



G-Vision International (Holdings) Limited
環科國際集團有限公司

Stock Code : 657

2010/11 中期報告

Interim Report

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Cheng Hop Fai
(Chairman and Managing Director)
Cheng Kwok Kwan Yuk
Cheng Pak Ming, Judy
Cheng Pak Man, Anita
Zhang Yunkun

Non-executive Directors

Dong Demao
Mao Jingwen

Independent Non-executive Directors

Kan Lai Kuen, Alice
Law Toe Ming
Mark Yiu Tong, William

COMPANY SECRETARY

Cheng Pak Ming, Judy

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Fubon Bank (Hong Kong) Limited

AUDITORS

Deloitte Touche Tohmatsu

HONG KONG LEGAL ADVISERS

Jones Day

BERMUDA LEGAL ADVISERS

Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL OFFICE

Units 101-108, 1st Floor
East Ocean Centre
98 Granville Road
Tsimshatsui East
Kowloon
Hong Kong

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group
(Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

BRANCH REGISTRAR

Computershare Hong Kong
Investor Services Limited
46th Floor
Hopewell Centre
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CORPORATE WEBSITE

www.g-vision.com.hk

G-VISION INTERNATIONAL (HOLDINGS) LIMITED

The Board of Directors of G-Vision International (Holdings) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2010. The interim results have been reviewed by Deloitte Touche Tohmatsu and the Company’s Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Notes	1.4.2010 to 30.9.2010 HK\$'000 (unaudited)	1.4.2009 to 30.9.2009 HK\$'000 (unaudited)
Turnover	3	33,683	33,315
Other income		2,103	880
Change in fair value of investment properties		300	2,760
Cost of inventories consumed		(12,473)	(12,115)
Staff costs		(16,591)	(13,614)
Operating lease rentals		(6,293)	(7,491)
Depreciation		(605)	–
Other operating expenses		(7,926)	(7,337)
Finance costs		–	(188)
Loss for the period	4	<u>(7,802)</u>	<u>(3,790)</u>
Other comprehensive income:			
Change in fair value of available-for-sale investments		86	–
Exchange differences arising from translation of foreign operations		40	–
		<u>126</u>	<u>–</u>
Total comprehensive expense for the period		<u><u>(7,676)</u></u>	<u><u>(3,790)</u></u>
(Loss) profit for the period attributable to:			
Owners of the Company		(7,904)	(4,753)
Non-controlling interests		102	963
		<u>(7,802)</u>	<u>(3,790)</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(7,778)	(4,753)
Non-controlling interests		102	963
		<u>(7,676)</u>	<u>(3,790)</u>
Loss per share			
Basic	6	<u>(HK0.41 cent)</u>	<u>(HK0.64 cent)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 September 2010

	Notes	30.9.2010 HK\$'000 (unaudited)	31.3.2010 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	7	12,547	–
Investment properties	8	50,000	49,700
Available-for-sale investments	9	4,755	–
Property rental deposits		4,269	3,609
Deposits paid for acquisition of property, plant and equipment		–	3,191
		<u>71,571</u>	<u>56,500</u>
Current assets			
Inventories		1,434	1,257
Trade and other receivables	10	1,110	1,228
Pledged bank deposits		1,002	1,002
Bank balances and cash		95,348	114,005
		<u>98,894</u>	<u>117,492</u>
Current liabilities			
Trade and other payables	11	9,145	7,724
Amounts due to a director	12	–	241
Amounts due to minority shareholders		315	312
		<u>9,460</u>	<u>8,277</u>
Net current assets		<u>89,434</u>	<u>109,215</u>
Net assets		<u>161,005</u>	<u>165,715</u>
Capital and reserves			
Share capital	13	193,941	193,941
Reserves		(50,095)	(45,283)
Equity attributable to owners of the Company		<u>143,846</u>	<u>148,658</u>
Non-controlling interests		<u>17,159</u>	<u>17,057</u>
Total equity		<u>161,005</u>	<u>165,715</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2010

