



Hong Kong Catering Management Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 668



Interim Report 2009/10

CORPORATE INFORMATION

Board of Directors

Executive directors

Mr. Lo Siu Yu, *Chairman*

Mr. Chen Yang, *Chief Executive Officer*

Mr. Zhang Jian Qiang

Independent non-executive directors

Mr. Chan Ying Kay

Ms. Kwong Ka Yin, Phyllis

Mr. Wang Jin Ling

Audit Committee

Mr. Chan Ying Kay,

Committee Chairman

Ms. Kwong Ka Yin, Phyllis

Mr. Wang Jin Ling

Remuneration Committee

Ms. Kwong Ka Yin, Phyllis,

Committee Chairman

Mr. Chan Ying Kay

Mr. Wang Jin Ling

Nomination Committee

Mr. Lo Siu Yu,

Committee Chairman

Mr. Chan Ying Kay

Ms. Kwong Ka Yin, Phyllis

Company Secretary

Ms. Wong Tsui Yue, Lucy

Authorized Representatives

Mr. Lo Siu Yu

Mr. Chen Yang

Registered Office

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Share Registrar

Computershare Hong Kong Investor Services Limited

46/F Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

Share Transfer Office

Computershare Hong Kong Investor Services Limited

Shops 1712-6, 17/F, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

Principal Bankers

Dah Sing Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Solicitor

Chiu & Partners Solicitors

Auditor

PricewaterhouseCoopers

Stock Code

668

Website

<http://www.hkcatering.com>

The board of directors (the "Board") of Hong Kong Catering Management Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2009 as follows:

CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 September 2009

		Unaudited Six months ended 30 September 2009	2008
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	4	104,860	173,513
Other income	5	1,196	2,258
Cost of inventories consumed		(31,564)	(51,485)
Staff costs		(40,340)	(66,262)
Operating lease rentals		(18,052)	(24,733)
Depreciation of property, plant and equipment		(1,676)	(5,430)
Net losses on financial assets	6	(2,882)	(4,157)
Other operating expenses		(18,779)	(43,093)
Operating loss	6	(7,237)	(19,389)
Share of profit of an associated company		828	1,103
Loss before income tax		(6,409)	(18,286)
Income tax expense	7	(420)	(191)
Loss for the period		(6,829)	(18,477)
Attributable to:			
Owners of the Company		(6,675)	(17,815)
Minority interests		(154)	(662)
		(6,829)	(18,477)
Basic and diluted losses per share attributable to owners of the Company	8	(1.9 cents)	(5.2 cents)
Dividends	9	179,618	3,454

The notes on pages 8 to 16 are an integral part of these condensed interim financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

	Unaudited Six months ended 30 September 2009 HK\$'000	2008 HK\$'000
Loss for the period	(6,829)	(18,477)
Other comprehensive income/(loss):		
Reversal of/(provision for) fair value loss of available-for-sale financial assets	3,185	(3,424)
Total comprehensive loss for the period	(3,644)	(21,901)
Total comprehensive loss attributable to:		
Owners of the Company	(3,490)	(21,239)
Minority interests	(154)	(662)
	(3,644)	(21,901)

The notes on pages 8 to 16 are an integral part of these condensed interim financial information.

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2009

	Note	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	73	28,555
Investment property	10	–	31,589
Leasehold land	10	–	22,873
Interest in an associated company		–	3,556
Available-for-sale financial assets	11		
– non-current portion		7,000	8,461
Rental deposits paid – non-current portion		4,403	10,195
Total non-current assets		11,476	105,229
Current assets			
Inventories		1,715	10,721
Trade receivables	12	555	761
Deposits, prepayments and other receivables		7,931	8,893
Financial assets at fair value	13		
through profit or loss		–	10,116
Rental deposits paid – current portion		6	4,836
Tax recoverable		–	114
Cash and cash equivalents		113,176	139,486
Total current assets		123,383	174,927
Assets included in the disposal group classified as held for sale	14	147,847	–
Total assets		282,706	280,156
LIABILITIES			
Current liabilities			
Trade payables	15	5,900	6,934
Other payables and accrued charges		8,701	34,386
Tax payable		41	–
Rental deposits received – current portion		–	3
Provision for long service payments			
– current portion		235	4,285
Total current liabilities		14,877	45,608

