

OUTLOOK

Looking ahead, the directors are still conservative towards the pace of recovery of the local retail market. Apart from enhancing the décor and image of the fast food outlets, the Group will pursue a policy to reduce operating costs and overheads for central management. With savings on costs and higher labour efficiency, customers can be assured of higher quality and value of food.

Consistent with and as part of such policy, the Group had outsourced its logistics functions since November 2001. It is expected that this will not only reduce the Group's costs and expenses but also enhance work efficiency. It is believed that the decision to outsource the logistics functions will benefit the Group, the results of which will be reflected in the second half of the current financial year.

With the encouraging results of the Group's outlets in the PRC, the Group is confident of the future in the PRC market. The Group opened a new fast food outlet at a prime location in Shenzhen last month and will actively look for new institutional contracts to capture opportunities in the region.

Leveraging on the Group's experience in the local fast food industry, the Group will endeavour to improve food quality and performance in order to enhance the Group's competitiveness in the industry.

FINANCIAL RESOURCES AND GEARING RATIO

At 30 September 2001, the Group had a current ratio of approximately 1. The gearing of the Group was 15%, which was calculated based on the long term borrowings of HK\$40,908,000 and the shareholders' fund of HK\$267,119,000.

The Group generally finances its business with internally generated cash flows and banking facilities. The directors believe the Group has maintained sufficient working capital for its operation. The Group's cash deposits and bank balance is in either Hong Kong Dollars or Renminbi. The exposure to exchange fluctuation is minimal.

The Group enters into interest rate swaps to manage its interest rate risk. The Group does not hold or issue financial instruments for trading purposes. At 30 September 2001, the total notional principal amount of such swap was HK\$30,000,000. The Group does not have significant market risk with respect to interest rate movements.

EMPLOYEE AND REMUNERATION POLICIES

At 30 September 2001, total number of employees of the Group was approximately 2,400 in Hong Kong and 200 in the PRC. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. The Group continued to remain committed to its staff training and development programme.