

**HON PO GROUP (LOBSTER KING) LTD :  
HOW THE MIGHTY HAVE FALLEN !**

There is an absolute guarantee that the Net Profits Attributable to Shareholders of Hon Po Group (Lobster King) Ltd (Code: 228, Main Board, The Stock Exchange of Hongkong Ltd) for the Financial Year, ended December 31, 2001, will be at least 18 percent lower than the Net Profits Attributable to Shareholders for the 2000 Year.

The reason that TARGET can make this definitive statement is that Management has implied this in its Prospectus, dated January 31, 2002.

And, by all appearances, the Current Financial Year will be worse than the 2001 Year.

So anybody, buying into this Company, is purchasing shares – while the profits are on a steep, downward spiral.

Hon Po Group (Lobster King) is a restaurant operator, with 17 outlets, all located in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

The chain trades under the name, or style of, Hon Po Restaurant, Hon Po Seafood Restaurant and Hon Palace Restaurant.

As the name of the Company implies, the chain specialises in serving lobster cuisine and other Chinese seafood delicacies, in addition to dim sum.

The restaurant chain was first established in April 1986 when the first outlet was opened by the current Chairman of Hon Po Group (Lobster King), Mr Cheung To Sang, who was, prior to this restaurant, being established, a cook in a Chinese restaurant.

Mr Cheung, along with his wife, Mrs Grace Cheung Lim Mai Tak, together with Mr Cheung Sik Pang (Mr Cheung To Sang's old boss), Mr Ng Wing Po, Mr Chan Nun Chiu and Mr She Hing Chiu determined to take the plunge and to open their first restaurant in Tokwawan, Kowloon, the HKSAR, just 16 years ago.

The same Founders stayed with the restaurant chain, which proved to be very successful as the years flew by.

However, since 1998, things have been going downhill for Hon Po Group (Lobster King).

The downturn in the restaurant chain's business coincided with its expansion moves in the 1996 and 1997 years when Hon Po Group (Lobster King) opened 7 new outlets in some of the busiest areas of the HKSAR – at, probably, record-level prices for their rental properties.

The following is the track record of Hon Po (Lobster King) for the past 42 months:

	Financial Year ended December 31			Six Months to June 30
	1998	1999	2000	2001
	All Figures are Denominated in \$HK'000			
Turnover	1,003,831	980,951	872,297	405,094
Other Revenue	14,009	7,557	5,374	3,905
Cost of Inventories Consumed	(330,296)	(310,298)	(277,039)	(129,713)
Staff Costs	(357,500)	(346,938)	(299,196)	(143,839)

Operating Lease Rentals	(77,082)	(85,966)	(85,122)	(39,963)
Depreciation	(26,315)	(25,614)	(20,679)	(10,694)
Fuel Costs and Utility Expenses	(74,791)	(78,856)	(84,314)	(40,447)
Other Operating Expenses	(89,417)	(95,595)	(80,792)	(37,253)
Profit from Operating Activities	62,439	45,241	30,529	7,090
Financing Costs	(7,569)	(4,609)	(4,357)	(2,044)
Profit before Taxation	54,870	40,632	26,172	5,046
Taxation	(7,257)	(1,947)	(2,386)	(238)
Profit before Minority Interests	47,613	42,579	23,786	4,808
Minority Interests	537	2,229	1,895	536
Net Profit Attributable to Shareholders	48,150	44,808	25,681	5,344

In terms of the Net Profit Margin, it fell, during the track-record period, from 4.80 percent in 1998 to 1.32 percent for the first half of the 2001 Financial Year.

During the track-record period, also, TARGET notes that Directors' and Senior Executives' Emoluments have fallen, dramatically ... [CLICK TO ORDER FULL ARTICLE](#)

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