	Note	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
Non-current liabilities			
Rental deposits received – non-current portion		–	665
Provision for long service payments – non-current portion		2,649	3,325
Deferred income tax liabilities		–	390
Total non-current liabilities		2,649	4,380
Liabilities included in the disposal group classified as held for sale	14	41,756	–
Total liabilities		59,282	49,988
Total assets less current liabilities		267,829	234,548
Net current assets		108,506	129,319
Net assets		223,424	230,168
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	16	34,544	34,544
Reserves		8,815	195,556
Dividend reserve		180,151	–
		223,510	230,100
Minority interests		(86)	68
Total equity		223,424	230,168

The notes on pages 8 to 16 are an integral part of these condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 September 2009

	Unaudited Six months ended 30 September 2009 HK\$'000	2008 HK\$'000
Net cash used in operating activities	(3,860)	(25,251)
Net cash (used in)/generated from investing activities	(6,044)	10,322
Net cash generated from/(used in) financing activities	532	(13,818)
Net decrease in cash and cash equivalents	(9,372)	(28,747)
Cash and cash equivalents at 1 April	139,486	229,756
Cash and cash equivalents at 30 September	130,114	201,009
Less: cash and cash equivalents included in the disposal group classified as held for sale (<i>Note 14</i>)	(16,938)	–
	113,176	201,009

The notes on pages 8 to 16 are an integral part of these condensed interim financial information.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

	Unaudited							
	Attributable to owners of the Company							
	Share capital	Share premium	Investment revaluation reserve	Retained earnings	Dividend reserve	Total	Minority interests	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2008	34,544	142,700	4,087	140,339	13,818	335,488	4,790	340,278
Loss for the period	-	-	-	(17,815)	-	(17,815)	(662)	(18,477)
Other comprehensive loss:								
Fair value loss of available-for-sale financial assets	-	-	(3,424)	-	-	(3,424)	-	(3,424)
2007/08 final dividend paid	-	-	-	-	(13,818)	(13,818)	-	(13,818)
2008/09 interim dividend declared	-	-	-	(3,454)	3,454	-	-	-
At 30 September 2008	<u>34,544</u>	<u>142,700</u>	<u>663</u>	<u>119,070</u>	<u>3,454</u>	<u>300,431</u>	<u>4,128</u>	<u>304,559</u>
At 1 April 2009	34,544	142,700	(718)	53,574	-	230,100	68	230,168
Loss for the period	-	-	-	(6,675)	-	(6,675)	(154)	(6,829)
Other comprehensive loss:								
Reversal of fair value loss of available-for-sale financial assets included in the disposal group	-	-	3,185	-	-	3,185	-	3,185
Reversal of reserves of disposal group	-	-	(257)	(3,376)	-	(3,633)	-	(3,633)
Cancellation of share premium account	-	(142,700)	-	142,700	-	-	-	-
Reserve for unclaimed dividend	-	-	-	-	523	523	-	523
Write-back of unclaimed dividend	-	-	-	10	-	10	-	10
2009/10 special dividend declared	-	-	-	(179,628)	179,628	-	-	-
At 30 September 2009	<u>34,544</u>	<u>-</u>	<u>2,210</u>	<u>6,605</u>	<u>180,151</u>	<u>223,510</u>	<u>(86)</u>	<u>223,424</u>

The notes on pages 8 to 16 are an integral part of these condensed interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

The Company is a limited liability company incorporated in Hong Kong and is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Room 2110, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

The Group is engaged in the operation of restaurants.

