



Chairman's Statement

20TH PUBLIC LISTING ANNIVERSARY

This year marks the Group's 20th anniversary since its public listing on the Stock Exchange of Hong Kong in July, 1986. Over the past two decades, the Group advanced in strides in profit performance and in its business dimensions. As I recalled at the time of its listing in 1986, the Group operated only 32 restaurants with a net profit of approximately HK\$37.2 million. I am proud as of today, to report that the Group has a total of 562 operating units covering various geographical regions around the globe, with profits attributable to shareholders amounts to a historical high of HK\$320 million for the year ended 31st March, 2006. The continuous business growth records over the years speak for itself, recording multiple growth in terms of market capitalization, turnover, profits, employees and net assets value. A record which we are proud to share with our shareholders and one which our men and women have dedicated so much to make it possible.

While many of the market players lost steam in their business momentum during the past 20 years, we remained committed to sustainable development in our group of businesses and adhered to our core competence in the quick service restaurant business. We have expanded on our business dimensions by taking on horizontal and vertical business integration over the years. As a result, our Group has successfully evolved from a home-grown business to a global enterprise with dominating presence covering both the China and North America regions, which in essence is now the largest publicly listed Chinese fast food restaurant group in the world.

In recognition of the long term support of our shareholders, I would recommend to the Board to increase return to our shareholders by

distributing a final dividend of 25 HK cents per share. Together with the interim dividend of 10 HK cents paid on 11th January, 2006, a total dividend of 35 HK cents per share would be payable for the entire year, representing an increase of 27.3% over that of last year. To mark the occasion of the Group's 20th Public Listing Anniversary, I would further recommend the Board to pay a commemorative special dividend of 20 HK cents per share and launch a series of celebrative activities with our shareholders, employees and customers in appreciation of their undeviating long term support over the past 20 years.

HONG KONG BUSINESS PLATFORM

The year 2005 saw continued economic recovery in Hong Kong. With the buoyant consumer sentiment, spending continues to improve in the retail and restaurant sector, notwithstanding the challenge of a general increase in business costs in the local food and catering industry.

As attested in our business results, we are able to alleviate part of the negative impact from the increase in rent, labour and raw materials costs in the local market. As I reiterated in my previous statements to you, the Group's time-tested management is well-positioned to sail through the general rise in business cost in the local market through implementing various business imperatives. On the one hand, we once again pioneer the industry at our **Café de Coral** chain of restaurants by introducing the revolutionary 4th Generation post-modern design concept to elevate its interior architecture and design image and to revolutionize their facilities, ambience, service and image, all in one go.

On another front, the launch of “Club 100” membership program for our valued customers is another innovative and powerful marketing tool of customer loyalty and relationship management. All these measures not only set new standards in leading the rest of the pack in the industry, but they also result in same store sales growth and margin improvement.

Other than the encouraging performance of our core businesses in the quick service and the specialty restaurant sector, it is also gratifying to report that **Luncheon Star** has finally attained the market leadership position in the school catering sector and contributes meaningfully to the Group's profit since its pilot entry to the sector some years ago. As accredited with “HACCP” and “ISO9001” on food safety and control system, **Luncheon Star** has secured its leading position in the sector and has become an established brand preference among parents and teachers in the selection of school meal caterers.

PRC BUSINESS PLATFORM

While maintaining our market leadership position in the Hong Kong market, the Group has equally been pro-active in its expansion initiative in the China market for the past years. As of today, the total number of operating units in the China market is well over 120. Our expansion initiative in the China market is both multi-regional and multi-directional.

In the Southern China region, our **Café de Coral** has embarked on an aggressive branch development program, adding on the average 6 to 7 stores a year, bringing the total number of stores currently in the region to 24. The pace of our expansion in Southern China has been well on track as we have set out 2 years ago, with a target to reach a total of no less than 50 outlets

by the year 2009. With the encouraging success of our business model in the region, we have advanced confidently on our foothold from second tier cities to first tier cities of China, such as Shenzhen, Guangzhou and Shanghai. It is equally encouraging to report that developments in China have generated cross-borders branding power, as evidenced in the recent award selected by the mainlanders as one of the most favourite brands in Hong Kong.

In addition to the expansion initiatives under the brand of **Café de Coral, The Spaghetti House** has also gradually established its presence in the region by opening its second branch in Guangzhou, following the opening of its first shop in Shenzhen last year. A third branch opening is already on the drawing board. Our proactive expansion initiative in Southern China is also evidenced in the development of our institutional catering business under the branding of **Asia Pacific Catering**, which has successfully secured an addition of six catering contracts in the region during the year, bringing the total number of operating units in the region from 10 to 22.

In Eastern China, our 50% stake in the 72-store restaurant chain of **New Asia Dabao** based in Shanghai presents the Group with a strong foothold in this market of tremendous potentials. In addition to our committed effort in enhancing the dining experience of our customers, continuous value-added business improvement initiatives have been implemented in the areas of operational control, purchasing and product development, marketing campaigns, staff training, store design as well as menu innovation. As of today, 36 of our branches have undergone a face-lift renovation, broadening our customer profile and improving our pricing points along the way. I believe all these initiatives are mandatory to unlock the vast potential in this



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mid-priced fast-food market in the Eastern China region, turning this business into another meaningful profit contributor of the Group in the near future.

NORTH AMERICA BUSINESS PLATFORM

To capture the fast growing Asian cuisine market in North America, we took a strategic and decisive move on our investment in **Manchu Wok** by taking up a sizeable business platform of 203 stores in the North America in one go. As announced in September, 2005, we reached an agreement with our overseas partner and successfully acquired the entire interest in **Manchu Wok** in October, 2005. Since the complete take-over of the management control, we have amortized the intangible assets and implemented a series of improvement initiatives to rationalize and enhance its business performance which include (1) paying down all outstanding bank loans to reduce interest expense; (2) restructuring the inter-companies advances to mitigate any foreign exchange exposure; (3) closing down non-performing stores; and (4) exploring new development opportunities by way of master franchises. Attentive measures have also been implemented to monitor the business performance and to fine-tune the business model in order to tap into the market potential of this business platform.

LOOKING AHEAD

As I reiterate in the past, we have been constantly looking for opportunities to enhance shareholders' value and are actively identifying

a suitable site to expand our central food processing plant to support our fast growing business in Southern China. Meanwhile, our alliance formed some years ago with Tao Heung Group, being one of the largest Chinese restaurant operators in Hong Kong, allows us to formulate a strategic play in the Chinese restaurant market with exciting opportunity always presented to us, the latest one being a Chinese restaurant at the Hong Kong International Airport.

With the improved economic conditions and spending sentiment in Hong Kong, we are optimistic about the future prospect of our business vertically and horizontally. Coupled with our well-diversified business portfolios in the international arena, we are securely poised to take on the challenges of our various business platforms to deliver a better than expected result year on year.

While we would be celebrating our 20th Public Listing Anniversary, I would like to take this opportunity to join hands with all our shareholders in saluting over 12,000 strong staff force and who, in thousands of ways large and small each day, have taken us to reach where we are now today.

I invite you all to experience yourself their spirit and passion.

Chan Yue Kwong, Michael
Chairman

Hong Kong, 11th July, 2006

