
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in HON PO GROUP (LOBSTER KING) LIMITED, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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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)

**MAJOR AND CONNECTED TRANSACTION
DISPOSAL OF THE PROPERTY**

Independent Financial Adviser to the Independent Board Committee



A letter of advice from Access Capital Limited containing its advice to the Independent Board Committee of Hon Po Group (Lobster King) Limited is set out on pages 9 to 12 of this circular.

25 August 2003

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DEFINITIONS

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

“Access Capital”	Access Capital Limited, the independent financial adviser to the Independent Board Committee and a deemed licensed corporation under the SFO permitted to engage in Types 1, 4, 6 and 9 regulated activities
“Agreement”	The agreement for sale and purchase dated 5 July 2003, entered into between Hon Po Management (as Vendor) and the Purchaser in relation to the disposal of the Property
“Board”	The board of Directors of the Company
“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
“Consideration”	The total consideration of HK\$55 million of which the Property is to be disposed as provided in the Agreement
“Directors”	The directors of the Company
“FPDSavills”	FPDSavills (Hong Kong) Limited
“Group”	The Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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 Investment Limited is a wholly-owned subsidiary of Hon Po Holdings
“Hon Po Management”	Hon Po Management Limited, an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Independent Board Committee”	An independent committee of the Board comprising Messrs. Chang Kin Man and Wu Tak Lung, established to review and consider the Agreement. Messrs. Chang Kin Man and Wu Tak Lung do not have any interests in the Agreement and the New Tenancy Agreement
“Latest Practicable Date”	31 July 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ng Wing Po”	Mr. Ng Wing Po is a non-executive director of the Company and a director of N.W.P. Investments Limited
“New Tenancy Agreement”	The tenancy agreement to be entered into between the Purchaser and Ocean Grace (as tenant) simultaneously when the assignment of the Property is completed
“Ocean Grace”	Ocean Grace Investments Limited, an indirect wholly-owned subsidiary of the Company
“Old Tenancy Agreement”	The old tenancy agreement dated 6 November 2001 entered into by Ocean Grace (as tenant) and Chinese King’s Development Limited (ex-landlord) for a term from 15 November 2001 to 14 November 2004 with a monthly rental of HK\$250,000 for the renting of portion of the Property with a saleable area of 15,788 square feet. Pursuant to the assignment dated 4 December 2001 (before the listing of the Company in the Stock Exchange), the Property was disposed by the ex-landlord to Hon Po Management subject to the above tenancy agreement
“Property”	The property located at Shops Nos. 1, 2, 3, 74 and 75 on the Ground Floor, Office No. 1 on the First Floor, Flats Nos. A-5, A-6, A-8, A-9, B-6 and B-7 on the Second Floor including respective Portions of Flat Roof adjacent thereto, Shop No. 66 on the Ground Floor of Honour Building, Nos. 78-80W To Kwa Wan Road, Nos. 2-58 Cheung Ning Street and Nos. 64-78 Sheung Heung Road, To Kwa Wan, Kowloon

DEFINITIONS

“Purchaser”	N.W.P. Investments Limited, the purchaser, is a company which is controlled indirectly by a discretionary trust of which Mr. Ng Wing Po’s wife and certain of his children are beneficiaries
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Cheung To Sang

(Chairman and Managing Director)

Mr. Chan Nun Chiu *(Deputy Chairman)*

Mrs. Cheung Lim Mai Tak, Grace

Mr. She Hing Chiu

Mr. Tse Chick Sang

Registered office:

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681 GT

Grand Cayman

British West Indies

Non-executive Directors:

Mr. Cheung Sik Pang *(Honorary Chairman)*

Mr. Ng Wing Po

Independent Non-executive Directors:

Mr. Chang Kin Man

Mr. Wu Tak Lung

Head office and principal

place of business:

Units E&F, Ground Floor

Phase II, Kingsway

Industrial Building

173-175 Wo Yi Hop Road

Kwai Chung

Hong Kong

25 August 2003

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF THE PROPERTY

INTRODUCTION

On 9 July 2003, the Board announced that Hon Po Management, an indirect wholly-owned subsidiary of the Company had entered into the Agreement on 5 July 2003 with the Purchaser for the disposal of the Property.

The Purchaser, N.W.P. Investments Limited, is a connected person (as defined in the Listing Rules) to the Company. N.W.P. Investments Limited is a director of Hon Po Holdings, Hon Po Investment and Kenson Finance Company Limited. N.W.P. Investments Limited is interested in 10.86% of the shares of Hon Po Holdings and 22.24% of the shares of Kenson Finance Company Limited. Kenson Finance Company Limited is interested in 12.36% of the shares of Hon Po Holdings and are 77.76% owned by brothers and certain other relatives of Mr. Ng Wing Po. Save as disclosed above, other shareholders of Hon Po Holdings are not

LETTER FROM THE BOARD

controlled or directed by Mr. Ng Wing Po, N.W.P. Investments Limited or the discretionary trust as mentioned in the definition of the Purchaser. On 9 July 2003, N.W.P. Investments Limited, Mr. Ng Wing Po and their associates (including but not limited to Mr. Ng Wing Po's wife and children) did not own shares of the Company.

The purpose of this circular is to provide Shareholders with details of the disposal of the Property and other information as required under the Listing Rules.

THE DISPOSAL OF THE PROPERTY

Hon Po Management has agreed to dispose to the Purchaser a property located at Shops Nos. 1, 2, 3, 74 and 75 on the Ground Floor, Office No. 1 on the First Floor, Flats Nos. A-5, A-6, A-8, A-9, B-6 and B-7 on the Second Floor including respective Portions of Flat Roof adjacent thereto, Shop No. 66 on the Ground Floor of Honour Building, Nos. 78-80W To Kwa Wan Road, Nos. 2-58 Cheung Ning Street and Nos. 64-78 Sheung Heung Road, To Kwa Wan, Kowloon.