This unaudited condensed consolidated interim financial information was approved for issue by the Board on 16 December 2009.

2. Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2009 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The unaudited condensed consolidated interim financial information should be read in conjunction with the 2008/09 annual report, which was prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. Accounting policies

Except for the classification of certain assets and liabilities directly associated with assets held for sale as disclosed in note 14 and the adoption of the new and amended HKFRS and HKAS, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2009.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2009.

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

The Group has elected to present two statements: an income statement and a statement of comprehensive income. This condensed consolidated information has been prepared under the revised disclosure requirements.

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. As there is only one major business segment, there is no impact on the Company's disclosure on segment reporting.

3. Accounting policies *(continued)*

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 April 2009, but are not currently relevant for the Group.

- HKAS 23 (revised), 'Borrowing costs'.
- HKAS 32 (amendment), 'Financial instruments: presentation'.
- HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
- HKFRS 2 (amendment), 'Share-based payment'.
- HKFRS 7 (amendment), 'Financial instruments: disclosures'.
- HK(IFRIC) 9 (amendment), 'Reassessment of embedded derivatives' and HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
- HK(IFRIC) 13, 'Customer loyalty programmes'.
- HK(IFRIC) 15, 'Agreements for the construction of real estate'.
- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2009 and have not been early adopted:

- Amendment to HKAS 1 'Presentation of financial statements'.
- Amendment to HKAS 7 'Statement of cash flows'.
- Amendment to HKAS 17 'Leases'.
- HKAS 39, 'Financial instruments: Recognition and measurement' on eligible hedged items.
- Amendment to HKFRS 2 'Share-based payments – Group cash-settled Share-based Payment Transactions'.
- HKFRS 3 (revised), 'Business combinations'.
- Amendment to HKFRS 5 'Non-current Assets held for sale and discontinued operations'.
- Amendment to HKFRS 8 'Operating segments'.
- HK(IFRIC) 17, 'Distributions of non-cash assets to owners'.
- HK(IFRIC) 18, 'Transfers of assets from customers'.

4. Revenue and segment information

Turnover and revenue comprises takings and service charges less discounts and credit card commission from the restaurant operation. The Group's principal activity is the operation of restaurants and has only one major business segment.

Since all the Group's assets, liabilities and capital expenditure are located and utilized in Hong Kong, no geographical segment information is provided.

5. Other income

	Unaudited	
	Six months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
Interest income	113	2,019
Rental income from other properties	10	158
Rental income from investment properties	994	–
Dividend income	79	81
	1,196	2,258

6. Operating loss

Operating loss is stated after charging/(crediting) the following:

	Unaudited	
	Six months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
Amortization of prepaid operating lease payments	100	315
Net losses on financial assets		
Financial assets at fair value through profit or loss		
– Listed equity securities	(584)	1,006
– Derivative financial instruments	386	1,406
– Financial assets designated as at fair value through profit or loss	(105)	1,745
	(303)	4,157
Available-for-sale financial assets	3,185	–
	2,882	4,157
Gain on disposal of other plant and equipment	(258)	(58)
(Reversal of)/provision for long service payments, included in staff costs	(931)	59
Retirement benefit costs – defined contribution schemes, included in staff costs	1,825	2,860

7. Income tax expense

	Unaudited Six months ended 30 September 2009 HK\$'000	2008 HK\$'000
Current income tax		
Hong Kong profits tax	299	175
Deferred income tax charge	121	16
	420	191

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the period.

8. Losses per share

The calculations of basic and diluted losses per share are based on the following:

	Unaudited Six months ended 30 September 2009 HK\$'000	2008 HK\$'000
Losses		
Loss attributable to owners of the Company	(6,675)	(17,815)
	2009	2008
Number of shares		
Weighted average number of ordinary shares in issue	345,438,550	345,438,550

No employee share options were outstanding at 30 September 2009 and 2008 and have no dilutive effect on basic losses per share.

