

The launch of a re-branding campaign in November 2003 was a milestone in the Group's history. The modernized logo, symbolizing a casual, vivid and happy lifestyle, will be applied throughout the Group's fast food chain for a consistent corporate image. Fairwood is also the first Chinese fast food chain to implement a non-smoking policy at all its outlets and to introduce freshly-brewed premium coffee. Management is confident that the whole re-branding campaign will reposition the Fairwood brand, thus enhancing market competitiveness and appealing to modern and younger customers. A new flagship store with contemporary interior design in line with the new image has just been opened in Causeway Bay in November.

The Group will continue to improve quality, service and cleanliness. To boost sales and market awareness, a series of aggressive marketing plans and promotions will be launched in the next few months. The Group plans to open 6 fast food outlets at prime areas in Hong Kong within the next 12 months and to renovate existing stores over the next few months for more pleasant dining environment and delivery of a consistent brand message.

Since the start of the school year in September, the Group recorded satisfactory growth in the school catering business.

Across the border, the Group anticipates that the rising living standards and growing fast food culture in the Mainland will offer increasing opportunities for business. The Group will continue to monitor the market closely, and seek opportunities to further expand its fast food and institutional catering outlets in Guangdong province.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its business with internally generated cash flows and banking facilities. At 30 September 2003, the Group had cash balance of HK\$81,798,000 (31 March 2003: HK\$72,287,000) and total bank borrowings of HK\$52,953,000 (31 March 2003: HK\$57,046,000). The gearing of the Group was 18% (31 March 2003: 20%), which was calculated based on the long term borrowings over shareholders' fund. The Directors believe that the Group has maintained sufficient liquidity to finance its working capital and investment needs. The Group's cash deposits and bank balance is in either Hong Kong Dollars or Renminbi. The exposure to exchange fluctuation is minimal.

EMPLOYEE INFORMATION

At 30 September 2003, total number of employees of the Group was approximately 2,800 (31 March 2003: 2,600) in Hong Kong and 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.

The Company operates a share option scheme under which the Directors may, at their discretion, invite employees of the Company or its wholly-owned subsidiaries, including Directors, to take up options to subscribe for shares in the Company. The subscription price and the exercisable period is determined in accordance with prescribed formula and terms.