CAFÉ DE CORAL HOLDINGS LIMITED

大家樂集團有限公司

(Incorporated in Bermuda with Limited Liability)
Website: http://www.cafedecoral.com
(Stock Code: 341)

INTERIM REPORT TO SHAREHOLDERS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2007

HIGHLIGHTS

- **Half-year double digit profit growth reaching record high of HK$175 million.**
- **Recognized as "PRC Consumer's Most Favourable Hong Kong Brand" and "2007 Service Retailer of the Year".**
- **HK$300 million investment in new central food processing plants both in Hong Kong and China.**
- **Establish presence at major international airports in Shenzhen, Zhuhai, Chicago, Dallas, New York, and Hong Kong International Airport.**
- **Return on investment in "Tao Heung" with attractive dividend yield and capital appreciation.**

CHAIRMAN'S STATEMENT

I am glad to report that the Group achieved another encouraging interim results for the six months ended 30th September, 2007. Turnover and profit attributable to shareholders reached HK$2.09 billion and HK$175 million, both representing another period of double-digit growth of 10.2% and 15.6% respectively as compared last year.

In recognition of the long term support of our shareholders, the Board resolved to distribute an interim dividend of 15 HK cents per share to shareholders whose names appear on the register of members of the Company on 3rd January, 2008, representing an increase of 25% over that of last year.

Hong Kong Business Platform

In the period under review, it was gratifying to witness that the performance of our core businesses in Hong Kong recorded a solid growth amid the ever-increasingly competitive landscape in this territory. Both our **Café de Coral** and **The Spaghetti House** in Hong Kong achieved a double digit growth in operating profit against the operating pressure of rising labour and raw material costs. Other than the contribution from the new outlets, much of the growth was, in fact, derived from our dedicated effort in marketing initiatives, product mix and enhancing business and operating efficiencies which, altogether, resulted in encouraging volume increase and margin improvement.

Our strong branding power was recognized by the recent award of "2007 Top Service Awards" to our **Café de Coral** and the "Certificate Award for the Best Brand Enterprise" and the "2007 Service Retailer of the Year" to our **The Spaghetti House**, both of which are indeed testaments of our brand preference among the dining public in Hong Kong. Furthermore, our **Café de Coral** once again won the applause among the mainland visitors by claiming the Gold Award as "PRC Consumer's Most Favourable Hong Kong Brand" which ultimately translated to our business competitiveness in brand building and customer loyalty.

Other than our core businesses, **Luncheon Star** raised its bar on its quality standard in April, 2007 with the accreditation of ISO22000, being the strictest food safety system in the industry in addition to its two other quality recognitions, namely ISO9001 and HACCP. With the vote of confidence from parent and teachers, **Luncheon Star** now firmly secured its market leading position in the school catering arena.

As I reported to you in the last annual report, we decided to devote more resources on our back up infrastructure, including searching for suitable sites to establish new central food processing plants both in Hong Kong and in the Pearl River Delta Region, in order to cope with the fast growing business at these strategic markets of great potentials. I am glad to report that we have procured a suitable site at the Tai Po Industrial Estate, Hong Kong for developing it into another central food processing plant of the Group in Hong Kong. The capital expenditure involved is expected in the region of HK$200 million. Upon completion by middle of 2010, we plan to transfer our existing central food processing facilities in Fo Tan, Shatin to this new processing plant, thereby freeing the necessary space in Fo Tan plant for the future expansion of **Luncheon Star**. The strategic relocation not only further enhances our productivity and operating efficiency, it also safeguards the quality assurance and food safety standards in all our products.

PRC Business Platform

In Southern China, our proactive expansion initiative of **Café de Coral** continues. Notwithstanding that the Central Government introduced certain austerity measures to cool down the property market, it did not hamper our rapid pace of development. As at today, there are 36 operating units of this branded restaurant in the region, an increase of 7 units from the beginning of this financial year, covering almost all the key first-tier and second-tier cities in the Pearl River Delta region. Among these new openings, two of which were strategically located at the Shenzhen Airport and the Zhuhai Airport which, we believe, would have significant strategic value for our future expansion in major transportation hubs in China.

As a long term strategy to back up the fast growing business in Southern China region, we acquired a parcel of land of 30,000 square meters at the Guangzhou Development District, China in November, 2007, aiming to develop it into a new central food processing plant. The capital expenditure involved for the project is expected in the region of HK$120 million and the new factory plant is expected to commence production by the late 2009. Once completed, our production capacity in Southern China would be greatly enhanced and the new factory plant would also act as our permanent training centre to the ever growing demand of our frontline staff.