The total saleable area of the Property is approximately, 17,733 square feet. Portion of the Property with a total saleable area of 15,788 square feet is currently rented to Ocean Grace which is an indirect wholly-owned subsidiary of the Group for the operation of a restaurant at monthly rental of HK\$250,000. The remaining portion of the Property with a total saleable area of 1,945 square feet is currently rented at monthly rental of HK\$225,800 to independent third parties who are not connected persons to the Company as defined in the Listing Rules. The Property is disposed to the Purchaser subject to the tenancy agreements with regard to the above 1,945 square feet. As at 31 December 2002, the unaudited net book value of the Property is approximately HK\$56 million and the leasehold improvement of the Group located at the Property is approximately HK\$8.8 million.

The total cash consideration is HK\$55 million. Up to date, cash deposit of HK\$5,500,000 has been paid by the Purchaser and the balance of the Consideration of HK\$49,500,000 shall be payable in cash on completion (on or before 1 September 2003).

According to the opinion of FPDSavills dated 30 June 2003, an independent valuer appointed by the Group, the Property was valued at HK\$55 million at 30 June 2003. FPDSavills has conducted the valuation using direct comparison method by collecting and analyzing relevant sales comparables within six months (before the date of the valuation report) in the locality of To Kwa Wan District. The text of a letter dated 30 June 2003 from FPDSavills and its valuation certificate are set forth in Appendix II to this circular.

The Consideration was determined after arm's length negotiations between the parties and with reference to the opinion and valuation of FPDSavills.

LETTER FROM THE BOARD

The Agreement is conditional upon the compliance of the Company with all relevant regulatory requirements including but not limited to those under Chapter 14 of the Listing Rules and/or the approval of an extraordinary general meeting by the shareholders of the Company (if required).

In accordance with the Agreement, Hon Po Management agrees and undertakes to procure Ocean Grace to enter into an agreement to cancel the Old Tenancy Agreement and Ocean Grace (as tenant) to enter into the New Tenancy Agreement with Purchaser with regard to the portion of the Property with a total saleable area of 15,788 square feet, simultaneously when the assignment of the Property is completed. As both Hon Po Management and Ocean Grace are indirect wholly-owned subsidiaries of the Company, no compensation will be paid or received by Hon Po Management and Ocean Grace.

Pursuant to the Agreement and the subsequent New Tenancy Agreement, the Group will pay a monthly rental of HK\$250,000 to the Purchaser for renting portion of the Property for the six years commencing from the date when the assignment of the Property is completed. A rent-free period will be granted for the first month of the tenancy period.

According to the valuation of FPD Savills, the open market rental value of the Property as at 30 June 2003 was HK\$250,000 per month for tenure of six years with one month rent-free period at the beginning of the tenancy agreement. FPD Savills has conducted the valuation using direct comparison method by collecting and analyzing rental comparables within six months (before the date of the valuation report) in the locality of To Kwa Wan District. The monthly rental and the length of the tenancy period of the Tenancy Agreement were determined after arm's length negotiations between the parties and with reference to the opinion and valuation of FPD Savills. The Directors consider that the New Tenancy Agreement to be entered is fair and reasonable to both the Company and its shareholders and will be entered into on normal commercial terms and in the ordinary course of business of the Group.

The completion of the disposal of the Property will take place on or before 1 September 2003.

REASONS FOR THE DISPOSAL OF THE PROPERTY

The principal activity of the Group is the operation of a chain of Chinese restaurants and a food factory.

The Board is of the view that the disposal of the Property will provide a sizable sum of working capital to the Group. In addition, the operation of the restaurant of the Group located at the portion of the Property will be continued after the signing of the New Tenancy Agreement.

LETTER FROM THE BOARD

USE OF PROCEEDS

The sales proceeds of the disposal of the Property will be used as general working capital of the Group. At present, the Board does not have any specific investment plans.

MAJOR AND CONNECTED TRANSACTION

N.W.P. Investments Limited is a connected person of the Company pursuant to the Listing Rules. Accordingly, the Agreement and the New Tenancy Agreement constitute connected transaction under Rules 14.26(1) and 14.25(1) of the Listing Rules respectively.

The disposal of the Property constitutes a major and connected transaction of the Company under Chapter 14 of the Listing Rules of the Stock Exchange. Accordingly, the disposal of the Property is conditional upon, inter alia, the approval of the shareholders of the Company. As Hon Po Investment which holds approximately 60.32% of the issued share capital of the Company, does not have any interests in the major and connected transactions and does not have any interests which is different from other shareholders of the Company and has given a written approval of the disposal of the Property on 7 July 2003, the passing of any resolution in respect of the Agreement by the shareholders of the Company will be a foregone conclusion. In view of the aforesaid and to avoid the unnecessary expenses of convening shareholder's meeting, shareholders' approval by way of a resolution passed at an extraordinary general meeting is not required.

An Independent Board Committee has been formed to review and consider the Agreement. Access Capital has been appointed as the independent financial adviser to advise the Independent Board Committee on whether the terms of the Agreement are fair and reasonable in so far as the Shareholders are concerned. The letter from Access Capital is set out on pages 9 to 12.

OPINION

The Directors (excluding independent non-executive directors) consider that the Agreement is fair and reasonable to both the Company and its shareholders and was entered into on normal commercial terms and in the ordinary course of business of the Group.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee, the letter from Access Capital as set out on pages 9 to 12 and the additional information as set out in the Appendices to this circular on pages 13 to 31.

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



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)

25 August 2003

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
DISPOSAL OF THE PROPERTY**

We refer to the circular dated 25 August 2003 of the Company (the “Circular”), of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We do not have any interests in the major and connected transaction and have been appointed as the Independent Board Committee to make recommendation to the Shareholders in respect of the Agreement, details of which are set out in the Circular. Access Capital has been appointed to advise the Independent Board Committee regarding the Agreement.

We wish to draw your attention to the Letter from the Board as set out on pages 4 to 7 of this Circular, and the Letter from Access Capital which contains its advice to the Independent Board Committee in respect of the Agreement as set out on pages 9 to 12 of this Circular.