9. Dividends

	Unaudited Six months ended 30 September 2009 HK\$'000	2008 HK\$'000
Write-back of unclaimed dividend to retained earnings	(10)	–
Special dividend, approved on 17 August 2009, of HK52 cents (2008: HK1.0 cent) per ordinary share	179,628	3,454
	179,618	3,454

All dividends declared but unclaimed are written back to dividend reserve and are transferred back to retained earnings if they remained unclaimed for over 6 years.

10. Capital expenditure

	Property, plant and equipment	Unaudited	
	HK\$'000	Investment property	Leasehold land
		HK\$'000	HK\$'000
Six months ended 30 September 2008			
Opening net book value, at 1 April 2008	59,473	–	24,650
Additions	3,947	–	–
Depreciation and amortization	(5,430)	–	(315)
	<u>57,990</u>	<u>–</u>	<u>24,335</u>
Closing net book value, at 30 September 2008	<u>57,990</u>	<u>–</u>	<u>24,335</u>
Six months ended 30 September 2009			
Opening net book value, at 1 April 2009	28,555	31,589	22,873
Additions	7,517	–	–
Disposals	(52)	–	–
Depreciation and amortization	(1,676)	–	(100)
	<u>34,344</u>	<u>31,589</u>	<u>22,773</u>
Closing net book value, at 30 September 2009	34,344	31,589	22,773
Less: assets classified as held for sale (Note 14)	(34,271)	(31,589)	(22,773)
	<u>73</u>	<u>–</u>	<u>–</u>

11. Available-for-sales financial assets

All available-for-sale financial assets are unlisted debt securities. The fair value of unlisted securities is determined by reference to published price quotations in an open market.

12. Trade receivables

The ageing analysis of the trade receivables is as follows:

	Unaudited 30 September 2009	Audited 31 March 2009
	HK\$'000	HK\$'000
Current to 30 days	551	759
31 to 60 days	2	2
Over 60 days	2	–
	<u>555</u>	<u>761</u>

The Group's sales are mainly conducted in cash or by credit cards. The Group's trade receivables are either repayable within one month or on demand and denominated in HK\$. The fair value of the Group's trade receivables is approximately the same as the carrying value. The trade receivables included in the above ageing are considered not impaired as they are aged within the credit period granted and there is no recent history of default.

13. Financial assets at fair value through profit or loss

	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
Listed equity securities, Hong Kong	1,516	2,052
Derivative financial instruments	–	386
Financial assets designated as at fair value through profit or loss	7,513	7,678
	9,029	10,116
Less: assets classified as held for sale (<i>Note 14</i>)	(9,029)	–
	–	10,116

The fair values of all financial assets at fair value through profit or loss are based on their current bid prices in an open market.

14. Assets and liabilities included in disposal group classified as held for sale

On 29 April 2009, the Company entered into an agreement to dispose of its entire equity interest in certain subsidiaries of the Group (the "Advance Caterers Group") to Big League Holdings Limited ("BLH"), a trust company established by Mr. Chan Wai Cheung, Glenn, the ex-chairman of the Company at a consideration of HK\$114 million (the "Disposal"). The Advance Caterers Group is mainly engaged in (i) the operation and management of boutique eateries which provide Asian fusion, Western and Japanese cuisines; and (ii) holding a shop premises for its restaurant business, industrial premises for its logistic center, residential premises for self-use as well as an office premises for leasing to an independent third party for rental purpose. The assets and liabilities related to the Advance Caterers Group are presented as held for sale as at 30 September 2009. The Disposal was a major connected transaction as defined in the Listing Rules and it had been approved by independent shareholders at the extraordinary general meeting held on 17 August 2009. The Disposal was subsequently completed on 7 October 2009.

The assets and liabilities directly associated with the Advance Caterers Group are reclassified as held for sale in accordance with HKFRS 5 "Non current assets held for sale and discontinued operations".