In Eastern China, I am glad to report that the business performance of the chain, **New Asia Dabao**, finally turned around with profits for the months under review. The profit-making of the chain, **New Asia Dabao**, is not a coincidence but a result of years of dedicated effort in adopting various value-added business improvement initiative. Notwithstanding however that we were still in the progress of establishing **Café de Coral** presence in the region, there remain certain teething challenges to establish a relatively unknown brand in this part of the region, and naturally certain preliminary development expenses were incurred. We adhere and remain confident to our dual-brands market penetration strategy in capturing the sizeable market potential of the Yangtze River Delta Region development platform.

North America Business Platform

Across the Ocean, since acquiring the remaining interests in **Manchu Wok** in October, 2005, we adopted various value-added initiative to rationalize the cost structure of this sizeable business platform, resulting in substantial savings in business overheads.

Other than the necessary consolidation, we commenced our business development program by focusing on the development opportunities at non-traditional areas such as casinos, airports and military bases. Our presence in various renowned airports in North America, such as Chicago O'Hare Airport, Dallas Fort Worth International Airport and JFK International Airport, exemplified our effort in pursuing this development strategy. As a result, **Manchu Wok** was able to strengthen its branding power in this sizable market.

Looking Ahead

The buoyant stock and property markets in Hong Kong brought us challenges and opportunities. With the successful listing of "Tao Heung" in June, 2007, our strategic investment in this leading Chinese restaurant group has returned us with attractive dividend income as well as capital appreciation due to its reputable image with the investing public.

As reported, since acquiring the 6,500 sq feet property in Admiralty, we are now going through a major restructuring of the premises to turn it into a restaurant court, planning to house our own reputable restaurant brands at this strategic location. We believe such move would not only help to generate constant rental income stream to the Group but more importantly, to provide a haven for our many restaurants at this very important catchment area of the central business district.

In respect of all the other business platforms in the Greater China region and overseas, it is the Group's objective to unlock their vast potential in the not too distant future, turning them to become meaningful profit contributors to the Group in their own rights. In the second half of the year, we are confident that our shareholders would recognize our effort made for enhancing the shareholders' value and our commitment in delivering quality services to our customers.

By order of the Board
Chan Yue Kwong, Michael
Chairman

Hong Kong, 11th December, 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2007

	Note	Six months ended 30th September, 2007 HK$'000 (Unaudited)	2006 HK$'000 (Unaudited)
Revenue	4	**2,085,381**	**1,892,717**
Cost of sales		(1,782,055)	(1,616,259)
Gross profit		303,326	276,458
Administrative expenses		(112,219)	(107,643)
Other gain, net	5	3,301	1,774
Operating profit	6	**194,408**	**170,589**
Finance income	7	17,687	17,277
Finance costs	7	(134)	(803)
		211,961	187,063
Share of profit/(loss) of			
- Associated companies		1,228	560
- Jointly controlled entities		(368)	(2,937)
Profit before income tax		**212,821**	**184,686**
Income tax expense	8	(37,723)	(33,214)
Profit attributable to equity holders of the Company		**175,098**	**151,472**
Earnings per share for profit attributable to the equity holders of the Company, expressed in HK cents per share			
-Basic	9	**31.88 HK cents**	**28.00 HK cents**
-Diluted	9	31.53 HK cents	27.61 HK cents
Dividends	10	82,622	65,390

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER, 2007

	Note	As at 30th September, 2007 HK$'000 (Unaudited)	As at 31st March, 2007 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		540,420	491,978
Leasehold land and land use rights		276,779	308,788
Investment properties		217,800	155,200
Intangibles assets		246,889	213,068
Available-for-sale financial assets		454,081	267,398
Held-to-maturity investments		1,022	8,837
Investment in associates		5,465	4,357
Investment in jointly controlled entities		32,365	32,195
Non-current deposits		114,508	107,079
Deferred income tax assets		14,526	12,647
Retirement benefit assets		34,479	31,736
		1,938,334	1,633,283
Current assets			
Inventories		97,475	74,413
Trade and other receivables	11	50,581	44,145
Prepayments, deposits and other current assets		126,873	87,811
Financial assets at fair value through profit or loss		141,712	98,720
Cash and cash equivalents		660,595	546,655
		1,077,236	851,744
Total assets		3,015,570	2,485,027
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		74,053	65,121
Provision for long service payments		4,563	4,377
		78,616	69,498
Current liabilities			
Trade payables	12	115,410	94,741
Other creditors and accrued liabilities		373,173	300,463
Current income tax liabilities		39,496	23,858
		528,079	419,062
Total liabilities		606,695	488,560

