



漢寶集團(龍蝦大王)有限公司
Hon Po Group (Lobster King) Limited
(incorporated in the Cayman Islands with limited liability)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2003**

The Board of Directors of Hon Po Group (Lobster King) Limited (the "Company") hereby announce that the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2003 together with comparative figures for the six months ended 30 June 2002. The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2003 have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

| | | (Unaudited) Six months ended 30 June 2003 HK\$'000 | (Unaudited) Six months ended 30 June 2002 HK\$'000 Restated |
|---|---|---|---|
| Turnover | 3 | 281,858 | 368,779 |
| Other revenue | | 13,675 | 3,343 |
| Cost of inventories consumed | | (90,816) | (115,508) |
| Staff costs | | (108,850) | (134,447) |
| Operating lease rentals | | (36,008) | (37,599) |
| Depreciation | | (2,859) | (9,559) |
| Fuel costs and utility expenses | | (32,339) | (36,178) |
| Other operating expenses | | (36,755) | (36,111) |
| (Loss)/profit from operating activities | 4 | (12,094) | 2,720 |
| Finance costs | | (2,698) | (1,505) |
| (Loss)/profit before tax | | (14,792) | 1,215 |
| Tax | 5 | 973 | 141 |
| (Loss)/profit before minority interests | | (13,819) | 1,356 |
| Minority interests | | 1,455 | 265 |
| Net (loss)/profit from ordinary activities attributable to shareholders | | (12,364) | 1,621 |
| Dividend – Special | | – | 100,114 |
| (Loss)/earnings per share – Basic | 6 | (HK1.96 cents) | HK0.27 cents |

Notes:

1. Significant accounting policies

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting".

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those used in the Group's audited financial statements for the year ended 31 December 2002, except for the adoption of revised SSAP 12 "Income Taxes" which is effective first time for the accounting period commencing on or after 1 January 2003.

The principal effect of the adoption of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liabilities method, whereby deferred tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. The SSAP 12 (Revised) is required to be applied retrospectively and the comparative figures for 2002 have been restated accordingly.

As a result of the adoption of SSAP 12 (Revised), the net profit for the six months ended 30 June 2002 has been increased by HK\$141,000.

2. Segment Information

No separate analysis of segment information is presented as the Group's business during the respective interim result periods are mainly engaged in the operation of a chain of Chinese restaurants in Hong Kong.

3. Turnover

The Group's unaudited turnover during the respective interim periods mainly represents the receipts from restaurant operations and is derived in Hong Kong.

| | | (Unaudited) Six months ended 30 June 2003 HK\$'000 | (Unaudited) Six months ended 30 June 2002 HK\$'000 |
|-------------------------------------|---|---|---|
| Receipts from restaurant operations | | 279,030 | 368,779 |
| Sales of goods of a food factory | | 2,828 | – |
| | 4 | 281,858 | 368,779 |

4. (Loss)/profit from Operating Activities

(Loss)/profit from operating activities is arrived at after charging/(crediting):

| | (Unaudited) Six months ended 30 June 2003 HK\$'000 | (Unaudited) Six months ended 30 June 2002 HK\$'000 |
|--|---|---|
| Cost of inventories consumed | 90,816 | 115,508 |
| Depreciation | 2,859 | 9,559 |
| Staff costs (including directors' remuneration) | | |
| Wages and salaries | 104,067 | 128,447 |
| Pension costs | 4,783 | 6,000 |
| | 108,850 | 134,447 |
| Minimum lease payments under operating leases on land and buildings: | | |
| Related companies | 4,295 | 5,826 |
| Holding companies | 7,488 | 7,458 |
| Third parties | 24,225 | 24,315 |
| | 36,008 | 37,599 |

5. Tax

| | (Unaudited) Six months ended 30 June 2003 HK\$'000 | (Unaudited) Six months ended 30 June 2002 HK\$'000 (Restated) |
|------------------------------------|---|---|
| Deferred tax: | | |
| Current provision | 1,038 | 141 |
| Attributable to change in tax rate | (65) | – |
| | 973 | 141 |

No provision for Hong Kong current profits tax has been made as the Group had no assessable profits derived from Hong Kong during the current period (2002: Nil). Deferred tax has been provided in accordance with SSAP 12 (Revised), applied retrospectively.

6. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the unaudited condensed consolidated net loss from ordinary activities attributable to shareholders for the six months ended 30 June 2003 of HK\$12,364,000 (2002: net profit of HK\$1,621,000 as restated) and the weighted average of 630,000,000 (2002: 593,259,669) shares in issue during the period.

There were no potential dilutive ordinary shares in existence for the relevant periods, and accordingly, no diluted earnings per share amount have been presented.

INTERIM DIVIDEND

The Board of Directors does not recommend the distribution of interim dividend for current period (2002: Nil).

DIVIDENDS

Prior to the Group Reorganisation, the Company did not have any distributable reserves.

As disclosed in the unaudited consolidated financial statements for the six months ended 30 June 2002 included in the interim report dated 25 September 2002 of the Company (the "2002 Interim Report") as part of the Group Reorganisation process incidental to the listing of the Company on the Stock Exchange, a special dividend (the "Special Dividend") of HK\$224,600,000 was declared and approved by the directors of the Company which was conditional upon the listing of the Company's shares on the Stock Exchange. The Special Dividend was set-off against the account balance due to the Company (the "Account Balance") from Hon Po Investment, the sole shareholder of the Company arising upon the completion of the Group Reorganisation on 17 January 2002 prior to the listing. The Special Dividend did not involve any cash payment. It has since transpired that the pro forma financial statements, and other financial information of the Company on which the Accountants' Report was based, and consequently the Accountants' Report itself, were prepared in a manner inconsistent with the intentions of the directors in relation to the nature of the assets transferred in the course of the Group Reorganisation, with the result that the value of the transferred assets had been overstated.

Based on a report prepared by an independent firm of accountants retained by the Group, the directors agreed that the Special Dividend should be in the amount of approximately HK\$92,554,000 to set-off the revised Account Balance as at the date of completion of the Group Reorganisation on 17 January 2002. The directors further agreed that the difference in the amount of HK\$132,046,000 between the Special Dividend of HK\$224,600,000 and the HK\$92,554,000 as aforementioned (the "Difference") should be cancelled and waived. As with the Special Dividend, the cancellation and waiver of the Difference did not involve any cash payment, and the aforementioned HK\$92,554,000 was settled by way of set-off against the revised Account Balance. Accordingly, the directors consider that there is no adverse change in the financial position and net tangible asset value of the Group and the Company as disclosed in the corresponding sections of the Prospectus, the 2001 Annual Report and the 2002 Interim Report. After taking into account the opinion of legal counsel, the directors consider that the cancellation and waiver of the Difference (i) does not lead to any loss to the members of the Company; (ii) does not lead to any diminution of the Group's and the Company's assets and no third party obtains any benefit or suffers any loss, and accordingly, no party should be held liable.