四月二十二日