

## CHAIRMAN'S STATEMENT

### REVIEW OF OPERATIONS

#### Financial Reviews

The Group recorded a turnover of HK\$319,714,000 for the year ended 31 March 2002, compared with a turnover of HK\$390,099,000 for last year. The loss attributable to shareholders was HK\$49,877,000. Loss per share was HK16.6 cents. The September Eleventh incident in the United States has further tarnished consumer confidence in the future and there is still no obvious sign of recovery as reflected from the market condition. It is believed that the sluggish economy will continue for a certain period of time.

#### Restaurant Operations

Due to the sustained stringent internal control of cost, gross profit ratio increased to 65% as compared with 62% of previous year. Meanwhile, low interest rate enabled the Group to improve its internal resources and cash flow and reinforce its market strategies.

The performance of Macau style cafe in London Plaza was greatly affected by the drop in customer demand. Accordingly, the Group discontinued the business in June 2001.

Furthermore, to tailor for customer demand in the district, the Kowloon City branch of Macau style cafe was renovated to a dim sum restaurant in January 2002 so as to capture dim sum market in the district.

As the Group expected the Kwun Tong Branch of the Chinese restaurants, which was situated adjacent to the industrial area, be affected by the decrease in demand resulting from the relocation of factories to the PRC, it had closed the branch in June 2001. The said premises were leased to a third party in order to increase the Group's long term revenue.

The Shenzhen branch was also closed in September 2001 upon expiry of the lease agreement.

#### Property Investment

Due to letting out of the Group's properties in Kwun Tong and Lantau Island during the year, rental income of the Group increased by over approximately HK\$3,500,000.

The Group has disposed of its entire 20% interest in Golden Net Limited which holds part of the properties of Buckingham Building, thus recording a loss of HK\$10,000,000.

Besides, the Group has cooperated with third parties to invest in the development of properties in Lantau Island. The development consists of twelve blocks of houses. With the favourable market response, it is expected to bring profits for the Group. The development is mostly funded by bank loans of approximately HK\$14,600,000.

## CHAIRMAN'S STATEMENT (CONTINUED)

### Liquidity and Financial Resources

At 31 March 2002, the Group's cash and bank balance (included the pledged bank deposits) remained at an adequate level of approximately HK\$24,000,000, decreased by about 23.5% when compared to last year. The Group has no material capital commitment in the coming twelve months.

At 31 March 2002, the Group had bank and other loans of totalling HK\$277,280,000 (2001: HK\$265,796,000), mostly secured by the Group's properties. The shareholders' equity was HK\$119,862,000 (2001: HK\$47,693,000) and the ratio of non-current liabilities to shareholders' equity was 1.85 (2001: 4.0).

The Group's cash and bank borrowings are mainly denominated in Hong Kong dollars, and hence it is not exposed to exchange risk.

### Numbers of employees and remuneration policy

At 31 March 2002, the Group had more than 770 employees, the remuneration packages of whom are being reviewed regularly every year with reference to the prevailing job market condition.

### OUTLOOK

Sticking to the principle of exploring new resources while keeping existing resources, the Group will continue to maintain a lean manpower and launch diversified food, so as to be in line with its market strategy of enhancing competitiveness and to keep pace with the ever changing market. The major objective of the Group is to provide its customers with value added services by going with the trend of current eating culture and improving its services. The Group believes that these strategies will help promote its business and be consistent with the Group's long-term market strategies. They will not only help sharpen the Group's competitive edge in the future, but also reduce the pressure of competition.

The Group will closely monitor market trend and consider any suitable investment opportunities as they arise.

### ACKNOWLEDGEMENT

I take this opportunity to express the board's gratitude to the Group's staff and business associates for their strong support and valuable contribution during the past year, and look to their continuous support in the coming years.

By Order of the Board

**Chan Shu Kit**

*Chairman*

Hong Kong, 24 July 2002