Having taking into account the advice of Access Capital and the principal factors and reasons considered by Access Capital, we consider that the terms of the Agreement are fair and reasonable so far as the Shareholders are concerned. Accordingly, we recommend the Shareholders to vote in favour of the Agreement if a Shareholders’ meeting is required to be held.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Chang Kin Man and Wu Tak Lung
Independent Non-executive Directors

LETTER FROM ACCESS CAPITAL

The following is the full text of the letter from Access Capital, the independent financial adviser, setting out their advice to the Independent Board Committee in relation to the Agreement.



3rd Floor
No. 8 Queen's Road Central
Hong Kong

25 August 2003

*To: The Independent Board Committee of
Hon Po Group (Lobster King) Limited*

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF THE PROPERTY

I. INTRODUCTION

We refer to our appointment to advise the Independent Board Committee as regards the terms of the transaction contemplated under the Agreement. Details of the Agreement are contained in the "Letter from the Board" set out on pages 4 to 7 of the circular to the Shareholders dated 25 August 2003 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise stated.

The disposal of the Property ("Disposal") under the Agreement constitutes a major and connected transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Disposal is conditional upon the approval of the Shareholders at the general meeting of the Company. As Hon Po Investment, which holds approximately 60.32% of the issued share capital of the Company, does not (i) have any interests in the major and connected transaction or (ii) have any interests which is different from other Shareholders, Hon Po Investment has given a written approval of the Disposal (as permitted under Rule 14.10 of the Listing Rules) on 7 July 2003 in lieu of passing any resolution in respect of the Agreement by the Shareholders at a general meeting of the Company.

LETTER FROM ACCESS CAPITAL

Messrs. Chang Kin Man and Wu Tak Lung, the independent non-executive Directors, have been appointed by the Board to form the Independent Board Committee to consider and advise the Shareholders on the terms of the Agreement. We have been appointed to advise the Independent Board Committee as to whether the terms of the Agreement are fair and reasonable so far as the Shareholders are concerned.

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of the Company contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries.

II. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Reason for the Disposal

The principal activity of the Group is the operation of a chain of Chinese restaurants and a food factory in Hong Kong.

As stated in the section headed “Reasons for the disposal of the Property” in the “Letter from the Board”, the Disposal will provide a sizeable sum of working capital to the Group. The Disposal thereby generating additional cash and adds to the existing

LETTER FROM ACCESS CAPITAL

limited financial resources of the Group. The entering of the New Tenancy Agreement will allow the Group to continue with the operation of the restaurant at the Property. Accordingly, the Directors consider that the arrangements under the Disposal and the New Tenancy Agreement to be in the interests of the Company and the Shareholders as a whole. We concur with the views of the Directors.

2. Basis of the Consideration

Pursuant to the Agreement, the Purchaser agreed to purchase the Property at a consideration of HK\$55 million in cash.

The Consideration shall be payable in several payments, of which HK\$5.5 million has already been paid to the Company and the remaining HK\$49.5 million shall be payable upon completion of the Agreement (being on or before 1 September 2003).

We note that the Consideration was determined after arm's length negotiations between the parties involved in the Agreement and by reference to the property valuation prepared by FPD Savills. Details of the property valuation are set out in Appendix II – Capital Valuation of the Property to the Circular.

Given the assumptions and valuation methodology applied by FPD Savills as set out in their valuation report are the normal and usual method used by any professional property valuers in Hong Kong, we are of the view that it is fair and reasonable for the Directors to determine the Consideration by reference to such property valuation.

3. Use of proceeds

The total consideration generated from the Disposal amounts to HK\$55 million.

According to the financial information of the Group as stated in Appendix I to the Circular, the outstanding amount of bank overdraft and loan secured by a mortgage of the Property as at 30 June 2003 was approximately HK\$41.4 million. The total outstanding bank overdraft and mortgage loan secured by the mortgage of the Property will be fully settled by a portion of the Consideration and the remaining balance of the sale proceeds (being approximately HK\$13.6 million as stated in Appendix I to the Circular) will be used as general working capital of the Group.

4. Financial impact to the Group following the completion of the Agreement

a) Profit and loss account

It is stated in the “Letter from the Board” in the Circular that as at 31 December 2002, the unaudited net book value of the Property was approximately HK\$56 million. Hence, following the completion of the Agreement, the Group will recognise a loss on disposal of approximately HK\$1 million.

LETTER FROM ACCESS CAPITAL

b) Net assets

As a result of the completion of the Agreement, the net assets of the Group will be reduced by approximately HK\$1 million due to the loss incurred on disposal as mentioned in the section “4a) Profit and loss account” above.

c) Borrowings

As mentioned in the section headed “Use of proceeds” above, the total outstanding bank overdraft and mortgage loan in relation to the Property will be fully settled by a portion of the Consideration. Hence, following the completion of the Agreement, the total borrowings of the Group of approximately HK\$58.4 million as at 30 June 2003 as stated in Appendix I to the Circular will be reduced by approximately 71% to around HK\$17 million.

Having regard to the fact that the Group will have additional cash resources of approximately HK\$13.6 million (as stated in Appendix I to the Circular) generated from the Disposal to fund the Group’s general working capital, and yet be able to continue to operate the restaurant at the Property at a monthly rental of HK\$250,000, the Directors consider that the arrangements under the Agreement and the New Tenancy Agreement are appropriate. Under the circumstances, the Directors believe that the completion of the Agreement and the entering of the New Tenancy Agreement will not have any material adverse financial impact to the Group. Having considered the financial impact to the Group as stated above and the increase in the Group’s general working capital, we concur with the view of the Directors.

III. RECOMMENDATION

Having considered the above principal factors including, inter alia, (i) the reason for the Disposal; (ii) the basis of the Consideration; (iii) the use of proceeds; and (iv) the financial impact to the Group following the completion of the Agreement, we are of the view that the terms of the Agreement are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Shareholders to vote in favour of the resolution in relation to the Agreement as if a general meeting of the Shareholders is required to be held for considering and passing such a resolution.