- 14. Assets and liabilities included in disposal group classified as held for sale** (continued)
The major classes of assets and liabilities classified as held for sale at 30 September 2009 are as follows:

	Unaudited 30 September 2009 HK\$'000
Assets included in the disposal group classified as held for sale:	
Property, plant and equipment	34,271
Investment property	31,589
Leasehold land	22,773
Interest in an associated company	8,500
Available-for-sale financial assets	1,461
Rental deposits paid	7,363
Inventories	8,104
Trade receivables	194
Deposits, prepayments and other receivables	7,601
Financial assets at fair value through profit or loss	9,029
Tax recoverable	24
Cash and cash equivalents	16,938
	147,847
Liabilities included in the disposal group classified as held for sale:	
Trade payables	15,012
Other payables and accrued charges	22,680
Tax payable	168
Rental deposits received	658
Provision for long service payments	2,727
Deferred income tax liabilities	511
	41,756
Net assets of the disposal group	106,091

- 15. Trade payables**
The ageing analysis of the trade payables is as follows:

	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
Current to 30 days	5,721	5,779
31 to 60 days	19	652
Over 60 days	160	503
	5,900	6,934

The Group's trade payables are denominated in HK\$.

16. Share capital

	Amount HK\$'000
At 1 April 2009 and 30 September 2009	
Authorized:	
400,000,000 ordinary shares of HK\$0.10 each	40,000
Issued and fully paid:	
345,438,550 ordinary shares of HK\$0.10 each	34,544

17. Commitments**(a) Capital commitments**

Capital expenditure commitments for property, plant and equipment at the balance sheet date but not yet incurred are as follows:

	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
Approved but not contracted for	–	463

(b) Operating lease commitments

At 30 September 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases of the following amounts, after excluding those commitments in relation to the Advance Caterers Group disposed on 7 October 2009:

	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
Within one year	10,103	37,721
After one year and within five years	3,775	74,966
Over five years	–	11,125
	13,878	123,812

The actual payments in respect of certain operating leases are calculated at the higher of the minimum commitments as noted above and the amounts determined based on a percentage of the sales of the related outlets.

17. Commitments (continued)**(c) Future operating lease arrangements**

At 30 September 2009, the Group had future minimum lease receipts under non-cancellable operating leases of the following amounts, after excluding those arrangements in relation to Advance Caterers Group disposed on 7 October 2009.

	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
Within one year	–	1,990
After one year and within five years	–	5,796
	–	7,786

18. Related-party transactions

The Disposal as disclosed in note 14 above was a major connected transaction as defined in the Listing Rules and was approved by independent shareholders at the extraordinary general meeting (the "EGM") held on 17 August 2009.

On the same day of the Disposal, the then controlling shareholder of the Company, Well-Positioned Corporation ("Well-Positioned") (as vendor), also entered into an agreement with an independent third party, Money Success Limited ("Money Success") (as purchaser) and Mr. Chan Wai Cheung, Glenn (as Well-Positioned's guarantor) to sell 219,314,089 shares in the Company representing approximately 63.49% of its issued share capital to Money Success at HK\$0.388 per ordinary share ("Share Purchase"). According to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"), Money Success would be required to make an unconditional mandatory general cash offer to all the remaining shareholders for their shares in the Company at an offer price of HK\$0.388 per ordinary share (the "Offer") upon completion of the Disposal.

The Disposal and Share Purchase was inter-conditional to each other.

19. Events after the balance sheet date

On 7 October 2009, the Company completed the Disposal and received the cash consideration of HK\$114 million in full.

On the same day, completion of the Share Purchase also took place. Well-Positioned disposed the 219,314,089 shares, representing approximately its 63.49% interest in the issued share capital of the Company at HK\$0.388 per share to Money Success. Money Success announced its cash offer to acquire all the issued shares other than those shares already owned by Money Success and party acting in concert with it. The composite offer document was despatched to shareholders on 14 October 2009 and the Offer was closed on 4 November 2009. Valid acceptances for 5,140,929 offer shares were received and Money Success increased its holding to 224,455,018 shares, representing approximately 64.98% of the issued share capital of the Company.