	Attributable to owners of the Company							Non-controlling interests	Total	
	Share capital	Share premium	Capital reserve	Investment revaluation reserve	Share options reserve	Translation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2009(audited)	48,485	90,676	84,123	-	1,764	(1,748)	(206,776)	16,524	15,760	32,284
(Loss) profit and total comprehensive (expense) income for the year	-	-	-	-	-	-	(11,569)	(11,569)	1,297	(10,272)
Recognition of equity-settled share-based payments	-	-	-	-	1,431	-	-	1,431	-	1,431
Open offer of share	145,456	-	-	-	-	-	-	145,456	-	145,456
Transaction costs attributable to issue of offer shares	-	(3,184)	-	-	-	-	-	(3,184)	-	(3,184)
At 31 March 2010 and 1 April 2010 (audited)	193,941	87,492	84,123	-	3,195	(1,748)	(218,345)	148,658	17,057	165,715
(Loss) profit for the period	-	-	-	-	-	-	(7,904)	(7,904)	102	(7,802)
Change in fair value of available-for-sale investments	-	-	-	86	-	-	-	86	-	86
Exchange differences arising from translation of foreign operations	-	-	-	-	-	40	-	40	-	40
Total comprehensive income (expense) for the period	-	-	-	86	-	40	(7,904)	(7,778)	102	(7,676)
Recognition of equity-settled share-based payments	-	-	-	-	2,966	-	-	2,966	-	2,966
At 30 September 2010 (unaudited)	193,941	87,492	84,123	86	6,161	(1,708)	(226,249)	143,846	17,159	161,005
At 1 April 2008 (audited)	48,485	90,676	84,123	-	1,764	(1,399)	(195,193)	28,456	17,126	45,582
Loss for the year	-	-	-	-	-	-	(11,583)	(11,583)	(1,366)	(12,949)
Exchange differences arising from translation of foreign operations	-	-	-	-	-	(349)	-	(349)	-	(349)
Total comprehensive expense for the year	-	-	-	-	-	(349)	(11,583)	(11,932)	(1,366)	(13,298)
At 31 March 2009 and 1 April 2009 (audited)	48,485	90,676	84,123	-	1,764	(1,748)	(206,776)	16,524	15,760	32,284
(Loss) profit and total comprehensive (expense) income for the period	-	-	-	-	-	-	(4,753)	(4,753)	963	(3,790)
At 30 September 2009 (unaudited)	48,485	90,676	84,123	-	1,764	(1,748)	(211,529)	11,771	16,723	28,494

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2010*

	1.4.2010	1.4.2009
	to	to
	30.9.2010	30.9.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(4,334)	(6,357)
Net cash (used in) generated from investing activities		
Purchase of property, plant and equipment	(9,961)	–
Purchase of available-for-sale investments	(4,669)	–
Other investing cash flows	307	31
	(14,323)	31
Net decrease in cash and cash equivalents	(18,657)	(6,326)
Cash and cash equivalents at beginning of the period	114,005	15,813
Cash and cash equivalents at end of the period	95,348	9,487

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31 March 2010 except for the application of the following accounting policy for available-for-sale financial assets and a number of new and revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as stated below.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For an impairment of available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

HKFRS 3 (Revised 2008) “Business Combinations” and HKAS 27 (Revised) “Consolidated and Separate Financial Statements”

The Group applies HKFRS 3 (Revised 2008) “Business Combinations” prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) “Consolidated and Separate Financial Statements” in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised 2008) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised 2008), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

HKFRS 3 (Revised 2008) “Business Combinations” and HKAS 27 (Revised) “Consolidated and Separate Financial Statements” *(continued)*

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised 2008), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related party disclosures ³
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters ²
HKFRS 7 (Amendment)	Disclosures – transfer of financial assets ⁴
HKFRS 9	Financial instruments ⁵
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement ³
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 July 2010.

³ Effective for annual periods beginning on or after 1 January 2011.

⁴ Effective for annual periods beginning on or after 1 July 2011.