Yours faithfully,
For and on behalf of
ACCESS CAPITAL LIMITED
Jeanny Leung
Managing Director

1. PROSPECTS

The Group has continued to carry on the business of operating a chain of Chinese restaurant and has commenced the business of food manufacturing during the year 2002.

The Board considers that atypical pneumonia has adverse impact on the Group and has adverse impact on the interim results of the Group for the six months ended 30 June 2003. The management is implementing a series of cost reduction measures to try to offset partially the adverse impact of atypical pneumonia, high unemployment rate and deteriorating spending power of the general public on the Group.

2. EFFECT ON ASSETS AND LIABILITIES ON THE GROUP

Before the signing of the Agreement and as at 31 December 2002, the unaudited net book value of the Property is HK\$56 million and the leasehold improvement of the Group located at the Property is approximately HK\$8.8 million. As at 30 June 2003, the related outstanding bank overdraft facilities and the bank loan balance secured by the mortgage of the Property were HK\$6.0 million and HK\$35.4 million, respectively.

Subject to audit, the overall impact of the disposal of the Group (based on the above unaudited figure) was an improvement in net current assets or an increase in bank balance of HK\$13.6 million, a decrease of fixed assets of approximately HK\$56 million and a loss on disposal of the Property of approximately HK\$1 million (being the difference between the Consideration of HK\$55 million and the net book value of the Property).

3. INDEBTEDNESS

At the close of business on 30 June 2003, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of approximately HK\$58.4 million. The borrowings comprised secured bank loans of approximately HK\$39.6 million, unsecured bank loans of approximately HK\$10.8 million, secured overdrafts of approximately HK\$6 million, unsecured overdrafts of approximately HK\$0.7 million and obligations under finance lease contracts of approximately HK\$1.3 million.

As at 30 June 2003, the Group had aggregate banking facilities of approximately HK\$67 million, of which approximately HK\$65.7 million had been utilized (including HK\$8.7 million which had already been repaid on or before 30 June 2003). The Group's secured banking facilities are secured by certain of the Group's investment properties and leasehold land and buildings situated in Hong Kong, and such banking facilities are supported by the corporate guarantees of the Company.

As at 30 June 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 service payments under the Employment Ordinance should their employment be terminated under certain prescribed circumstances. A provision has not been recognized 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.

The Group has a contingent liability in respect of possible future payments to employees under the Employment Ordinance, with a maximum possible amount of approximately HK\$28.3 million as at 30 June 2003.

Save as aforesaid or as otherwise disclosed herein and apart from any intra-Group liabilities, the Group did not have, at the close of business on 30 June 2003, any loan capital issued and outstanding or agreed to be issued, outstanding bank overdrafts and liabilities under acceptance (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits, finance lease or hire purchase commitments or guarantees or material contingent liabilities.

4. WORKING CAPITAL

The Directors of the Company are of the opinion that after taking into account of the present banking facilities as mentioned in section 3 above and the Consideration of the disposal of the Property (which will be received on or before 1 September 2003), 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 following is the text of a letter and valuation certificate from FPD Savills (Hong Kong) Limited, in connection with its capital valuation of the Property as at 30 June 2003 prepared for the purpose of incorporation in this circular.

FPDSavills

第一太平戴維斯 INTERNATIONAL PROPERTY CONSULTANTS

FPDSavills (Hong Kong) Limited

23/F Two Exchange Square

Central

Hong Kong

EA Licence: C-002450

Telephone: (852) 2801 6100

Direct Line: (852) 2801 6100

Direct Fax: (852) 2530 0756

www.fpd Savills.com

www.fpd Savillsproperty.com

FPDSavills International

30 June 2003

The Directors

Hon Po Group (Lobster King) Limited

Units E & F on G/F

Phase II Kingsway Industrial Building

173-175 Wo Yi Hop Road

Kwai Chung

New Territories

Dear Sirs,

Re: Shop Nos. 1, 2, 3, 66, 74 and 75 on Ground Floor, Office No. 1 on First Floor and Flat Nos. A5, A6, A8, A9, B6 and B7 including their respective portions of Flat Roof adjacent thereto on Second Floor, Honour Building, Nos. 78-80W To Kwa Wan Road, Nos. 2-58 Cheung Ning Street and Nos. 64-78 Sheung Heung Road, To Kwa Wan, Kowloon, Hong Kong

In accordance with your instructions for us to prepare a report on the open market value of the above property, we confirm that we have inspected the property, caused land searches at the Land Registry, made relevant enquiries and investigations as we consider necessary for the purpose of providing you with our opinion of the value of the property as at 30 June 2003.

Our valuation is our opinion of the open market value which we would define as intended to mean “the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:–

- (a) a willing seller;

- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Our valuation is made in accordance with the Guidance Notes on the Valuation of Property Assets published by the Hong Kong Institute of Surveyors.

Our valuation has been made on the assumption that the owner sells the property in the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the property.

We have relied to a very considerable extent on information provided by your Company and have accepted advice given to us on such matters as statutory notices, occupancy details, easements, floor area and other relevant matters.

All documents have been used for reference only. Except otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by your Company and are therefore approximate. We have no reason to doubt the truth and accuracy of the information provided to us by your Company. We have also been advised by your Company that no material facts have been omitted from the information provided and have no reason to suspect that any material information has been withheld.

We have conducted our valuation using direct comparison method by collecting and analysing relevant sales comparables transacted within six months (before the date of the valuation report) in the locality of To Kwa Wan District.

Other special assumptions of the property have been stated in the footnotes of the valuation certificate for the property.

We have not been provided with copies of the title documents relating to the property but have caused searches to be made at the Land Registry. However, we have not searched the original documents to verify ownership or to verify any lease amendments which may not appear on the copies handed to us.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

No structural survey has been made nor were any tests carried out on any of the services. We are therefore unable to report whether the property is free from rot, infestation or any other defects.

