



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 2002

The Board of Directors of Hon Po Group (Lobster King) Limited (the "Company") is pleased to announce that the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2002 together with comparative figures for the six months ended 30 June 2001. The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2002 have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		(Unaudited Consolidated) Six months ended 30 June 2002 HK\$'000	(Pro forma Combined) Six months ended 30 June 2001 HK\$'000
Turnover	4	368,779	405,094
Other revenue		3,343	3,905
Cost of inventories consumed		(115,508)	(129,713)
Staff costs		(134,447)	(143,839)
Operating lease rentals		(37,599)	(39,963)
Depreciation		(9,559)	(10,694)
Fuel costs and utility expenses		(36,178)	(40,447)
Other operating expenses		(36,111)	(37,253)
Profit from operating activities	5	2,720	7,090
Finance costs		(1,505)	(2,044)
Profit before tax		1,215	5,046
Tax	6	-	(238)
Profit before minority interests		1,215	4,808
Minority interests		265	536
Net profit from ordinary activities attributable to shareholders		<u>1,480</u>	<u>5,344</u>
Dividend - Special		<u>232,160</u>	<u>-</u>
Earnings per share - Basic	7	<u>HK0.25 cents</u>	<u>HK1.17 cents</u>

Notes:

1. Group Reorganisation and basis of presentation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 4 April 2001 under the Companies Law of the Cayman Islands. Pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 February 2002, the Group has acquired from its ultimate holding company and the subsidiaries of the ultimate holding company the sourcing of food and beverage operations (the "Sourcing Business") effective from 26 October 2001 and the restaurant operations (the "Restaurant Business") effective from 15 November 2001 and 11 January 2002, the Group Reorganisation involved companies under common control. The unaudited condensed consolidated financial statements for the six months ended 30 June 2002 have been prepared using the merger basis of accounting in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for group reconstructions", as a result of the Group Reorganisation completed on 17 January 2002. Under this basis, the Company has been treated as the holding company of the companies now composing the Group (the "Subsidiaries") for the six months ended 30 June 2002, rather than from the date of its acquisition of the Subsidiaries on 17 January 2002. Accordingly, the unaudited condensed consolidated results of the Group for the six months ended 30 June 2002 include the results of the Company and the Subsidiaries with effect from 1 January 2002 or since their respective dates of incorporation, where this is a shorter period. Pursuant to the Group Reorganisation, the unaudited results attributable to the Sourcing Business and the Restaurant Business have been included in the unaudited condensed consolidated financial statements of the Group with effect from the abovementioned respective acquisition dates. The unaudited results attributable to the Restaurant Business acquired on 11 January 2002 are immaterial for the period from 1 January 2002 to 10 January 2002. Accordingly, the unaudited results attributable to the Restaurant Business acquired on 11 January 2002 for that period are included in the six months ended 30 June 2002.

In the opinion of the directors, the unaudited condensed consolidated interim financial statements of the Group prepared on the above basis present fairly the results and the state of affairs of the Group as a whole.

For information purposes only, the pro forma combined profit and loss account for the six months ended 30 June 2001, include the results of the Group with effect from 1 January 2001 or since the subsidiaries' respective dates of incorporation, where this is a shorter period, on a pro forma combined basis as if the current Group structure had been in existence throughout the six months ended 30 June 2001. The results of the Sourcing Business and the Restaurant Business have been included as if they had been transferred to the Group as at the beginning of the earliest period presented. This basis of the presentation was adopted for the preparation of the accountants' report included in the Company's prospectus dated 31 January 2002 (the "Prospectus").

All significant transactions and balances among the companies comprising the Group have been eliminated in the preparation of the respective unaudited condensed consolidated and condensed pro forma combined financial statements.

Further details of the Group Reorganisation are set out in the Prospectus.