⁵ Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 April 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

G-VISION INTERNATIONAL (HOLDINGS) LIMITED

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and result by operating segment for the period under review:

	Restaurant operations HK\$'000	Property investment HK\$'000	Other HK\$'000	Total HK\$'000
Six months ended 30 September 2010				
TURNOVER				
External	<u>33,607</u>	<u>–</u>	<u>76</u>	<u>33,683</u>
SEGMENT RESULT	<u>(5,220)</u>	<u>291</u>	<u>(51)</u>	<u>(4,980)</u>
Unallocated corporate expenses				(3,126)
Interest income				<u>304</u>
Loss for the period				<u><u>(7,802)</u></u>

	Restaurant operations HK\$'000	Property investment HK\$'000	Other HK\$'000	Total HK\$'000
Six months ended 30 September 2009				
TURNOVER				
External	<u>33,289</u>	<u>–</u>	<u>26</u>	<u>33,315</u>
SEGMENT RESULT	<u>(6,631)</u>	<u>2,747</u>	<u>302</u>	<u>(3,582)</u>
Unallocated corporate expenses				(42)
Interest income				22
Finance costs				<u>(188)</u>
Loss for the period				<u><u>(3,790)</u></u>

Segment result represents the profit (loss) earned by each segment without allocation of corporate expenses, share-based payments, interest income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. LOSS FOR THE PERIOD

	1.4.2010 to 30.9.2010 HK\$'000	1.4.2009 to 30.9.2009 HK\$'000
Loss for the period has been arrived at after (crediting) charging:		
Depreciation	605	–
Interest income	<u>(304)</u>	<u>(22)</u>

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Company and its subsidiaries either did not have assessable profit for the period or have the assessable profit been wholly absorbed by tax losses brought forward.

6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the period of HK\$7,904,000 (six months ended 30 September 2009: HK\$4,753,000) and on the weighted average number of ordinary shares of 1,939,414,108 shares (six months ended 30 September 2009: 739,776,515 shares) in issue during the period.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for six months ended 30 September 2009 has been adjusted to reflect the open offer of shares completed in October 2009.

No diluted loss per share is presented for both periods because the assumed exercise of the Company's share options would result in a decrease in loss per share.

7. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK\$13,152,000 mainly on the leasehold improvement for restaurant operations (six months ended 30 September 2009: nil).

8. INVESTMENT PROPERTIES

The fair value of the Group's investment properties was determined based on valuation carried out at 30 September 2010 by professional valuers. An increase in fair value of HK\$300,000 was recognised on the Group's investment properties for the six months ended 30 September 2010 (six months ended 30 September 2009: HK\$2,760,000).

The investment properties were vacant during the current period.

9. AVAILABLE-FOR-SALE INVESTMENTS

	30.9.2010 <i>HK\$'000</i>	31.3.2010 <i>HK\$'000</i>
Equity securities listed in Hong Kong	<u>4,755</u>	<u>–</u>

10. TRADE AND OTHER RECEIVABLES

Most of the restaurant customers settle in cash and credit cards. The Group allows an average credit period of 60 days to other trade customers.

The following is an aged analysis of trade receivables at the end of the reporting period:

	30.9.2010 <i>HK\$'000</i>	31.3.2010 <i>HK\$'000</i>
0 – 60 days	850	790
More than 60 days	<u>3</u>	<u>1</u>
	<u>853</u>	<u>791</u>

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the end of the reporting period:

	30.9.2010 <i>HK\$'000</i>	31.3.2010 <i>HK\$'000</i>
0 – 60 days	2,946	1,938
More than 60 days	116	1,039
	<hr/> 3,062 <hr/>	<hr/> 2,977 <hr/>

12. AMOUNT DUE TO DIRECTOR

The amount was unsecured, interest free and repaid during the current period.

13. SHARE CAPITAL

	Number of shares		Share capital	
	30.9.2010	31.3.2010	30.9.2010 <i>HK\$'000</i>	31.3.2010 <i>HK\$'000</i>
Ordinary shares of HK\$0.100 each				
Authorised:				
At end of period/year	5,000,000,000	5,000,000,000	500,000	500,000
Issued and fully paid:				
At beginning of period/year	1,939,414,108	484,853,527	193,941	48,485
Issued on open offer of shares at a price of HK\$0.100 per offer share (note)	–	1,454,560,581	–	145,456
At end of period/year	1,939,414,108	1,939,414,108	193,941	193,941

Note: 1,454,560,581 offer shares of HK\$0.100 each were allotted in October 2009 at a subscription price of HK\$0.100 per offer share to the shareholders of the Company in the proportion of three offer shares for every one share held (the “Open Offer”). All offer shares rank pari passu with the then existing shares in issue in all respects.