Court approval to cancel the share premium account of HK\$142.7 million was received and became effective on 23 September 2009. Following the completion of the Disposal and the Share Purchase on 7 October 2009, a special dividend of HK52 cents per ordinary share was paid to the shareholders on 20 October 2009. The special dividend was paid in cash out of the Company's reserves as partly contributed by the net proceeds from the completion of the Disposal.

RESULTS

The revenue of the Group decreased by approximately 39.5% to HK\$104.9 million (2008: HK\$173.5 million) while loss attributable to shareholders of the Company decreased by approximately HK\$11.1 million to HK\$6.7 million (2008: HK\$17.8 million).

INTERIM DIVIDEND

In the EGM held on 17 August 2009, shareholders approved the payment of the special dividend of HK52 cents per ordinary share subject to (i) cancellation of the share premium account of HK\$142.7 million becoming effective; and (ii) completion of the Disposal. As the two conditions were fulfilled respectively on 23 September 2009 and 7 October 2009, the special dividend was paid to the shareholders on 20 October 2009. The Board does not recommend the payment of any interim dividend (2008: HK1.0 cent) for the period ended 30 September 2009.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

Business review

Following the closure of our last mega-sized Chinese restaurant in Lok Fu Shopping Centre in February 2009 for its renovation, the Group closed one EC Eatery and two remaining shops in Citygate in April 2009 as pedestrian traffic had failed to improve despite marketing efforts. The landlord of Lee Garden early terminated the lease forcing us to close the two shops there in July 2009. The impact of the financial tsunami still persisted in this period and our same-shop sales recorded a drop from last year. The number of shops was reduced from 19 as at 31 March 2009 to 14 as at 30 September 2009. As a result, the turnover for the first half-year shrank by 39.5% from HK\$173.5 million to HK\$104.9 million. Our gross profit eroded a bit and dropped from 70.3% to 69.9%.

As we reduced the scale of our operation, various operating expenses decreased correspondingly. The associated company running a Japanese restaurant contributed HK\$0.8 million profit to the consolidated results and it was approximately 24.9% lower than corresponding period in last year. The loss attributable to shareholders of the Company was HK\$6.7 million as compared to a loss of HK\$17.8 million for the same period last year.

The Company announced on 6 May 2009 that the Company would dispose to BLH certain loss-making boutique eateries and specialty restaurants from the Group at their net asset value together with all properties and certain financial investments at their market value as of 31 March 2009. Total consideration for the Disposal was HK\$114 million. The Disposal would enable the Group to realize its investment in the Advance Caterers Group at a fair price. The Disposal was approved by independent shareholders and completed on 7 October 2009. The net proceeds of the Disposal was distributed to the shareholders by way of a special dividend on 20 October 2009. After completion of the Disposal, the Company realized a gain of approximately HK\$3 million after deducting related professional costs and fees. The Group will continue to operate Eighteen Brook Cantonese Cuisine and Imperial Kitchen. As stated in the composite offer document dated 14 October 2009, pursuant to a shareholder agreement (the "Shareholder Agreement") for the joint venture company (the "JV Company") which is operating Shanghai Lu Yang Cun Restaurant, the joint venture partner (the "JV Partner") has a right to acquire the Company's interest in the JV Company when there is a change in control of the Company. Subsequently on 8 December 2009, the JV Partner issued to the Company a written notice to exercise such right. The Company will initiate the relevant procedures for the sale of the Company's interest in the JV Company to the JV Partner (the "Proposed Disposal") pursuant to the Shareholder Agreement. If the Proposed Disposal will constitute a disclosable transaction for the Company, the Company will comply with the applicable rules under Chapter 14 and/or 14A of the Listing Rules as and when required.