2. ADOPTION OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with SSAP 25 "Interim Financial Reporting". The accounting policies adopted are the same as those used in the Group's pro forma combined financial statements for the year ended 31 December 2001. In 2002, the Group has for the first time adopted the following new and revised SSAPs which are effective for accounting periods commencing on or after 1 January 2002:

- SSAP 1 (Revised): "Presentation of Financial Statements"
- SSAP 11 (Revised): "Foreign Currency Translation"
- SSAP 15 (Revised): "Cash Flow Statements"
- SSAP 25 (Revised): "Interim Financial Reporting"
- SSAP 34: "Employee Benefits"

The adoption of these SSAPs does not make any changes to the accounting policies of the Group and has no major impacts on the unaudited condensed consolidated financial statements for the period, except for SSAP 1 (Revised) and SSAP 15 (Revised) which are summarised as follows:

SSAP 1 (Revised) prescribes the basis of presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to SSAP 1 (Revised) is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The unaudited condensed consolidated statement of changes in equity for the period and the comparative figures have been presented in accordance with SSAP 1 (Revised) in the unaudited condensed interim financial report.

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The unaudited condensed consolidated cash flow statement for the period and the comparative figures have been presented in accordance with SSAP 15 (Revised) in the unaudited condensed interim financial report.

3. Segment Information

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

4. Turnover

The Group's turnover during the respective interim periods solely represents the receipts from restaurant operations. All significant intra-group transactions have been eliminated in the respective unaudited condensed consolidated and condensed pro forma combined financial statements.

5. Profit from operating activities

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

	(Unaudited Consolidated) Six months ended 30 June 2002 HK\$'000	(Pro forma Combined) Six months ended 30 June 2001 HK\$'000
Cost of inventories consumed	115,508	129,713
Depreciation	<u>9,559</u>	<u>10,694</u>

6. Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from Hong Kong during the current period (Corresponding period of 2001: at the tax rate of 16%). No deferred tax has been provided for the current period and the Group had no material significant unprovided deferred tax during the current period. Deferred tax has been provided for the six months ended 30 June 2001 under the liability method at the rate of 16% on timing differences.

	(Unaudited Consolidated) Six months ended 30 June 2002 HK\$'000	(Pro forma Combined) Six months ended 30 June 2001 HK\$'000
Current period provision	-	150
Deferred tax charge	-	88
Tax charge for the periods	<u>-</u>	<u>238</u>

7. Earnings per share

The calculation of basic earnings per share, on a consolidated basis, is based on the unaudited condensed consolidated net profit from ordinary activities attributable to shareholders for the current period of HK\$1,480,000 and the weighted average of 593,259,669 shares in issue during the current period.

For information purposes only, the calculation of pro forma basic earnings per share, on the pro forma combined basis as set out in note 1 above, is based on the pro forma combined net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2001 of HK\$5,344,000 and the weighted average of 455,000,000 shares in issue during the previous period.

The weighted average number of shares used to calculate the earnings per share, on the pro forma combined basis, for the six months ended 30 June 2001 includes the pro forma issued share capital of the Company of 455,000,000 shares, comprising the 1 share of the Company allotted and issued, credited as fully paid, to Hon Po Investment Limited ("Hon Po Investment"), a holding company of the Company, on 4 May 2001 and the 99 shares issued as consideration for the acquisition of the entire issued share capital of Hon Po International Limited ("Hon Po International"), a wholly-owned subsidiary of the Company, on 17 January 2002 and the capitalisation issue of 454,999,900 shares, as further detailed in the Company's 2001 annual report. The weighted average number of shares used to calculate the earnings per share, on the consolidated basis, for the current period includes the weighted average of the 138,259,669 shares issued upon the listing of the Company's shares on the Stock Exchange on 18 February 2002 in addition to the aforementioned 455,000,000 ordinary shares.

There were no potential dilutive ordinary shares in existence for the relevant periods, and accordingly, no diluted earnings per share amount, on either consolidated or pro forma combined basis, have been presented.

8. Post Balance Sheet Event

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.

