

**HON PO GROUP (LOBSTER KING) LTD:
AND THEN THERE WERE EIGHT ?**

The signs are portentous: [Hon Po Group \(Lobster King\) Ltd](#) (Code 228, Main Board, The Stock Exchange of Hongkong Ltd) is about to close down another of its Chinese restaurants.

Which will mean that, from the day that this company went public on The Stock Exchange of Hongkong Ltd, in February 2002, it has had to close down 9 of its restaurants, down from the original number of 17 restaurants.

The restaurant, which appears to be about to be close, is the one located at Carnarvon Place, Kowloon.

Bestcase Hongkong Ltd, a wholly owned subsidiary of Hon Po Group (Lobster King), appears, clearly, to be unable, or unwilling, to pay rent to its corporate landlord, which contracted with Bestcase Hongkong Ltd, some years ago, to lease its property to this company in order to allow it to operate a Chinese restaurant, which is located on the entire 2nd Floor of Carnarvon Place, Number 20, Carnarvon Road.

That is the contention of Lucky Gain Enterprises Ltd, the corporate landlord of the 2nd Floor of Carnarvon Place, which has had to sue Bestcase Hongkong Ltd at least twice in the past 2 months.

The rent on these premises is \$HK238,000 per month.

Bestcase Hongkong Ltd was unable to pay September's rent and, now, it has not paid October's rent, it is being alleged.

The next step for Lucky Gain Enterprises Ltd: Apply for possession and kick out its obviously cantankerous tenant.

On September 24, 2004, Hon Po Group (Lobster King) produced its Interim Results for the period, ended June 30, 2004.

The company stated that the Turnover for the period was about \$HK156.62 million, which compared poorly with the like period in 2003 when the company logged in a Turnover of about \$HK281.86 million.

In short, things are getting worse for this company.

The Loss Attributable to Shareholders for the 6 months, ended June 30, 2004, was about \$HK32.05 million, which was an increase over the like period in 2003 when the company reported a Loss Attributable to Shareholders of about \$HK12.36 million.

Looking only at the Turnover for the 6-month period, ended June 30, 2004, based on the company, operating 9 restaurants and on the assumption that each restaurant had exactly the same turnover, it means that each restaurant's daily gross volume of business could not have exceeded \$HK870,000.

Which is hardly enough to pay the staff, let alone the rent, suppliers, etc, assuming that the gross margin of profit was about 60 percent, at most.

In respect of suppliers, TARGET subscribers will recall TARGET Intelligence Report, Volume VI, Number 171, published on September 8, 2004, headlined: ***‘AUSSIE COMPANY WANTS TO GET PAID FOR ITS LOBSTERS’***.

In that exclusive report, as the headline connotes, a supplier from Australia of rock lobsters, E. and B. Kolivas Nominees Pty Ltd, sued Hon Po Group (Lobster King) for alleged non-payment of its Antipodean crustaceans, which were sold and delivered to Hon Po Group (Lobster King).

The amount of that Writ, filed in the High Court of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), was \$HK2.63 million.

The bill for the lobsters had been outstanding since September 2003.

In one other unrelated case, it was alleged by a former employee of a subsidiary of Hon Po Group (Lobster King), Milibless International Development Ltd, on August 27, 2004, that he had never received his salary.

Having obtained a Judgment in The Labour Tribunal with regard to his complaints of non-payment of salary, and, still, seeing no money forthcoming, Mr Choi Yuet Seung, using the good offices of The Legal Aid Department of the HKSAR Government, petitioned the winding up of Milibless International.

Since Hon Po Group (Lobster King) went public in the HKSAR, the following table, courtesy of **TOLFIN** (The Computerised, Online Financial Intelligence Service and Web-Based, Credit-Checking Provider), shows how the company has fared:

	Year Ended December 31		
	2003	2002	2001
	All Figures are Denominated in \$HK'000		
Turnover	507,919	730,466	498,758
Profit Attributable to Shareholders	31,223*	(74,616)	6,602
Shareholder's Fund	10,403	33,944	142,584

* This result was due to the sale of some of the company's properties, not from the operations of the 9 restaurants

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