14. SHARE OPTION SCHEMES

The Company adopted a share option scheme on 22 August 2002 (the “2002 Scheme”). The Company by shareholders’ resolutions passed at the special general meeting held on 10 May 2010 has adopted a new share option scheme (the “Current Scheme”, and, together with the 2002 Scheme, the “Schemes”) and terminated the 2002 Scheme. No further share options may be offered under the 2002 Scheme. However, any outstanding share options granted under the 2002 Scheme shall continue to be exercisable subject to the rules of the 2002 Scheme and the provisions of Chapter 17 of the Listing Rules. The Current Scheme shall be valid and effective until 8 May 2020.

Details of movements in the share options granted under the 2002 Scheme and the Current Scheme during the current period are set out below:

	Outstanding at 1.4.2010	Granted during the period	Exercised during the period	Lapsed during the period	Expired during the period	Outstanding at 30.9.2010
2002 Scheme	48,416,285	–	–	–	–	48,416,285
Current Scheme	–	40,000,000	–	–	–	40,000,000
	<u>48,416,285</u>	<u>40,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>88,416,285</u>

The share options granted under the Current Scheme during the period will be vested on 19 May 2011.

The estimated fair value of the options granted on 19 May 2010 is HK\$0.2004 per share. The fair value was calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

Grant date share price	HK\$0.420
Exercise price	HK\$0.420
Expected volatility	75.536%
Expected life	4 years
Risk-free rate	1.277%
Expected dividend yield	0%

The closing price of the Company’s shares immediately before the date of grant was HK\$0.425 per share.

Expected volatility was determined with reference to published historical volatility of the Company’s share price. The expected life used in the model is based on management’s best estimate of the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group recognised total expense of HK\$2,966,000 for the six months ended 30 September 2010 (six months ended 30 September 2009: nil) in relation to share options granted by the Company.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors’ best estimate. The value of an option varies with different variables of certain subjective assumptions.

15. RELATED PARTY TRANSACTIONS

- (a) During the period, the Group leased certain premises for its restaurant operations from Homley Development Limited (“Homley”). Rentals charged by Homley during the period amounted to HK\$1,800,000 (six months ended 30 September 2009: HK\$1,800,000). At 30 September 2010, rental deposit paid to Homley amounted to HK\$900,000 (31 March 2010: HK\$900,000) and was included in property rental deposits. The monthly rental was determined by both parties with reference to market rent.

Certain directors who are also the key management personnel of the Company are beneficially interested in Homley.

- (b) During the period, the Group leased certain residential premises from Hover City Industrial Limited (“Hover City”). Rental charged by Hover City during the period amounted to HK\$408,000 (six months ended 30 September 2009: HK\$348,000). At 30 September 2010, rental deposit paid to Hover City amounted to HK\$136,000 (31 March 2010: HK\$136,000) and was included in property rental deposits. The monthly rental was determined by both parties with reference to market rent.

Certain directors who are also the key management personnel of the Company are beneficially interested in Hover City.

- (c) On 25 April 2003, the Group entered into a loan agreement with Hover City for a loan facility of HK\$10,000,000 offered to the Group by Hover City. The sum drawn down by the Group will bear interest at 3% below the best lending rate quoted by a bank in Hong Kong and shall be repaid in one lump sum (including accrued interest) by 24 April 2005. On 9 July 2004, the Group renewed the terms of the loan agreement with Hover City and the loan facility was extended to HK\$15,000,000 and the final repayment date to 30 June 2006. On 7 January 2005, the loan facility was further extended to HK\$25,000,000 and the final repayment date to 31 December 2009. On 7 March 2009, the final repayment date was further extended to 31 December 2010. Interest expense charged to the profit or loss for the six months ended 30 September 2009 amounted to approximately HK\$188,000 (six months ended 30 September 2010: nil). All sums drawn down and accrued interests were fully repaid in October 2009.
- (d) The remuneration of the Company’s directors and other members of key management during the period amounted to HK\$4,919,000 (six months ended 30 September 2009: HK\$1,899,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30 September 2010, the Group recorded a consolidated turnover of approximately HK\$33.7 million, an increase of approximately HK\$0.4 million or 1% compared to the last corresponding period.