We have not verified and make no representation that the property, including any plant and equipment therein, is millennium compliant, or that the value of the property is not adversely affected in any way by any part of it not being millennium compliant within the meaning of BSI definition of Year 2000 compliance.

Our valuation certificate is attached hereto.

Yours faithfully,
For and on behalf of
FPDSavills (Hong Kong) Limited
Gilbert C H Chan
BSc (Hons), MHKIS, MRICS, RPS(GP)
Associate Director
Valuation and Consultancy

Note: Mr Gilbert C H Chan is a chartered surveyor with over 10 years' valuation experience on all landed properties in Hong Kong.

VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Capital Value in existing state as at 30th June 2003																		
Shop Nos. 1, 2, 3, 66, 74 and 75 on Ground Floors, Office No. 1 on First Floor and Flat Nos. A5, A6, A8, A9, B6 and B7 including their respective portions of Flat Roof adjacent thereto on Second Floor, Honour Building, Nos. 78-80W To Kwa Wan Road, Nos. 2-58 Cheung Ning Street and Nos. 64-78 Sheung Heung Road, To Kwa Wan, Kowloon, Hong Kong	The property comprises portions of six of various shops on the Ground Floor, portions of First Floor with exclusive Ground Floor entrances and six staff quarters on the Second Floor of Honour Building completed in about 1973. As scaled off the registered floor plan, the total saleable area of the property is approximately 17,733 sq.ft. (1,647.45 sq.m.) plus flat roofs of approximately 2,033 sq.ft. (188.87 sq.m.) with breakdown area as follows: <table><tr><th>Floor</th><th colspan="2">Saleable area</th></tr><tr><td></td><td>sq.ft.</td><td>sq.m.</td></tr><tr><td>G/F</td><td>3,571</td><td>331.76</td></tr><tr><td>1/F</td><td>12,172</td><td>1,130.82</td></tr><tr><td>2/F</td><td>1,990</td><td>1,848.88</td></tr><tr><td>Total</td><td>17,733</td><td>1,647.45</td></tr></table>	Floor	Saleable area			sq.ft.	sq.m.	G/F	3,571	331.76	1/F	12,172	1,130.82	2/F	1,990	1,848.88	Total	17,733	1,647.45	The first floor with ground floor entrances of the property is currently occupied by the Group as restaurant and the flats on the second floor as staff quarters. The remaining portion is currently let to various tenants for terms of 2 to 3 years with the latest expiry dated on 22nd December, 2005. The total monthly rent receivable is HK\$225,800.	HK\$55,000,000
Floor	Saleable area																				
	sq.ft.	sq.m.																			
G/F	3,571	331.76																			
1/F	12,172	1,130.82																			
2/F	1,990	1,848.88																			
Total	17,733	1,647.45																			
901/14,940th parts or shares of and in Kowloon Inland Lot No. 4041	Kowloon Inland lot No. 4041 is held under a Government Lease for a term of 75 years commencing on 17th October, 1938 renewable for a further term of 75 years. The Government Rent payable for the lot is \$1,206 per annum.																				

Notes:

- As at the date of this report, the registered owner of the property is Hon Po Management Limited, which is an indirectly wholly-owned subsidiary of the Company.
- According to our recent land search record, the property is subject to the following encumbrances:
 - Tenancy Agreement in favour of The Optical Centre Company Limited, an independent third party (known as Shops B and C) for a term of 3 years renewable for 2 years from 1st January, 1999 vide Memorial No. 7630961 dated 3rd December, 1998.

- (ii) Tenancy Agreement in favour of Yexton Company Limited, an independent third party (known as Shop E) for a term of 3 years renewable for 2 years from 15th March, 2001 vide Memorial No. 8342212 dated 15th March, 2001.
 - (iii) Tenancy Agreement from 15th November, 2001 to 14th November, 2004 in favour of Ocean Grace Investments Limited, which is an indirect wholly owned subsidiary of the Company vide Memorial No. 8566698 dated 6th November, 2001.
 - (iv) Mortgage in favour of Bank of China (Hong Kong) Limited vide Memorial No, 8624258 dated 15th February, 2002.
 - (v) Assignment of Tenancy in favour of OPSM Limited by the Optical Centre Company Limited vide Memorial No. 8841249 dated 30th November, 2002.
3. First Floor with ground floor entrances and Flat Nos. A5, A6, A8, A9, B6 and B7 on the Second Floor of the property is subject to a tenancy agreement dated 6th November, 2001 for a term from 15th November, 2001 to 14th November, 2004 in favour of Ocean Grace Investments Limited which is an indirectly wholly-owned subsidiary of the Company vide memorial no. 8566698 at a rent of HK\$250,000 per month.
4. We have valued the property by direct comparison method. This method is conducted by collecting and analysing the relevant sales comparables transacted within six months (before the date of the valuation report) in the locality of To Kwa Wan.

The following is the text of a letter and valuation certificate from FPD Savills (Hong Kong) Limited, in connection with its valuation of the open market rental of the Property as at 30 June 2003 prepared for the purpose of incorporation in this circular.

FPDSavills

第一太平戴維斯 INTERNATIONAL PROPERTY CONSULTANTS

FPDSavills (Hong Kong) Limited

23/F Two Exchange Square

Central

Hong Kong

EA Licence: C-002450

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Direct Line: (852) 2801 6100

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www.fpd Savills.com

www.fpd Savillsproperty.com

FPDSavills International

30 June 2003

The Directors

Hon Po Group (Lobster King) Limited

Units E & F on G/F

Phase II Kingsway Industrial Building

173-175 Wo Yi Hop Road

Kwai Chung

New Territories

Dear Sirs,

Re: Portion of Shop Nos. 1, 2, 3, 74 and 75 on Ground Floor, Office No. 1 on First Floor and Flat Nos. A5, A6, A8, A9, B6 and B7 including their respective portions of Flat Roof adjacent thereto on Second Floor and Shop No. 66 on Ground Floor, Honour Building, Nos. 78-80W To Kwa Wan Road, Nos. 2-58 Cheung Ning Street and Nos. 64-78 Sheung Heung Road, To Kwa Wan, Kowloon, Hong Kong

In accordance with your instructions for us to prepare a report on the open market rental valuation of the above property, we confirm that we have inspected the property, made relevant enquiries and investigations as we consider necessary for the purpose of providing you with our opinion of the open market rent of the property as at 30 June 2003.