As the consideration for the transfer of 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 parent company of Ocean Grace) to Hon Po Investment (acting as the designee of Chinese King), the Directors (including the independent non-executive directors) 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.

Further announcement will be announced in due course.

INTERIM DIVIDEND

As the Company was recently listed on the main board of of the Stock Exchange, the Board of Directors does not recommend the distribution of interim dividend for current period. (Corresponding period of 2001: Nil).

SPECIAL DIVIDENDS

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

As disclosed in the Prospectus, on 28 January 2002, written resolutions were passed pursuant to which, a special dividend of HK\$224,600,000 was declared and approved by the directors of the Company. After the Company's shares were listed on the Stock Exchange on 18 February 2002, such special dividend had been fully paid to Hon Po Investment, the sole shareholder of the Company registered in the register of members of the Company on 17 January 2002. The above special dividend was distributed as part of the reorganization and did not involve any actual cash payment.

The Board of Directors of the Company proposed the payment of a special dividend of HK\$7,560,000, representing HK1.2 cents per share of the Company, out of the Company's distributable reserves for the year ending 31 December 2002, to the shareholders of the Company whose name appear on the register of members of the Company on 4 June 2002. On 4 June 2002, the Company's shareholders at the Company's annual general meeting has approved the special dividend and it was subsequently paid on 28 June 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Performance Review

The past six months was a challenging and memorable period for the Group, with our successful public listing on the main board of the Stock Exchange on 18 February 2002. The Group has expanded its activities on all fronts, not only producing immediate and direct benefits but also laying down a strong framework for future development.

Due to the economic down-turn, the Group recorded a decrease in turnover of 9.0% from approximately HK\$405 million in the six months ended 30 June 2001 (the 'Last Interim Period') to approximately HK\$369 million in the six months ended 30 June 2002 (the 'Current Interim Period'). The decrease in turnover is mainly a result of the tough economic climate of operations in Hong Kong.

The Group recorded a net profit of approximately HK\$1.5 million in the Current Interim Period compared to approximately HK\$5.3 million in the Last Interim Period.

Operation Review

In the midst of economic down-turn, resulting a drastic drop in spending power. Plus the World Cup in mid-May till June this year, which further weakened the food and beverage business in Hong Kong. The Group managed to further strengthen its restaurant business with continuous product innovation through aggressive pricing, careful quality control and a judicious expansion strategy. As one of the leading players in the market, the Group has carefully expanded its restaurant chains in strategic locations with higher population density. In May this year, the Group successfully acquired a property of approximately 22,820 sq.ft., located in Prince Edward, with the intention to move into higher-income sector of the Chinese restaurant business.

Strategies and Vision

Introduction of 'New Brand'

Capitalising its well-established brand name as a quality seafood provider in Hong Kong, the Group intends to extend its market coverage. The Group opened a new restaurant in Prince Edward this year with a new brand name of "Jing Hua Restaurant" and will open a higher end Chinese restaurant in Metropolitan Hotel, Hunghom. In addition, the Group is actively investigating the feasibility of opening new restaurants in other major cities in the PRC such as Shenzhen.

A Cost Saving Expansion

In addition to the well-planned and careful on-going cost control procedures undertaken to face the keen competition such as increasing the sourcing of new suppliers, the Group also takes a strategic move to further lower its operating costs.

A Framework for Long Term Growth

When drawing its blueprints, the management of the Group will place strong emphasis to maintain its profitability while at the same time, taking the opportunity of the current economic situation to build an extensive distribution network ready for strong pick-up when the economy rebounds.

With the Group's strong reputation, its extensive distribution network and well-planned and insightful marketing strategy, the Directors are confident that the Group will strive through the economic down-turn with uncompromised quality products and services while at the same time laying down the foundation for growth and long term development in the future.

Staff and Compensation Policy

On 30 June 2002, the Group had a total workforce of 1,912 (31 December 2001: 1,919). The salaries and wages of our employees are dependent on their duties and performance.