The net loss for the period under review was approximately HK\$7.8 million, as compared to the net loss of approximately HK\$3.8 million in the last corresponding period. The operating results for the current period were adversely affected by the temporary suspension of operations due to the refurbishment works carried out at the Group's two restaurant outlets. The share options granted on 19 May 2010 also resulted in approximately HK\$8 million share-based payment expenses to be recognised and amortized over a twelve-month period from the date of grant, of which approximately HK\$3 million had been amortised for the six months ended 30 September 2010.

Review of Operations

Turnover from the restaurant operation in Hong Kong was the major contributor to the Group's turnover and amounted to approximately HK\$33.6 million for the period under review. The Group's committed to increase the competitiveness of our restaurant business. To this end, the Group has invested approximately \$13 million to refurbish our restaurant outlets. In order to carry out the renovation works at the restaurants, the operation of the two restaurants had been temporarily suspended for a period of 4 to 6 weeks which resulted in a turnover loss of approximately HK\$4.5 million. The operating loss for this segment was however offset by HK\$1 million gain from other payables write-off with the result that a net loss of approximately HK\$5.2 million was recorded as compared to a net loss of approximately HK\$6.6 million in the last corresponding period.

In view of the stable property market in China and the continued appreciation of Renminbi, the fair value of the Group's investment properties in China was adjusted upward by HK\$0.3 million to HK\$50 million. An upward revaluation of HK\$2.8 million was recorded for the properties in the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity and Financial Resources

The Group's cash and bank balances (including pledged bank deposits) amounted to HK\$96.3 million as at 30 September 2010. The Group had no bank borrowings and its gearing ratio was zero as at 30 September 2010 and 31 March 2010 respectively. With the cash generated from the Group's operation in its ordinary course of business and the existing unutilised banking facilities, the Group has sufficient financial resources in meeting its operation needs.

Foreign Exchange Exposure

As most of the Group's sales, purchases, cash and bank balances were denominated in Hong Kong dollars, the Group was not exposed to material foreign exchange risks.

Employees and Remuneration Policies

The Group had approximately 174 employees as at 30 September 2010. Review of the employees' remuneration packages is normally conducted annually and as required from time to time. The salary and benefit levels of the Group's employees are competitive and individual performance is rewarded through the Group's bonus scheme. Other benefits including medical coverage and Mandatory Provident Fund Scheme are also provided to employees.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 September 2010 (for the six months ended 30 September 2009: Nil).

PROSPECTS

The performance of the restaurant business is expected to improve in the second half of the financial year owing to a more favorable operating environment and the upcoming festive season which is traditionally the high season for the food and beverage industry. We trust the facelifting of our two restaurant outlets will bring in more corporate and tourist business towards the end of the year for the Group.

SHARE OPTIONS

The Company adopted a share option scheme on 22 August 2002 (the “2002 Scheme”). The Company by shareholders’ resolutions passed at the special general meeting held on 10 May 2010 has adopted a new share option scheme (the “Current Scheme”, and, together with the 2002 Scheme, the “Schemes”) and terminated the 2002 Scheme. No further share options may be offered under the 2002 Scheme. However, any outstanding share options granted under the 2002 Scheme shall continue to be exercisable subject to the rules of the 2002 Scheme and the provisions of Chapter 17 of the Listing Rules. The Current Scheme shall be valid and effective until 8 May 2020.

The purpose of the 2002 Scheme is to enable the Company to grant options to employees, directors, consultants, advisers and/or agents of the Company or any of its subsidiaries as incentives or rewards for their contribution to the Company or such subsidiaries.

