

## ENHANCING SHAREHOLDERS' VALUE: Attaining New Heights Through New Initiatives

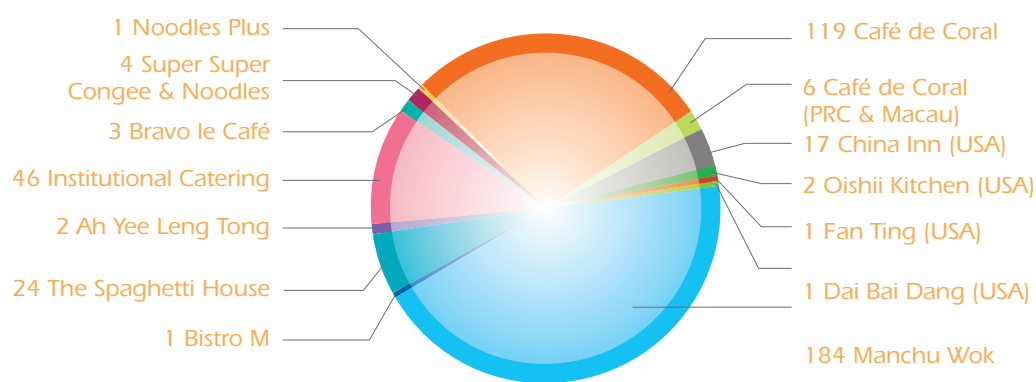
In my last year's statement to the shareholders, I have asserted that the company is committed to enhance shareholders' value through clear business strategies and targeted business goals. This year, our commitment drive continues unabated, attaining new heights of profitability of HK\$280 million, which represents a healthy net profit growth of 11% as compared with last year. I am pleased to report that this is the seventh consecutive year of double-digits operating profit growth and marks another milestone for the Group to go forward.

As the Group continues to deliver encouraging results with earnings per share increases, by another 12%, our long term shareholders' value are further enhanced on a year on year basis. With this, the Board would like to recommend an increase of final dividend to 17.1 cents per share. Together with the interim dividend of 4.4 cents per share, the total dividend of 21.5 cents per share for the entire year amounts to HK\$117 million, representing a respectable investment return.



Having said that however, I must say that year 2001 was not without its challenges. 2001 was the fourth straight years of deflation in the local economy. Rising unemployment and corporate retrenchment further pushed the local retail market into a tailspin. The implementation of the Mandatory Provident Fund put on new costing burden to the local business community and also dampened the already sluggish consumer market. The September 911 incident in US gave rise to new global economic challenges. These new business difficulties prevailed throughout the year and continue to impact onto the first quarter of 2002.

Continuous profit growth on an enlarged base was no easy task. With all these local and global



## CHAIRMAN'S STATEMENT



uncertainties, the Group and its management team have dedicated themselves to reach for new markets, to attend to well-defined business strategies, to break away from traditional business processes, and to pursue effective business initiatives in managing our business.

### REACHING NEW MARKETS

As I reported last year, the Group has embarked on a timely globalization strategy, which was being carefully and successfully implemented by way of a joint-venture acquisition of the **Manchu Wok** chain of restaurants in North America. The post-acquisition business performance of **Manchu Wok** was satisfactory, which not only contributed immediate benefit to the Group's bottom line during the year but also added strength and confidence to our globalization program.

So far the **Manchu Wok** performance has proven resilient to the 911 incident and the creeping

economic recession occurred in United States. With its 183 corporate and franchised restaurants in Canada and United States, the total system sales during the year amounted to C\$131 million (HK\$655 million) establishing a solid business foothold outside Asia.

In February of this year, we have again made an exciting move in our exploration for new markets. At one stroke, we have stepped into the lucrative California market by acquiring a 20-shops Asian restaurant chain in California. This acquisition marked another important strategic step of our expansion plan in North America by branching out onto the West coast of United States. Following the acquisition, **Café de Coral Group** will have a sizable platform of over 200 restaurant units outside Asia. More significantly, the acquisition also presented the Group with excellent business opportunities to roll-out in North America in the not too distant future with its various multiple restaurant concepts and brands.

On the Asian front, **The Spaghetti House** franchising business was further expanded during the year. Two new **The Spaghetti House** restaurants were opened in April and November 2001 respectively in Indonesia, bringing the total number of restaurants to 6 in this region including the one to be added during the current fiscal year.

I am pleased on the gradual expansion of our globalization initiative executed in the past year. The Group will continue to prudently roll-out our various restaurant concepts in the global market with the aim to build **Café de Coral Group** as the largest and leading Chinese Quick Service Restaurant group around the world.

## BUILDING NEW CUSTOMERS' VALUE

As the local economy outlook is not expected to turnaround considerably in the year ahead, I believe forthcoming business growth will come from driving production efficiency and maximizing value to our customers.