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30TH SEPTEMBER, 2007

	Note	As at 30th September, 2007 HK$'000 (Unaudited)	As at 31st March, 2007 HK$'000 (Audited)
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		55,071	54,593
Reserves (including interim dividend proposed of HK$82,622,000; 31st March, 2007: final and special dividends proposed of HK$164,791,000)	13	2,353,804	1,941,874
Total equity		2,408,875	1,996,467
Total equity and liabilities		3,015,570	2,485,027
Net current assets		549,157	432,682
Total assets less current liabilities		2,487,491	2,065,965

Notes: -

1 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th September, 2007 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

This condensed consolidated interim financial information should be read in conjunction with the 2007 annual financial statements for the year ended 31st March, 2007.

2 Accounting policies

The accounting policies adopted are consistent with those described in the annual financial information for the year ended 31st March, 2007.

The following new standards, amendments to standards and interpretations are mandatory and relevant for financial year ending 31st March, 2008:

HKAS 1 (Amendment)	Presentation of Financial Statements : Capital Disclosures
HKFRS 7	Financial Instruments : Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2- Group and Treasury Share Transactions

The adoption of these new standards, amendments to standards and interpretations has no significant impact on the Group's interim results and financial position.

The following new standards, amendments to standards and interpretations, which are relevant to the Group, have been issued but are not effective for the financial year ending 31st March, 2008 and have not been early adopted by the Group:

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

3 Segment information

(i) Primary reporting format - geographical segments

The Group's business activities are conducted predominantly in Hong Kong, Mainland China and North America.

The segment results for the six months ended 30th September, 2007 are as follows:

	Hong Kong HK$'000 (Unaudited)	Mainland China HK$'000 (Unaudited)	North America HK$'000 (Unaudited)	Group HK$'000 (Unaudited)
Segment revenues				
Total segment revenue	1,751,523	203,913	161,605	2,117,041
Inter-segment revenue	(569)	(31,091)	-	(31,660)
Revenue	1,750,954	172,822	161,605	2,085,381
Segment results	184,994	16,781	(7,367)	194,408
Finance income	17,094	471	122	17,687
Finance costs	-	(134)	-	(134)
Share of profit of associates	1,228	-	-	1,228
Share of loss of jointly controlled entities	-	(368)	-	(368)
Profit before income tax				212,821
Income tax expense				(37,723)
Profit attributable to the equity holders of the Company				175,098

Other segment terms included in the condensed consolidated interim income statement for the six months ended 30th September, 2007 are as follows:

	Hong Kong HK$'000 (Unaudited)	Mainland China HK$'000 (Unaudited)	North America HK$'000 (Unaudited)	Group HK$'000 (Unaudited)
Depreciation	59,071	8,740	5,886	73,697
Amortisation of intangible assets	1,351	-	4,280	5,631
Amortisation of leasehold land and land use rights	2,498	721	-	3,219
(Gain)/loss on disposal of property, plant and equipment	(2,925)	(45)	887	(2,083)

3 Segment information (Continued)

(i) Primary reporting format - geographical segments (Continued)

The segment assets and liabilities at 30th September, 2007 and capital expenditure for the six months ended 30th September, 2007 are as follows:

	Hong Kong	Mainland China	North America	Group
	HK$'000	HK$'000	HK$'000	HK$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment assets	1,752,470	301,340	312,589	2,366,399
Associated companies	5,465	-	-	5,465
Jointly controlled entities	-	32,365	-	32,365
	1,757,935	333,705	312,589	2,404,229
Unallocated assets				611,341
Total assets				3,015,570
Segment liabilities	387,659	55,100	50,387	493,146
Unallocated liabilities				113,549
Total liabilities				606,695
Capital expenditure	141,074	28,339	13,014	182,427

Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, intangible assets, investments in associates and jointly controlled entities, inventories, receivables, cash and cash equivalents and other operating assets. Unallocated assets comprise deferred taxation, available-for-sale financial assets, held-to-maturity investments and financial assets at fair value through profit or loss.