The purpose of the Current Scheme is to recognize the commitments and contributions of the following eligible participants by granting options to them as incentives or rewards:

- (a) any employee or director (including executive director, non-executive director and independent non-executive director) of any member of the Group or any entity in which any member of the Group holds an equity interest (the “Invested Entity”);
- (b) any advisor, consultant, professional, agent, contractor, customer, provider of goods and/or services, business or joint-venture partner of any member of the Group or any Invested Entity whom the Board of Directors in its sole discretion considers eligible for the Current Scheme on the basis of his or her contribution to the Group or the Invested Entity (as the case may be); and
- (c) any person whom the Board of Directors in its sole discretion considers has contributed or will contribute to the Group or to the Invested Entity (as the case may be).

SHARE OPTIONS (continued)

At 30 September 2010, the number of shares in respect of which options had been granted and remained outstanding under the Schemes was 88,416,285 shares, representing 4.6% of the shares of the Company in issue as at that date. A summary of the said share options is set out below:

Option holders	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options	
				Outstanding as at 1.4.2010	Outstanding as at 30.9.2010
Cheng Hop Fai	12.05.2005	12.05.2005 – 11.05.2011	0.100	4,848,535	4,848,535
	16.12.2009	16.12.2009 – 15.12.2015	0.185	6,900,000	6,900,000
	19.05.2010	19.05.2010 – 18.05.2017	0.420 ⁽¹⁾		5,000,000
Cheng Kwok Kwan Yuk	12.05.2005	12.05.2005 – 11.05.2011	0.100	4,848,535	4,848,535
	16.12.2009	16.12.2009 – 15.12.2015	0.185	6,900,000	6,900,000
	19.05.2010	19.05.2010 – 18.05.2017	0.420 ⁽¹⁾		5,000,000
Cheng Pak Ming, Judy	12.05.2005	12.05.2005 – 11.05.2011	0.100	4,848,535	4,848,535
	19.05.2010	19.05.2010 – 18.05.2017	0.420 ⁽¹⁾		4,250,000
Cheng Pak Man, Anita	12.05.2005	12.05.2005 – 11.05.2011	0.100	4,848,535	4,848,535
	19.05.2010	19.05.2010 – 18.05.2017	0.420 ⁽¹⁾		4,250,000
Zhang Yunkun	03.03.2008	03.03.2008 – 02.03.2014	0.308	10,373,610	10,373,610
	19.05.2010	19.05.2010 – 18.05.2017	0.420 ⁽¹⁾		10,000,000
Law Toe Ming	19.05.2010	19.05.2010 – 18.05.2017	0.420 ⁽¹⁾		1,900,000
Kan Lai Kuen, Alice	19.05.2010	19.05.2010 – 18.05.2017	0.420 ⁽¹⁾		1,900,000
Mark Yiu Tong, William	19.05.2010	19.05.2010 – 18.05.2017	0.420 ⁽¹⁾		1,900,000
Dong Demao	19.05.2010	19.05.2010 – 18.05.2017	0.420 ⁽¹⁾		1,900,000
Mao Jingwen	19.05.2010	19.05.2010 – 18.05.2017	0.420 ⁽¹⁾		1,900,000
Employees & others	12.05.2005	12.05.2005 – 11.05.2011	0.100	4,848,535	4,848,535
	19.05.2010	19.05.2010 – 18.05.2017	0.420 ⁽¹⁾		2,000,000
				48,416,285	88,416,285

Note:

- (1) The closing price of the shares on 18 May 2010, the date immediately before the share options were offered, was HK\$0.425. All the options granted on 19 May 2010 will be vested on 19 May 2011.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2010, the interests of the directors and the chief executives and their associates in the shares, underlying shares and debentures of the Company and any associated corporations which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Name of director	Capacity and nature of interests		Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Cheng Hop Fai	Beneficiary of trusts	(note)	1,450,037,841	74.76%
Cheng Kwok Kwan Yuk	Beneficiary of trusts	(note)	1,450,037,841	74.76%
Cheng Pak Ming, Judy	Beneficiary of trusts	(note)	1,450,037,841	74.76%
Cheng Pak Man, Anita	Beneficiary of trusts	(note)	1,450,037,841	74.76%
Law Toe Ming	Beneficial owner		2,000,000	0.10%

