

CHAIRMAN'S STATEMENT

For the year ended 31 March 2001, the Company and its subsidiaries (hereinafter collectively referred to as the "Group") recorded a loss of approximately HK\$78 million, compared to a loss of approximately HK\$111 million for the last year. The decrease in loss was mainly attributable to the improvement of results of G. Sushi operation and the decrease in written off and impairment loss on property, plant and equipment.

The turnover of the Group slightly decreased by 9% to approximately HK\$252 million as compared with approximately HK\$278 million for the previous year as some unprofitable shops were closed down during the year.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2001.

REVIEW OF OPERATIONS

G. Sushi

G. Sushi, a sushi bar restaurant chain, managed to reduce operating loss by 37% for this financial year. To minimize loss, six unprofitable shops were closed during the year. The chain now operates 15 shops at suitable locations. During the year, the management initiated various measures to rebuild the image of "G. Sushi" so as to boost the turnover of operation, implemented tight cost control and introduced more varieties of food items. To further enhance the image of G. Sushi and brand awareness, the management also launched some proactive marketing campaigns and successful joint promotion with famous business partners such as Bank of China, First Pacific Bank, Pacific Century Cable & Wireless and Park'n Shop.

Sho-Genryoku Sushi

Sho-Genryoku Sushi, the take-away sushi chain outlets of the Group was closed down in August 2000 because of the keen competition from retail supermarket chains and undesirable response from the market.

Gather Food Camp and Katsugyo Japanese Restaurant

Gather Food Camp, a Japanese buffet restaurant of the Group targeted at the mass market had opened two restaurants in Causeway Bay and Tsimshatsui in October 1999 and December 1999 respectively. In view of the low pedestrian flow of the Tsimshatsui restaurant and in anticipation that the business performance of this shop would not be substantially improved, the Group closed the Tsimshatsui restaurant in January 2001.

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To improve the profitability of Gather Food Camp Causeway Bay shop, the restaurant was partially transformed to a middle-class Japanese restaurant. About 40% of the floor area of the restaurant was utilized to set up Katsugyo Japanese Restaurant in December 2000. Although the new concept of the Japanese restaurant was well received by customers, the restaurant as a whole still recorded a substantial operating loss during the year.

Suishaya Japanese Restaurant

Suishaya Japanese Restaurant, a high-class Japanese restaurant operation, continued to make positive contribution to the Group. The high standard of food and service of this operation helped to retain a loyal customer base over years and the management expected that the profitability of this operation would continue to improve.

Fishermen's Wharf

In December 1999, Fishermen's Wharf Chinese Seafood Restaurant was re-located to the former Suishaya Japanese Restaurant Causeway Bay shop which offered the operation a larger premises. In view of the substantial loss recorded in the year under review, the management had proceeded to cut operating overhead and control food cost to minimize the loss.

Global Forever Green Taiwanese Restaurant

Global Forever Green Taiwanese Restaurant was closed down for a short period during the year for renovation to upgrade its operating condition. The temporary closure of the restaurant accompanied with the decrease in the spending power of the middle and high class customers resulted in an increase in operating loss for this operation.

REMUNERATION OF EMPLOYEES

As at 31 March 2001, the Group had 572 permanent employees and 124 part time employees and total staff costs for the year ended 31 March 2001 was approximately HK\$94.9 million. All permanent employees are under the remuneration policy of fixed monthly salary with discretionary bonus. Pursuant to the Company's share option scheme which was adopted by written resolutions of the shareholders of the Company passed on 27 August 1997, the Directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than 80% of the average of the closing prices of the shares on the Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the options or the nominal value of the shares, whichever is the higher.

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The maximum number of shares in respect of which options may be granted under the share option scheme shall not exceed 10% of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the scheme.

No option has been granted under the scheme since its adoption.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group currently funds its operations and capital expenditure mainly through cash from operations, net proceeds from rights issue ("Rights Issue") on 27 November 2000, bank borrowings and unsecured loan from a deemed substantial shareholder of the Company.

Save as disclosed above and normal trade creditors and accruals, the Group had no other borrowings as at 31 March 2001. The Board expect that, on a long-term basis, the Group's liquidity will be funded from its operations and, if necessary, additional equity financing or bank borrowing.

As at 31 March 2001, the Group had net current liabilities of approximately HK\$52.5 million. The current assets comprised bank balances and cash of approximately HK\$8.6 million (which is in Hong Kong dollars), trade debtors of approximately HK\$1.2 million, prepayments and deposits of approximately HK\$11 million and inventories of approximately HK\$7.8 million. The current liabilities mainly comprised trade creditors of approximately HK\$14 million, bills payable of approximately HK\$2.4 million, other creditors and accrued charges of approximately HK\$14.8 million, taxation payable of approximately HK\$0.1 million, bank borrowings of approximately HK\$13.3 million and the loan from a shareholder of approximately HK\$36.4 million.

As at the same date, the Group had non-current assets of approximately HK\$112.5 million and non-current liabilities of HK\$18.3 million, consisting of property, plant and equipment and bank borrowings respectively.

As at 31 March 2001, the Group had outstanding commitment under operating lease in the following year of approximately HK\$32.7 million. Save as disclosed above, the Group had no other material commitment, including capital commitment.

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On 27 November 2000, 595,245,200 new shares of HK\$0.10 each were issued by way of a Rights Issue on the basis of one rights share for every existing share then held at an issue price of HK\$0.128 per share. The net proceeds of the Rights Issue of approximately HK\$73,586,000 were used by the Group to repay bank loans, other borrowings and the loan from a shareholder and provide general working capital of the Group.

PROSPECTS

The management would impose tight control over the operating costs and prudently explore new business opportunities to suit consumers' ever-changing taste. With the gradual recovery of the economic conditions of Hong Kong, the management expected an improvement in the business environment for the food and beverage industry as well as the performance of the Group in the coming future. The Group will consider cautious expansion of the G. Sushi operation in the coming future with a view to improving the performance of the business.

APPRECIATION

On behalf of the Board, we would like to express our heartfelt thanks to Mr. Law Ka Ming, Michael who has resigned as a director of the Company for his valuable contribution to the Group's development. We would express sincere thanks and gratitude to all our shareholders and business associates for their encouragement, support and assistance. We would also like to take this opportunity to express our sincere thanks and gratitude to all the employees of the Group who have worked hard to provide excellent service and contribution to the Group.

Chan Kong Sang, Jackie
Chairman

Hong Kong, 13 July 2001