Our valuation is the open market rent is our opinion of the best rent which a new letting of an interest in property would have been completed at the date of valuation assuming:-

- (a) a willing landlord;

- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the rent and other letting terms and for the completion of the letting;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of entering into an agreement for lease, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective tenant with a special interest;
- (e) a stated length of term and stated principal conditions applying or assumed to apply to the letting and that the other terms are not exceptionally onerous or beneficial for a letting of the type and class of the subject property;
- (f) that no premium passed and that any rent free period is in respect only of the time which would have been needed by the incoming tenant to make the subject property fit for occupation; and
- (g) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

Our valuation has been made on the assumption that the owner leases the property in the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the rental value of the property.

We have relied on information given by you and have accepted advice given to us on such matters as statutory notices, planning approval, easements, tenure and all other relevant matters. Unless otherwise stated, no on-site measurement has been made.

We have conducted our valuation using direct comparison method by collecting and analysing rental comparables within six months (before the date of the valuation report) in the locality of To Kwa Wan District.

We have caused searches to be made at the Land Registry. However, we have not searched the original documents to verify ownership or to verify any lease amendments which may not appear on the copies handed to us. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a lease. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

No structural survey has been made nor were any tests carried out on any of the services. We are therefore unable to report whether the property is free from rot, infestation or any other defects.

We have not verified and make no representation that the property, including any plant and equipment therein, is millennium compliant, or that the value of the property is not adversely affected in any way by any part of it not being millennium compliant within the meaning of BSI definition of Year 2000 compliance.

Our valuation certificate is attached hereto.

Yours faithfully,
For and on behalf of
FPDSavills (Hong Kong) Limited
Gilbert C H Chan
BSc (Hons), MHKIS, MRICS, RPS(GP)
Associate Director
Valuation and Consultancy

Note: Mr Gilbert C H Chan is a chartered surveyor with over 10 years' valuation experience on all landed properties in Hong Kong.

VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Open Market Rent as at 30th June 2003																		
Portion of Shop Nos. 1, 2, 3, 74 and 75 on Ground Floors, Office No. 1 on First Floor and Flat Nos. A5, A6, A8, A9, B6 and B7 including their respective portions of Flat Roof adjacent thereto on Second Floor and Shop No. 66 on Ground Floor, Honour Building, Nos. 78-80W To Kwa Wan Road, Nos. 2-58 Cheung Ning Street and Nos. 64-78 Sheung Heung Road, To Kwa Wan, Kowloon, Hong Kong	The property comprises portions of First Floor with exclusive Ground Floor entrances and six staff quarters on the Second Floor of Honour Building completed in about 1973. As scaled off the registered floor plan, the total saleable area of the property is approximately 15,788 sq.ft. (1,466.75 sq.m.) plus flat roofs of approximately 2,033 sq.ft. (188.87 sq.m.) with breakdown area as follows: <table><tr><th>Floor</th><th colspan="2">Saleable area</th></tr><tr><td></td><th>sq.ft.</th><th>sq.m.</th></tr><tr><td>G/F</td><td>1,626</td><td>151.06</td></tr><tr><td>1/F</td><td>12,172</td><td>1,130.82</td></tr><tr><td>2/F</td><td>1,990</td><td>1,848.88</td></tr><tr><td>Total</td><td>15,788</td><td>1,466.75</td></tr></table>	Floor	Saleable area			sq.ft.	sq.m.	G/F	1,626	151.06	1/F	12,172	1,130.82	2/F	1,990	1,848.88	Total	15,788	1,466.75	The first floor with ground floor entrances of the property is currently occupied by the Group as restaurant and the flats on the second floor as staff quarters.	HK\$250,000 (Exclusive of Government rent, rates and management charges)
Floor	Saleable area																				
	sq.ft.	sq.m.																			
G/F	1,626	151.06																			
1/F	12,172	1,130.82																			
2/F	1,990	1,848.88																			
Total	15,788	1,466.75																			
575/14,940th and portion of 326/14,940th parts or shares of and in Kowloon Inland Lot No. 4041	Kowloon Inland lot No. 4041 is held under a Government Lease for a term of 75 years commencing on 17th October, 1938 renewable for a further term of 75 years. The Government Rent payable for the lot is \$1,206 per annum.																				

- Notes:
- (i)

We have valued the property assuming it is available to let in its existing state and physical condition for a term of 6 years at fixed rent with one month rent-free period at the beginning of the lease.
- (ii)

We have conducted our valuation using direct comparison method by collecting and analysing rental comparables within six months (before the date of the valuation report) in the locality of To Kwa Wan District.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained in this circular misleading.

2. DISCLOSURE OF INTERESTS

- (i) As at the Latest Practicable Date, the interests of the Directors and their associates in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Section 341 of the SFO (including interests which they are taken or deemed to have under Section 344 of the SFO) or which are required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Number of shares held and nature of interest in Hon Po Holdings Limited, an associated corporation.