Note: Golden Toy Investments Limited ("Golden Toy") and Kong Fai International Limited ("Kong Fai") held 172,869,780 share (or 8.91% interest) and 1,277,168,061 share (or 65.85% interest) of the Company, respectively. Golden Toy and Kong Fai are wholly-owned by two discretionary trusts of which family members of Mr. Cheng Hop Fai, including Mr. Cheng Hop Fai himself, Mrs. Cheng Kwok Kwan Yuk, Ms. Cheng Pak Ming, Judy and Miss Cheng Pak Man, Anita, are discretionary objects.

Save as disclosed above and in the section titled "Share Options", as at 30 September 2010, none of the directors and the chief executives of the Company was, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations which (a) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) which were required to be entered into the register referred to therein pursuant to Section 352 of the SFO, or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, as at 30 September 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO indicated that the following persons had notified the Company of interests or short positions in the issued share capital of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity and nature of interest	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Golden Toy	Beneficial owner	172,869,780 ⁽¹⁾	8.91%
Kong Fai	Beneficial owner	1,277,168,061 ⁽¹⁾	65.85%
Trustcorp Limited	Trustee of trusts	1,450,037,841 ⁽¹⁾	74.76%
Newcorp Ltd.	Interest of controlled corporation	1,450,037,841 ⁽²⁾	74.76%

Notes:

- (1) Trustcorp Limited is deemed under the SFO to have an interest in the same 1,450,037,841 shares, in aggregate, beneficially owned by Golden Toy and Kong Fai by virtue of it being the trustee of two discretionary trusts which own 100% of the shares of Golden Toy and Kong Fai.
- (2) The corporate substantial shareholder notice filed by Newcorp Ltd. indicated that Trustcorp Limited was wholly-owned by Newcorp Ltd. Therefore, Newcorp Ltd. is deemed to have interest in the 1,450,037,841 shares under the SFO.

Save as disclosed above, the directors are not aware of any other persons who, as at 30 September 2010, had any interests or short positions in the shares or underlying shares of the Company that were required to be entered into the register kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the period under review.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 (the "Code") of the Listing Rules throughout the six months ended 30 September 2010 except for Code provision A.2.1 in respect of the role separation of the chairman and the chief executive officer and Code provision A.4.1 in respect of the service term of non-executive directors.

Code provision A.2.1 sets out that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Cheng Hop Fai assumes the role of both the Chairman and the Managing Director of the Company. The Board considers that such arrangement will not result in undue concentration of power and is, at this stage, conducive to the efficient formulation and implementation of the Group's strategies thus allowing the Group to develop its business more effectively.

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors ("INEDs") of the Company are not appointed for a specific term. This constitutes a deviation from Code provision A.4.1. However, as all the INEDs of the Company are subject to retirement by rotation at the annual general meetings of the Company in accordance with the Company's Bye-laws, in the opinion of the directors, this meets the objective of the Code.

AUDIT COMMITTEE

The members of the Audit Committee are Ms. Kan Lai Kuen, Alice (Chairman), Mr. Law Toe Ming and Mr. Mark Yiu Tong, William, the INEDs of the Company. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed with the Board of Directors the internal control and financial reporting matters including the unaudited interim financial statements for the six months ended 30 September 2010.

REMUNERATION COMMITTEE

Pursuant to Code provision B.1.1, the Company has established a Remuneration Committee comprising the three INEDs, namely Mr. Law Toe Ming (Chairman), Ms. Kan Lai Kuen, Alice and Mr. Mark Yiu Tong, William. The terms of reference of the Remuneration Committee are consistent with the Code provisions. The principal function of the Remuneration Committee is to make recommendation to the Board of Directors on the Group's policy and structure for the remuneration of directors and senior management.

SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by directors. Following specific enquiry by the Company, all the directors have confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 30 September 2010.

By Order of the Board
Cheng Hop Fai
Chairman

Hong Kong, 26 November 2010