FINANCIAL REVIEW

The Group will make the funding decision case by case and based on the following factors:

- whether the bank loan is available and how much is the interest rate
- whether the internal resources can be used for the funding purposes
- impact on the gearing ratio and interest rate fluctuation

Capital Structure

As at 30 June 2002, the Group had bank overdraft, bank loans and finance lease payables denominated in HK dollars with an aggregate amount of HK\$110,476,000 (31 December 2001: HK\$37,936,000). The bank loan was increased as a result of the expansion of the Group's restaurant business in Hong Kong and the purchase of a property located at 2/F., Allied Plaza, Cosmopolitan Centre, No. 760 Nathan Road, Kowloon with a purchase consideration of HK\$85,000,000. The bank loans of the Group are at floating rates. The Group did not employ any financial instruments for hedging purposes. The cash and bank balances of the Group amounted to HK\$45,456,000 (31 December 2001: HK\$39,793,000).

The short term bank borrowings of the Group accounted for 15.7% (31 December 2001: 2.0%) of the total borrowings.

The unaudited consolidated interest expenses for current period was HK\$1,505,000. The pro forma combined interest expenses for the previous period was HK\$2,044,000. The interest-earnings multiples of 1.8 times (Corresponding period of 2001: 3.5 times) was satisfactory.

As at 30 June 2002, the ratio of total liabilities to total assets of the Group was 64.1%, showing an increase over the figure of 28.0% at 31 December 2001.

In conclusion, the financial position of the Group is satisfactory.

Pledges of Assets

As at 30 June 2002, leasehold land and buildings and investment properties of the Group with a net book value of HK\$144,846,000 (31 December 2001: HK\$56,900,000) were pledged as security for bank loans.

Use of Proceeds of New Issue

The Company placed and issued 175,000,000 shares on 18 February 2002 and the ultimate holding company of the Company had also placed 75,000,000 shares at a price of HK\$0.2 each.

The net proceeds of share offer, after deduction of related expenses, were approximately HK\$19,635,000. HK\$5,247,000 has been utilized for the establishment of a food manufacturing factory in Hong Kong. HK\$10,388,000 had been utilized for the expansion of the Group's restaurant business in Hong Kong.

The balance of approximately HK\$4,000,000 will be used for the Group's restaurant business in accordance with the plan.

Exchange Exposure

Since most of our sales, purchases of raw materials and bank loans were denominated in Hong Kong dollars during the relevant periods, the Group was only exposed to insignificant exchange risks.

Capital Commitment

As at 30 June 2002, capital commitment amounted to HK\$2,904,000 (31 December 2001: nil).

Contingent Liabilities

As at 30 June 2002, if the termination of all employees met the circumstances required by the Employment Ordinance in relation to long service payment in Hong Kong, the Group's contingent liabilities in respect of long service payments at 30 June 2002 would be approximately HK\$34,000,000 (31 December 2001: HK\$26,000,000).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Group did not purchase, sell or redeem any of the Company's listed securities during the current period.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the current period, except that all independent non-executive directors are not appointed for a specific term as required by paragraph 7 of the Code because they are subject to retirement by rotation and re-election at annual general meetings in accordance with the articles of association of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company comprises all of the three independent non-executive directors of the Company which include Ms. Lee Sin Mei, Olivia, Mr. Mak Siu Cheung, Bernard Jaun and Ms. Chan Choi Har, Ivy, respectively. The Audit Committee has reviewed with directors the accounting principles and practices by the Group and discussed internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated interim financial statement for the current period.

DISCLOSURE OF THE RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's 2002 interim report which set out all the information required by Paragraphs 46(1) to 46(6) inclusive in Appendix 16 to the Listing Rules will be available for publication in the website of the Stock Exchange in due course.

By Order of the Board
Cheung To Sang
Chairman and Managing Director