Segment liabilities comprise operating liabilities and borrowing. They exclude items such as taxation.

Capital expenditure comprises additions to leasehold land and land use rights, property, plant and equipment, investment properties and intangible assets.

3 Segment information (Continued)

(i) Primary reporting format - geographical segments (Continued)

The segment results for the six months ended 30th September, 2006 are as follows:

	Hong Kong HK$'000 (Unaudited)	Mainland China HK$'000 (Unaudited)	North America HK$'000 (Unaudited)	Group HK$'000 (Unaudited)
Segment revenues				
Total segment revenue	1,617,967	152,431	151,535	1,921,933
Inter-segment revenue	(674)	(28,542)	-	(29,216)
Revenue	1,617,293	123,889	151,535	1,892,717
Segment results	163,947	16,288	(9,646)	170,589
Finance income	16,625	590	62	17,277
Finance costs	(803)	-	-	(803)
Share of profit of associates	560	-	-	560
Share of loss of jointly controlled entities	-	(2,937)	-	(2,937)
Profit before income tax				184,686
Income tax expense				(33,214)
Profit attributable to the equity holders of the Company				151,472

Other segment terms included in the condensed consolidated interim income statement for the six months ended 30th September, 2006 are as follows:

	Hong Kong HK$'000 (Unaudited)	Mainland China HK$'000 (Unaudited)	North America HK$'000 (Unaudited)	Group HK$'000 (Unaudited)
Depreciation	62,553	8,300	6,617	77,470
Amortisation of intangible assets	1,351	-	3,829	5,180
Amortisation of leasehold land and land use rights	2,893	107	-	3,000
Impairment of trade receivables	-	-	242	242
Loss on disposal of property, plant and equipment	2,129	-	-	2,129

3 Segment information (Continued)

(i) Primary reporting format - geographical segments (Continued)

The segment assets and liabilities at 31st March, 2007 and capital expenditure for the six months ended 30th September, 2006 are as follows:

	Hong Kong HK$'000 (Audited)	Mainland China HK$'000 (Audited)	North America HK$'000 (Audited)	Group HK$'000 (Audited)
Segment assets	1,518,550	258,964	283,359	2,060,873
Associated companies	4,357	-	-	4,357
Jointly controlled entities	-	32,195	-	32,195
	1,522,907	291,159	283,359	2,097,425
Unallocated assets				387,602
Total assets				2,485,027
Segment liabilities	321,040	38,472	40,069	399,581
Unallocated liabilities				88,979
Total liabilities				488,560
Capital expenditure (Unaudited)	87,647	17,724	3,724	109,095

(ii) Secondary reporting format - business segment

No segment analysis by business segment is presented as the Group principally operates in one business segment, which is the operation of quick service restaurants, fast casual dining, institutional catering and specialty restaurant chains.

4 Revenue

	Six months ended 30th September, 2007 HK$'000 (Unaudited)	2006 HK$'000 (Unaudited)
Sales of food and beverages	2,016,857	1,837,920
Rental income	18,022	14,622
Royalty income	21,750	21,908
Management and service fee income	4,439	2,021
Sundry income, net	24,313	16,246
	2,085,381	1,892,717

5 Other gain, net

	Six months ended 30th September, 2007 HK$'000 (Unaudited)	2006 HK$'000 (Unaudited)
Gain on disposals of financial assets at fair value through profit or loss	514	1,146
Fair value gains on financial assets at fair value through profit or loss	2,787	628
	3,301	1,774

6 Operating profit

The following items have been charged/(credited) to the operating profit during the interim period:

	Six months ended 30th September, 2007 HK$'000 (Unaudited)	2006 HK$'000 (Unaudited)
Depreciation of property, plant and equipment	73,697	77,470
Amortisation of leasehold land and land use rights	3,219	3,000
Amortisation of trademarks and franchise rights (including in administrative expense)	5,631	5,180
(Gain)/loss on disposal of property, plant and equipment	(2,083)	2,129
Fair value gains of financial assets at fair value through profit or loss	(2,787)	(628)
Gain on disposal of financial assets at fair value through profit or loss	(514)	(1,146)
Provision for impairment of property, plant and equipment	-	1,000
Provision for impairment on trade and other receivables	-	242

