



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)

CLARIFICATION ANNOUNCEMENT

The Board would like to clarify an article appearing in a local magazine recently relating to the Company's operation including, inter alia, its decrease in turnover, temporary closure of some restaurants and litigation.

The board of directors (the "Board") of Hon Po Group (Lobster King) Limited (the "Company") has noted that there is an article appearing in a local magazine recently relating to the Company's operation including, inter alia, its decrease in turnover, temporary closure of some restaurants and litigation.

The Board would like to clarify as follows:

1. The magazine alleged that 6 out of 18 restaurants of the Group have been suspended temporarily. The Group hereby clarifies that up to date, a total of 7 out of 18 restaurants' operations have been suspended temporarily (all of them were suspended during April 2003). As stated in the Company's announcement dated 28 April 2003, the Company and its subsidiaries (the "Group") will continue to adopt on-going cost control procedures to face the atypical pneumonia and the economic depression. As part of the cost control procedures, the Group has temporarily suspended the operation of the above restaurants so as to conserve cash for the Group. The criteria for choosing which restaurants to close temporarily include, inter alia, the assessment of the location, amount of cost saving and vulnerability of turnover to atypical pneumonia of the restaurants. The management of the Company is continuing in its assessment of when the above restaurants can be reopened for operation.
2. The magazine alleged that the turnover of the Group was decreased by more than 50% as a result of atypical pneumonia. The Group now clarifies that the allegation is inaccurate. After comparing the preliminary unaudited turnover of the Group in April 2003 to the corresponding period in the last year and to March 2003, the decrease in percentage was lower than the alleged figure. However, the Board is of the view that the disclosure of the exact percentage is not in the best interest of the Company as it is a commercial secret especially in view of the competition in the restaurant industry.
3. The magazine alleged that there are three subsidiaries of the Group which are currently under litigation. The Group now clarifies that there are three subsidiaries of the Group which are currently being sued by their landlords for a total claim of approximately HK\$3.5 million in connection with the outstanding rental of three restaurants operated by the three subsidiaries (all of these three restaurants were suspended during April 2003). The Group is currently negotiating with the landlords for out of court settlement. Save as disclosed above, the Group at present does not have any material litigation. The amount of claim itself does not have material impact on the financial position of the Group. In the event that some of the above three restaurants close permanently, it may have material impact on the Group's trading and financial position. Further announcement in relation to the development of this issue may be made in the future as appropriate.

As part of the content of the article may constitute libel allegation or statements, the Group reserves its right in taking legal action against the article's author/magazine/printer.

As stated in the major transaction circular dated 25 April 2003 in connection with the disposal of a property of the Group, "the Directors of the Company are of the opinion that after taking into account of the present banking facilities and the Consideration of the disposal of the Property, the Group has sufficient working capital for its present requirements. However, additional working capital may be required if the impact of the atypical pneumonia upon restaurant industry cannot be materially relieved in the third quarter of 2003."

The Board confirms that the above opinion in regarding to the working capital is still applicable at present.

Based on the above reasons, the Board is of the view that at present the Group satisfies the requirement of paragraph 38 of the Listing Agreement in relation to sufficient level of operation.

Save as disclosed above, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realizations which are discloseable under paragraph 3 of the Listing Agreement, neither is the Board aware of any matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement, which is or may be of a price-sensitive nature.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Hon Po Group (Lobster King) Limited
Cheung To Sang
Chairman and Managing Director