	Personal interest	Family interest	Corporate interest	Total interests
Mr. Cheung To Sang		(Note 1)	73,996,437 (Note 2)	17.51%
Mr. Chan Nun Chiu			53,963,137 (Note 3)	12.77%
Mrs. Cheung Lim Mai Tak, Grace		(Note 1)	43,762,162 (Note 4)	10.35%
Mr. She Hing Chiu	5,152,338		7,821,000 (Note 5)	3.07%
Mr. Ng Wing Po			45,913,287 (Note 6)	10.86%
Mr. Cheung Sik Pang		56,037,637 (Note 7)		13.26%
Mr. Tse Chick Sang	2,553,425		1,415,250 (Note 8)	0.94%

Notes:

1. Interests in shares of his/her spouse are excluded in accordance with Section 344(1)a of the SFO.
2. The shares are held by To Sang Management Company Limited, a company which is controlled indirectly by a discretionary trust of which Mr. Cheung To Sang and certain of his children are beneficiaries.
3. The shares are held by Nun Chiu Investments Limited, a company in which both Mr. Chan Nun Chiu and his wife each has a controlling interest.
4. Shares of 4,700,750 are held by Tabo Development Limited, a company in which Mrs. Cheung Lim Mai Tak, Grace owns approximately 74% of the issued capital. Shares of 39,061,412 are held by Lim Mai Tak Consultants and Investments Limited, a company which is controlled indirectly by a discretionary trust of which Mrs. Cheung Lim Mai Tak, Grace and certain of her children are beneficiaries.
5. The shares are held by Tread Wood Investment Limited, a company in which Mr. She Hing Chiu owns approximately 50% of the issued capital.
6. The shares are held by N.W.P. Investments Limited, a company which is controlled indirectly by a discretionary trust of which Mr. Ng Wing Po's wife and certain of his children are beneficiaries.
7. The shares are held by Kung Ping Investments Limited, a company which is deemed to be controlled by Mr. Cheung Sik Pang and his wife.
8. The shares are held by King Space Limited, a company which is controlled by Mr. Tse Chick Sang.

Save as disclosed herein, none of the Directors and their associates has any interests in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Section 341 of the SFO (including interests which they are taken or deemed to have under Section 344 of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

- (ii) Each of the executive and non-executive Directors (other than independent non-executive Directors and Mr. Tse Chick Sang) has a service contract with the Company for an initial term of three years commencing from 1 February 2002, which will continue thereafter until terminated by either party giving not less than three months' notice in writing.

Mr. Tse Chick Sang (appointed as an executive Director on 1 August 2002) has a service contract with the Company for an initial term of three years commencing from 1 August 2002, which will continue thereafter until terminated by either party giving not less than three months' notice in writing.

Save as disclosed above, no director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

- (iii) Saved as those disclosed in the “Material Contracts” of Section 6 below and in note 27 and 28 of the annual report of the Group for the financial year ended 31 December 2001 and the prospectus of the Company dated 31 January 2002 (“Prospectus”) (including those ongoing connected transactions which have already received the Stock Exchange’s waiver from the strict compliance with the requirements of the Listing Rules on 31 January 2002 and 23 January 2003), none of the Directors has any direct or indirect interest in any assets which have since 31 December 2001 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (iv) Mr. Cheung Sik Pang, being a partner and a beneficial shareholder of Tung Cheong Hong and Pacific Good Trading Limited respectively, was interested in the supplies of tea leaves and seafood to the Group respectively. These ongoing transactions have already been waived by the Stock Exchange from strict compliance with the requirements of the Listing Rule on 31 January 2002.

Save as disclosed above, there is no contract or arrangement subsisting at the date of this circular in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

3. SUBSTANTIAL SHAREHOLDERS

- (a) At the Latest Practicable Date, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests in shares required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Number of shares held	Percentage of the Company’s issued share capital
Hon Po Holdings Limited	380,000,000	60.32%
Hon Po Investment Limited	380,000,000	60.32%

Note:

In accordance with the provisions of the SFO, the interest of Hon Po Investment Limited in the shares of the Company is also attributed to Hon Po Holdings Limited on the basis that Hon Po Investment Limited is wholly-owned by Hon Po Holdings Limited, a company incorporated in Hong Kong.

- (b) So far as the Directors are aware, at the Latest Practicable Date, the holders (other than members of the Group) of 10% or more of voting rights exercisable at general meetings of the subsidiaries of the Company is:

Name of subsidiary	Name of other shareholders (not being a member of the Group)	Percentage of the subsidiary's issued share capital
Oriental Team Investments Limited	Megalopolis Limited (<i>note</i>)	32.97%

Note:

Megalopolis Limited is a company in which Mr. Wong Chung Ming and his children are beneficially interested. Mr. Wong Chung Ming is a director of A. Top Investment Limited and Oriental Team Investments Limited which are non wholly-owned subsidiaries (indirect) of the Company.

Save as disclosed above, at the Latest Practicable Date, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 336 of the SFO and so far as is known by the Directors, no person (other than a Directors) is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or hold any options in respect of any such capital.

4. QUALIFICATION OF EXPERTS

The following are the qualifications of the experts which have given their opinion or advice which is contained in, or referred to in, this circular.

Expert	Qualification
FPDSavills	Professional surveyors
Access Capital	A deemed licensed corporation under the SFO

The above experts do not have any shareholding in any member of the Group or the right to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

At the Latest Practicable Date, FPDSavills and Access Capital do not have any direct or indirect interest in any assets which have since 31 December 2001 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. CONSENTS OF EXPERTS

Each of FPD Savills and Access Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters, valuation certificates and reference to its name included herein in the form and context in which it appears.

6. MATERIAL CONTRACTS

At 3 May 2002, Jing Hua Restaurant Limited has entered into a sale and purchase agreement with an independent third party to purchase a property for a cash consideration of HK\$85 million.

At 4 July 2002, Hon Po Sunny Bright Developments Limited (as tenant), a wholly-owned subsidiary of the Group, has entered into a surrender agreement with Hon Po Investment (as landlord), the controlling shareholder of the Group relating to the termination of the tenancy agreement dated 3 September 2001 and the deed of novation dated 10 December 2001. In accordance with the surrender agreement, no compensation of the termination was received or paid by either party.