Because of the Share Purchase, pursuant to the terms of the agreement for the Share Purchase, following its completion, the existing bank facilities granted by our bankers in relation to some guarantees and securities were all terminated.

Money Success also appointed new members of the Board of Directors (the “New Board”) with Mr. Lo Siu Yu, Mr. Chen Yang and Mr. Zhang Jian Qiang as new executive directors and Mr. Chan Ying Kay, Ms. Kwong Ka Yin, Phyllis and Mr. Wang Jin Ling as new independent non-executive directors with effect from 15 October 2009. The New Board co-existed with all old directors (who were appointed before 15 October 2009) (the “Old Directors”) from 15 October 2009 up to the Offer Closing Date, which is the earliest time permitted under the Takeovers Code for the Old Directors to resign. Upon closure of the Offer on 4 November 2009, all members of the Old Directors resigned from the board and board committees. And Mr. Chan Wai Cheung, Glenn also resigned as chairman of the Board and Mr. Chan Ka Lai, Joseph resigned as managing director. However, on 7 October 2009, Mr. Chan Ka Lai, Joseph, the former executive director of the Company, and Ms. Wong Tsui Yue, Lucy, the former executive director and present company secretary of the Company, were both appointed as the director of two wholly owned subsidiaries of the Company – Tin Fook Caterers Limited and Banqueting Caterers Limited, and they were appointed for managing and operating of the restaurants of the Eighteen Brook Cantonese Cuisine and Imperial Kitchen, the control of which are owning by these two subsidiaries. And therefore, the management’s ability and experience in operating the Group’s restaurants remain the same as before.

Prospect

The board of directors (the “Board”), after having serious discussions, believes that the current difficult operating environment for the catering industry will continue to last, and its rapid development is mainly hindered by rising rents and salaries. Although it is widely believed that the economy is gradually stabilizing and slowly recovering, under the uncertain global and local economic prospects, the increase in consumer confidence level obviously falls behind the recovery of the overall economy. Relying on its existing management team of the restaurant business, the Group is committed to maintain and improve its restaurant business; meanwhile, the Board is seeking opportunities to develop into other business fields with comparatively huge development potential and broader markets. Among the global markets, the emerging economies, particularly Mainland China, have showed a strong and stable recovery. To uphold the mission of maintaining sustainable development of the Group and to maximise the long-term returns for shareholders, together with the Company’s management team’s extensive experience in Mainland China and abundant resources, the Board will work hard on discussing the Group’s other suitable business development opportunities in the PRC.

Liquidity and capital resources

At 30 September 2009, the Group had freely-held cash of about HK\$113.2 million (31 March 2009: HK\$139.5 million) with zero gearing. After obtaining independent shareholders approval on the connected Disposal and the special dividend in the EGM held on 17 August 2009, the Company was committed to dispose of its interest in Advance Caterers Group at a total consideration of HK\$114 million. The completion of the Disposal took place on 7 October 2009 and the special dividend totaled HK\$179.6 million was paid on 20 October 2009. There was no capital commitments approved as at 30 September 2009.

Employees and remuneration policies

At 30 September 2009, the Group had a total of 570 (31 March 2009: 625) full time employees. Employees' remuneration package was determined with reference to prevailing market practices and individual performance. Remuneration package includes basic salaries, sales incentives (which are only payable to some operational staff), medical and retirement benefit schemes. Discretionary bonus may be granted to eligible employees based on the performance of the Group and individual employees. During the period, no share option was granted under the Company's share option scheme. The Company also provides trainings to improve staff development to assure opportunity for individual growth of employees.

Pledge of assets

No assets were pledged throughout the period.

Exposure to fluctuations in exchange rates and related hedges

The Group conducted its business transactions in Hong Kong dollars and there were no financial instruments held for hedging purposes.