7 Finance income and costs

	Six months ended 30th September, 2007 HK$'000 (Unaudited)	2006 HK$'000 (Unaudited)
Finance income – interest income	17,687	17,277
Finance costs – interest expense on bank loans	(134)	(803)
	17,553	16,474

8 Income tax expense

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated income statement represents:

	Six months ended 30th September, 2007 HK$'000 (Unaudited)	2006 HK$'000 (Unaudited)
Current income tax:		
- Hong Kong profits tax	31,352	24,598
- Overseas taxation	5,380	5,769
Deferred income tax charged relating to the origination and reversal of temporary differences	991	2,847
	37,723	33,214

9 Earnings per share

Basic

Basic earning per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30th September, 2007 '000 (Unaudited)	2006 '000 (Unaudited)
Profit attributable to equity holders of the Company	HK$175,098	HK$151,472
Weighted average number of ordinary shares in issue	549,267	541,002
Basic earnings per share (HK cents per share)	31.88	28.00

9 Earnings per share (Continued)

Diluted

Diluted earning per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares - share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to shares that would have been issued assuming the exercise of the share options.

	Six months ended 30th September,	
	2007	2006
	'000	'000
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company	HK$175,098	HK$151,472
Weighted average number of ordinary shares in issue	549,267	541,002
Adjustments for – share options	5,989	7,561
Weighted average number of ordinary shares for diluted earnings per share	555,256	548,563
Diluted earnings per share (HK cents per share)	31.53	27.61

10 Dividends

	Six months Ended 30th September,	
	2007	2006
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Dividends proposed		
- Interim, 15 HK cents (2006: 12 HK cents) per share	82,622	65,390

11 Trade and other receivables

	30th September, 2007 HK$'000 (Unaudited)	31st March, 2007 HK$'000 (Audited)
Trade receivables	32,148	23,991
Less: provision for impairment of receivables	(3,347)	(3,347)
Trade receivables - net	28,801	20,644
Other receivables	21,780	23,501
	50,581	44,145

The carrying values of trade and other receivables approximate their fair values.

The Group's sales to customers are mainly on a cash basis. The Group also grants a credit period between 30 to 90 days to certain customers for the provision of the Group's institutional catering services, sale of merchandise for the Group's food manufacturing businesses and receivables of royalty income from franchisees.

	30th September, 2007 HK$'000 (Unaudited)	31st March, 2007 HK$'000 (Audited)
0 - 30 days	17,927	12,010
31 - 60 days	7,922	4,705
61 - 90 days	811	992
Over 90 days	5,488	6,284
	32,148	23,991

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of dispersed customers.

12 Trade payables

The aging analysis of the trade payables is as follows:

	30th September, 2007 HK$'000 (Unaudited)	31st March, 2007 HK$'000 (Audited)
0 - 30 days	107,980	83,489
31 - 60 days	5,531	4,441
61 - 90 days	82	1,810
Over 90 days	1,817	5,001
	115,410	94,741

13 Reserves

	Share premium HK$'000 (Unaudited)	Capital redemption reserve HK$'000 (Unaudited)	Exchange translation reserve HK$'000 (Unaudited)	Share based compensation reserve HK$'000 (Unaudited)	Capital reserve HK$'000 (Unaudited)	Contributed surplus HK$'000 (Unaudited)	Investment reserve HK$'000 (Unaudited)	Revaluation reserves HK$'000 (Unaudited)	Retained earnings HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
At 1st April, 2006	57,505	152,034	2,432	3,449	21,079	85,197	(8,875)	-	1,497,172	1,809,993
Proceeds from shares issued	11,656	-	-	-	-	-	-	-	-	11,656
Exchange differences arising on consolidation	-	-	(2,727)	-	-	-	-	-	-	(2,727)
Changes in fair market value of available-for- sale financial assets	-	-	-	-	-	-	5,813	-	-	5,813
Employees shares option scheme-value of employee services	-	-	-	3,758	-	-	-	-	-	3,758
Profit attributable to equity holders of the Company	-	-	-	-	-	-	-	-	151,472	151,472
Dividends	-	-	-	-	-	-	-	-	(245,205)	(245,205)
At 30th September, 2006	69,161	152,034	(295)	7,207	21,079	85,197	(3,062)	-	1,403,439	1,734,760
At 1st April, 2007	79,243	152,034	8,195	9,547	21,079	85,197	(1,467)	180	1,587,866	1,941,874
Proceeds from shares issued	15,537	-	-	-	-	-	-	-	-	15,537
Exchange differences arising on consolidation	-	-	23,647	-	-	-	-	-	-	23,647
Changes in fair market value of available-for- sale financial assets	-	-	-	-	-	-	195,281	-	-	195,281
Employees shares option scheme-value of employee services	-	-	-	2,367	-	-	-	-	-	2,367
Release of share based compensation reserve to share premium upon share option exercise	1,894	-	-	(1,894)	-	-	-	-	-	-
Profit attributable to equity holders of the Company	-	-	-	-	-	-	-	-	175,098	175,098
At 30th September, 2007	96,674	152,034	31,842	10,020	21,079	85,197	193,814	180	1,762,964	2,353,804