At 28 October 2002, Hon Po Bright Ocean Enterprises Limited (as tenant), a wholly-owned subsidiary of the Group, has entered into a new tenancy agreement and a surrender agreement with Better Development & Investment Limited (as landlord), an indirect wholly-owned subsidiary of Hon Po Holdings which in turn is the ultimate holding company of the Group. Pursuant to the new tenancy agreement, a monthly rental of HK\$320,000 will be paid for the period from 1 December 2002 to 30 November 2005 with an option to renew for a further term of three years at a revised monthly rental of HK\$352,000. Pursuant to the surrender agreement, the old tenancy agreement dated 18 September 2001 and the deed of novation dated 10 December 2001 were terminated and no compensation of the termination was received or paid by either party.

At 5 December 2002, Oriental Team Investments Limited (as tenant), a non wholly-owned subsidiary of the Group has entered into a new tenancy agreement and a cancellation agreement with Composite Interest Limited (as landlord), which is a connected person of the Company. Pursuant to the new tenancy agreement, the tenant will pay a monthly rental of HK\$450,000 and HK\$500,000 to landlord for the periods commencing from 1 January 2003 to 31 December 2005 and from 1 January 2006 to 31 December 2008 respectively. Pursuant to the cancellation agreement, the old tenancy agreement dated 26 September 2000 was terminated and no compensation of the termination was received or paid by either party.

At 9 April 2003, Jing Hua Restaurant Limited (as vendor), a wholly-owned subsidiary of the Group has entered into a provisional agreement with an independent third party to dispose a property for a cash consideration of HK\$83 million. Pursuant to the provisional agreement, a tenancy agreement has been entered into by the Group (as tenant) and that

independent third party for renting the property at a monthly rental of HK\$700,000 for the period from 6 June 2003 to 5 June 2006 and HK\$770,000 for the period from 6 June 2006 to 5 June 2009.

At 30 June 2003, Hon Po Bright Ocean Enterprises Limited (as tenant), a wholly-owned subsidiary of the Group has entered into a deed of variation and confirmation with Better Development & Investment Limited (as landlord), an indirect wholly-owned subsidiary of Hon Po Holdings which in turn is the ultimate holding company of the Group with regard to the reduction of the monthly rental of the tenancy agreement dated 28 October 2002. Pursuant to the deed of variation and confirmation, the monthly rental payable by the tenant under the tenancy agreement for the period from 1 June 2003 to 30 November 2005 will be reduced from HK\$320,000 to HK\$200,000 (exclusive of Government rent, rates and management charges).

At 21 July 2003, Open Global Investments Limited (as tenant), a wholly-owned subsidiary of the Group has entered into a surrender agreement with Bestall International Development Limited, a non-wholly owned subsidiary of Hon Po Holdings which in turn is the ultimate holding company of the Group, relating to the termination of the tenancy agreement dated 16 July 2001 and the deed of novation dated 10 December 2001.

Save as disclosed above, details of all the contracts (not being contracts entered into the ordinary course of business), which have been entered into by members of the Group within two years preceding the date of this circular and which are or may be material, have already been included in the Prospectus. In order to avoid excessive length, details of which can be referred to the Prospectus.

7. LITIGATION

Harmony Sky Investment Limited, a non-wholly owned subsidiary of the Group, is subject to a claim for outstanding rent and other ancillary payments by the landlord of the restaurant premises estimated to be around HK\$1.22 million; and a warrant of distress issued by the court in April 2003. It had already delivered possession of the restaurant premises to the landlord. It is also subject to claim of severance payment estimated to be around HK\$1.5 million and other foreseeable claims estimated to be around HK\$0.5 million.

Bestrade Investments Limited, a wholly-owned subsidiary of the Group, is subject to a court order and judgment of vacant possession and the claim for outstanding rent, mesne profits, interest and damages by the landlord of the restaurant premises estimated to be around HK\$3.8 million. It had already delivered possession of the restaurant premises to the landlord. It is also subject to claim of severance payment estimated to be around HK\$2 million and other foreseeable claims estimated to be around HK\$1.5 million.

Open Global Investments Limited, a wholly-owned subsidiary of the Group has reached an agreement with its employee to settle the severance payment estimated to be around HK\$1.1 million and prepared to pay other foreseeable claims estimated to be around HK\$2 million.

Beautiguide Investments Limited, a wholly-owned subsidiary of the Group is subject to claim of severance payment estimated to be around HK\$1.7 million.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration or claim of material importance which is known to the Directors to be pending or threatened against any member of the Group.

8. REGISTERED OFFICE AND TRANSFER OFFICE

The Company's registered office is situated at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, Grand Cayman, British West Indies. The Company's head office and principal place of business is at Unit E&F, G/F., Phase II, Kingsway Industrial Building, 173-175 Wo Yi Hop Road, Kwai Chung, Hong Kong. The principal share registrar and transfer office is the Bank of Butterfield International (Cayman) Ltd., at Butterfield House, 68 Fort Street, P.O. Box 705, George Town, Grand Cayman, Cayman Islands. The Hong Kong branch share registrar and transfer office is Tengis Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

9. COMPANY SECRETARY

The company secretary of the Company is Mr. Lai Po Sing, a Certified Public Accountant in Hong Kong and a fellow member of both the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office and principal place of business of the Company at Units E&F, G/F, Phase II, Kingsway Industrial Building, 173-175 Wo Yi Hop Road, Kwai Chung, Hong Kong during normal business hours from 25 August 2003 up to (and including) 8 September 2003:

- a. the memorandum and articles of association of the Company;
- b. the Agreement;
- c. the letter from the Independent Board Committee, the text of which is set out on page 8 of this circular;
- d. the letter from Access Capital, the text of the which is set out on pages 9 to 12 of this circular;

- e. the letters, and valuation certificates relating to the Property prepared by FPD Savills, the text of which is set out in Appendix II;
- f. the service agreements referred to in the item 2 (ii) in Appendix III;
- g. the material contracts referred to in the section headed “Material contracts” in Appendix III;
- h. the written consents referred to in the section headed “Consents of experts” in Appendix III;
- i. the annual report for the financial year ended 31 December 2001;
- j. the Prospectus of the Company dated 31 January 2002; and
- k. the circulars issued by the Company dated 27 May 2002 and 25 April 2003.