Contingent liabilities

The Group had no significant contingent liabilities at 30 September 2009.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its shares during the period and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

At 30 September 2009, the following directors and chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange:

Name of director	Number of ordinary shares held			Total number of shares interested or deemed to be interested (long position)	Percentage of shareholding in the Company %
	Personal interest (Note a)	Family interest	Trust interest		
Chan Wai Cheung, Glenn	-	-	219,314,089 (Note b)	219,314,089	63.49
Chan King Catherine	-	219,314,089 (Note b)	-	219,314,089	63.49
Chan Ka Lai, Joseph	4,451,096	6,000 (Note c)	219,314,089 (Note d)	223,771,185	64.78
Chan Ka Shun, Raymond	650,000	-	219,314,089 (Note d)	219,964,089	63.68

Notes:

- These shares are held by the directors as beneficial owners.
- These shares are directly held by Well-Positioned, a company beneficially owned by a trust established for the benefit of the family members of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine. Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine are interested in these shares in the capacity of the founder of the trust and the spouse of founder respectively.
- These shares are held by the spouse of Mr. Chan Ka Lai, Joseph who is deemed to be interested in these shares.
- Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond, being the eligible beneficiaries of the family trust established by Mr. Chan Wai Cheung, Glenn, are also deemed to be interested in these shares held by Well-Positioned.

Under the Share Purchase, Well-Positioned conditionally agreed to sell 219,314,089 shares in the Company to Money Success and the transaction was completed on 7 October 2009. Pursuant to Rule 26.1 of the Takeovers Code, Money Success had to make an unconditional mandatory general cash offer to acquire all the issued shares of the Company other than those already owned by it and its concert parties. Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond had undertaken under the Share Purchase to accept the Offer and dispose shares in the Company by the offer closing date on 4 November 2009.

Save as disclosed above, at 30 September 2009, none of the directors or chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2009, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the directors or chief executives of the Company, the following persons, other than directors or chief executives of the Company, had an interest or short position in the shares or underlying shares which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

Name of substantial shareholder	Capacity	Number of ordinary shares held	Percentage of shareholding in the Company %
Well-Positioned (<i>Note</i>)	Beneficial owner	219,314,089	63.49

Note:

Well-Positioned is a wholly owned subsidiary held by a trust established by Mr. Chan Wai Cheung, Glenn for the benefit of the family members of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine.

As disclosed in "Directors and chief executives' interests and short positions in shares, underlying shares and debentures of the Company and any associated corporation", Well-Positioned conditionally agreed to sell 219,314,089 shares in the Company to Money Success and the Share Purchase was completed by Money Success on 7 October 2009.

Save as disclosed above, at 30 September 2009, the directors and the chief executives of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares which would require to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and believes that they are essential to the development of the Group and safeguard the interests of shareholders.

Throughout the six months period ended 30 September 2009, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except for the code provision A.4.1. The independent non-executive directors ("INEDs") are not appointed with specific term as required by code provision A.4.1, but their appointments are determinable by either party with at least one month written notice in advance. The Board considers the one-month notice period for termination of INEDs' contracts provided adequate protection to either party and would not impose undue pressure of possible compensation liable by the Group for the termination. Besides, INEDs are also subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

On 4 November 2009 (the date that the Offer was closed), in order to strictly comply with the recommendation of the Listing Rules and for the best corporate governance practices, the nomination committee had been established in which the independent non-executive directors are the majority. On the other hand, the newly appointed independent non-executive directors replace those resigned on the closing date of Offer, and the composition of audit committee and remuneration committee had also been changed accordingly. These two committee consist of INEDs only. The detailed information is stated in our announcement dated 4 November 2009. All the new INEDs appointed on 15 October 2009 were appointed for a 2 year terms.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the directors. Having made specific enquiry of the directors, the Company confirmed that they all have complied with the required standard as set out in the Model Code during the period ended 30 September 2009.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the period ended 30 September 2009 and has also discussed the internal control, the accounting principles and practices adopted by the Group.

On behalf of the Board
Mr. Lo Siu Yu
Chairman

Hong Kong, 16 December 2009