INTERIM DIVIDEND

In acknowledging continuous supports from our shareholders, the Directors have declared the payment of an interim dividend of 15 HK cents (2006: 12 HK cents) per share in respect of the year ending 31st March, 2008, payable on 11th January, 2008 to those persons registered as shareholders on 3rd January, 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 3rd January, 2008 (Thursday) to 4th January, 2008 (Friday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 2nd January, 2008.

HUMAN RESOURCES

As at 30th September, 2007, the Group (other than associated companies and jointly controlled entities) employed approximately 13,000 employees. Remuneration packages are generally structured by reference to market terms and individual qualifications and experience. With a unique Share Option Scheme together with profit sharing bonus and performance incentive system, employees were entitled to share in the growth of the Group.

During the period, various training activities have been conducted to improve the front-end quality of services as well as to ensure the smooth and effective installation of the Group's business systems.

FINANCIAL REVIEW

The Group's financial position, as at 30th September, 2007, continues to be very strong, with a net cash of close to about HK$661 million and available banking facilities of HK$836 million.

As at 30th September, 2007, the Group did not have any external borrowing (31st March, 2007: Nil) and maintained a healthy gearing (being total borrowings over shareholders' funds) of Nil% (31st March, 2007: Nil). There has been no material change in contingent liabilities or charges on assets since 31st March, 2007.

As at 30th September, 2007, the Company has given guarantees totaling approximately HK$836,000,000 (31st March, 2007: HK$836,000,000) to financial institutions in connection with the banking facilities granted to its subsidiaries.

Regarding foreign exchange fluctuations, for the six months' period under review, the Group earned revenue and incurred costs and expenses are mainly denominated in Hong Kong dollars, while those of our North America and PRC subsidiaries and jointly controlled entities are denominated in United States dollars, Canadian dollars and Renminbi respectively. While foreign currency exposure did not pose significant risk for the Group, we will continue to take proactive measures and monitor closely of our exposure to such currency movement.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES UNDER APPENDIX 14 OF THE LISTING RULES

During the six months period ended 30th September, 2007, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "Code Provisions") as set out in Appendix 14 of the Listing Rules, except for the deviation from the Code Provision A.2.1:

Code Provision A.2.1
Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Chan Yue Kwong, Michael assumes the roles of Chairman and Chief Executive Officer of the Group. The Board considers that, given the current corporate structure, there is no separation between the roles of Chairman and Chief Executive Officer. Although the roles and responsibilities for Chairman and Chief Executive Officer are vested in one person, all major decisions are made in consultation with the Board and appropriate Board committees. There are three independent non-executive directors in the Board with sufficient independent element. Therefore, the Board is of the view that there are adequate impartiality and safeguards in place.

Management has taken note of the external consultant's recommendations made in the year 2006/07, aiming at further strengthening the Group's internal control on continual process. Actions are in progress in accordance with the established timelines in the year 2007/08.

AUDIT COMMITTEE

The Company has established an audit committee which currently consists of three independent non-executive directors of the Company with written terms of reference which deal clearly with its authority and duties. Amongst the committee's principal duties is to review and supervise the Company's financial reporting process and internal controls (including the review of the unaudited interim financial statements for the six months ended 30th September, 2007).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th September, 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Chan Yue Kwong, Michael, Mr. Lo Hoi Kwong, Sunny, Ms. Lo Pik Ling, Anita and Mr. Lo Tak Shing, Peter as executive directors; Mr. Lo Tang Seong, Victor, Mr. Lo Hoi Chun and Mr. Hui Tung Wah, Samuel as non-executive directors; Mr. Choi Ngai Min, Michael, Mr. Li Kwok Sing, Aubrey and Mr. Kwok Lam Kwong, Larry as independent non-executive directors.