



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)

ANNOUNCEMENT

The Company refers to the "Post Balance Sheet Event" as stated in note 13 of the interim report and note 8 of the interim result announcement dated 25 September 2002. The Company wishes to clarify the meaning of the first paragraph of the above notes as follows:

"On 25 September 2002, Chinese King's Development Limited ("Chinese King") and Ocean Grace Investments Limited ("Ocean Grace"), an indirect wholly-owned subsidiary of the Company, entered into a supplemental agreement ("Supplemental Agreement") to eliminate the side effect of the business and asset transfer agreement dated 11 October 2001 between Chinese King and Ocean Grace (the "Agreement") which is reflected on pages 214 and 228 of the Prospectus of the Company dated 31 January 2002. Pursuant to the Supplemental Agreement, the consideration for the Agreement will be amended to HK\$12,990,000 from HK\$40,000,000."

The Directors (including the independent non-executive directors), after discussion with the Company's auditors, confirm that the Supplemental Agreement entered into between Chinese King and Ocean Grace will have no impact on the consolidated financial position of the Group and the financial position of the Company.

CLARIFICATION

The Company refers to the "Post Balance Sheet Event" as stated in note 13 of the interim report and note 8 of the interim result announcement dated 25 September 2002. The first paragraph of the note is reproduced as follows:

"On 25 September 2002, Chinese King's Development Limited ("Chinese King") and Ocean Grace Investments Limited ("Ocean Grace"), an indirect wholly-owned subsidiary of the Company, entered into a supplemental agreement ("Supplemental Agreement") to ratify an error in the business and asset transfer agreement dated 11 October 2001 between Chinese King and Ocean Grace (the "Agreement") which is reflected on pages 214 and 228 of the Prospectus of the Company dated 31 January 2002, where reference to the consideration for the Agreement should be HK\$12,990,000 rather than HK\$40,000,000. The consideration is calculated with reference to the net book value of the purchased assets and business as at 30 June 2001 as contemplated in the Agreement."

The Company wishes to clarify the above paragraph's meaning by amending as follows:

"On 25 September 2002, Chinese King's Development Limited ("Chinese King") and Ocean Grace Investments Limited ("Ocean Grace"), an indirect wholly-owned subsidiary of the Company, entered into a supplemental agreement ("Supplemental Agreement") to eliminate the side effect of the business and asset transfer agreement dated 11 October 2001 between Chinese King and Ocean Grace (the "Agreement") which is reflected on pages 214 and 228 of the Prospectus of the Company dated 31 January 2002. Pursuant to the Supplemental Agreement, the consideration for the Agreement will be amended to HK\$12,990,000 from HK\$40,000,000. The new consideration is calculated with reference to the net book value of the purchased assets and business as at 30 June 2001."

REASON FOR ENTERING INTO THE SUPPLEMENTAL AGREEMENT

The side effect of the Agreement was that Ocean Grace incurred an accounting loss of HK\$27,010,000 while Hon Po International incurred a corresponding accounting gain of the same amount. The above side effect arose because on 15 November 2001, being the effective date under the Agreement, the assessed fair value of the business and assets transferred pursuant to the Agreement was approximately HK\$12,990,000. Accordingly, based on the original consideration of HK\$40,000,000, Ocean Grace recorded an inter group loss of approximately HK\$27,010,000 in their own management accounts in respect of the business and assets transfer while Hon Po International recorded a corresponding gain of approximately HK\$27,010,000 in its own management accounts. In the consolidated accounts of the Group, the respective inter group gain/loss was eliminated.

The Supplemental Agreement was executed on 25 September 2002 to eliminate the above inter group gain and loss in order that the internal management accounting would properly reflect the operating performance of the individual subsidiaries, facilitating their evaluation by senior management.

IMPACT ON THE FINANCIAL POSITION OF THE GROUP

As the consideration for the transfer of the purchased assets and business under the Agreement was settled by way of the issue and allotment of 10 ordinary shares (the number of shares issued will remain unchanged despite the signing of Supplemental Agreement) of US\$1.00 each in the share capital of Hon Po International (as the holding company of Ocean Grace) to Hon Po Investment (acting as the designee of Chinese King), the Directors (including the independent non-executive directors), after discussion with the Company's auditors, confirm that the Supplemental Agreement entered into between Chinese King and Ocean Grace will have no impact on the consolidated financial position of the Group and the financial position of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

"Agreement"	The business and asset transfer agreement dated 11 October 2001 entered into between Chinese King and Ocean Grace, whereby Chinese King sold to Ocean Grace, with effect from 15 November 2001, certain of its assets and liabilities required for, and in connection with, the operation of a Chinese restaurant under the tradename "Hon Po Restaurant"
"Board"	The board of Directors
"Chinese King"	Chinese King's Development Limited, a direct wholly-owned subsidiary of Hon Po Holdings
"Company"	Hon Po Group (Lobster King) Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange
"Directors"	The directors of the Company
"Group"	The Company and its subsidiaries
"Hon Po Holdings"	Hon Po Holdings Limited, a company incorporated in Hong Kong with limited liability, is the ultimate holding company of the Company and the immediate holding company of Hon Po Investment
"Hon Po Investment"	Hon Po Investment Limited, a company incorporated in the British Virgin Islands with limited liability, holding approximately 60.32% of the issued share capital of the Company
"Hon Po International"	Hon Po International Limited, a wholly owned subsidiary of the Company
"Ocean Grace"	Ocean Grace Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of Hon Po International
"Supplemental Agreement"	The supplemental agreement entered into between Chinese King and Ocean Grace on 25 September 2002

By Order of the Board  
Lai Po Sing  
Company Secretary