For our customers, our strategy has been simple and basic. We continue to deliver value for their money. We managed this challenging market through a customer-



focused strategy. We strengthen our branding power continuously to balance out the adverse pricing pressures by way of new and vigorous marketing campaign and refreshing new image injected onto our new and renovated restaurant. We aimed at consistently delivering total dining experience and exceptional value for their money. Given that these initiatives are so important for the Group to stay ahead of the pack, I personally have attended to the execution details of their implementation.

So far we have worked out a series of new advertising campaigns during the year to strengthen our brand image and to augment the various new products introduced. We have also invested HK\$35 million in renovating 15 **Café de Coral** restaurants, and 2 **The Spaghetti House** to enhance and create a totally new dining experiences to our customers of various segments.

On the strength of these initiatives, we once again managed to outlive our competitors in this extremely difficult environment and continued to lead our competitive edge in this ever-increasingly crowded market.



## EXPANDING NEW FRONTIERS

Although our various strategic business units including **Asia Pacific Catering, Luncheon Star** and **Scanfoods**, have continued to deliver growing profit stream and maintain a leading position in their respective arena, we are relentless in our search for new frontiers of growth.

During the year, **Asia Pacific Catering** gradually build up the institutional catering business portfolio in Southern China, with major clients in Guangzhou and Shenzhen. At the same time, **Asia Pacific Catering** won a new catering contract from Ruttonjee Hospital. As of 31st March, 2002, **Asia Pacific Catering** operated 40 catering units and continue to maintain our market leadership in the health-care and educational segments in Hong Kong.



## CHAIRMAN'S STATEMENT

On another front, our **Scanfoods** food processing business continue to generate consistent profit growth and expand its business horizon by venturing into the smoked bacon and sausage line of products, in addition to its traditional ham processing business. With an expanding market, **Scanfoods** has recently also allocated capital resources to develop a new food processing plant adjacent to its present premises in Dongguan.

On the local arena, our student lunch box catering business, **Luncheon Star**, has been growing steadily during the year. As the business grew, we doubled the production capacity in 2001 and opened 2 new re-heating centers. This extension of service networks will definitely enhance **Luncheon Star's** competitiveness and improve operating efficiency in the forthcoming years.

### EMBRACING NEW PROCESSES

I did mention in my previous reports to you that the key to ride out the economic storm is the ability to change. All business enterprises must have the adaptability to break away from old practices and to embrace new business process.

During the year, with a focused objective and a committed HK\$65 million budget, the Group has drawn on the latest broadband IP network technologies and communication infrastructure to create a most effective and efficient operation and information business management system there is to be in the food and beverage industry. All our



restaurant outlets have now been seamlessly integrated electronically to interface with the Head Office.

In today's ever-changing market, the management of **Café de Coral** foresee that such Business Management System not only would enhance operational efficiencies in the front-end in meeting the sophisticated customers' needs, but would also help to expedite more effective strategic planning, more timely information update and more powerful data analysis, with substantial savings delivered in manpower and administrative expenses at the back office.

### RECOGNIZING OUR STRENGTH

The Group continues to receive recognition for our management excellence on a local and international level. I myself am particularly gratified and honoured for being awarded the **"Executive of the Year – Hong Kong Business Award"** in December, 2001 by the highly regarded *South China Morning Post* and *DHL Group*. In addition, for the 4th consecutive year, our group was being honoured in 2001 as one of **"World's 200 Best Small Companies"** by *Forbes Global*.

At the same time, our **Asia Pacific Catering** and **Luncheon Star** have both been awarded with the internationally accredited **"ISO 9001"** and **"HACCP Integrated System"** Certificates, and our **Café de Coral** Fast Food and **The Spaghetti House** have also both been awarded with the **"Quality Service Award"** by *Hong Kong Tourism Board*.

During the year, our strong balance sheet further strengthened with net assets of the Group expanded to HK\$1,431 million. As of 31st March, 2002, the Group's net cash reached HK\$400 million and market capitalization exceeded HK\$3,100 million.

With the strong balance sheet and cash flow position, the Group continued to buy back about 2,622,000 shares at an average price of approximately HK\$4 per share during the year, cumulating to a total of 29,038,000 shares in our share repurchase program.

Of course, all our distinguished milestones and recognitions would not have been attained without the unyielding commitments from our dedicated



staff in these tough environments. On this, I would like to thank our 7,500 employees for their devoted performances during the year.

I know that the task for continuous profit growth is particularly challenging on an expanded base. I am convinced that we would come out ahead of the pack. I believe our core business presents a solid business model. Our global vision will continue to be pursued in the years ahead in a disciplined phase, and our operating experience in the PRC would definitely be valuable for us to take our business forward in this region. With new markets opened, new frontiers explored, and new processes embraced, we would be able to achieve what we have set out to do, enhancing customers' and shareholders' value at home and abroad.

**Chan Yue Kwong, Michael**  
*Chairman*

Hong Kong, 9th July, 2002

