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 RESULTS ANNOUNCEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2011

HIGHLIGHTS

- **Sales turnover recorded a steady growth of 10% in the first half year, but profit declined by 15%.**

- **Profit was impacted by the surge in food costs and rental, and the implementation of minimum wages in Hong Kong.**

- **Development of 25 Super Super Congee and Noodles shops into a meaningful platform in Hong Kong.**

- **Successful development over 100 stores in Eastern and Southern China as our major growth driver in the future.**

- **PRC central food processing plant commenced operation in May 2011 with productivity enhancement.**

- **A consistent interim dividend of 17 HK cents per share declared to shareholders.**

CHAIRMAN'S STATEMENT

Soaring raw material costs and the severe impact of the statutory minimum wage policy on the Hong Kong catering industry, coupled with an inflationary operating environment in the region, have all presented strong challenges to the Group in the first half of the year under review.

Confronted with the burden of the surge in costs on all fronts and given our prudent pricing strategy, margin erosion was inevitable. The Group registered, for the period under review, a steady growth of 10% in total turnover whilst profit attributable to shareholders was HK$191 million, a first time year-on-year decline of 15% in eight years since the outbreak of SARS in 2003.

In keeping with our commitment for a steady return to shareholders, the board of directors resolved to pay an interim dividend of 17 HK cents per share to the shareholders whose names appear on the register of members of the Company on 15th December, 2011.

Hong Kong Business Platform

During the period under review, our fast food business could still maintain a reasonable sales growth. However, operating expense escalation as a result of a surge in food material costs, a rise in rent and the implementation of the statutory minimum wage policy have posted tremendous pressure to the catering industry. On the revenue front, given the inflationary pressure on domestic consumption, we could only adopt a relatively prudent approach on price increment to maintain customers' volume. As a result, our profit margin eroded by a significant 2% during the period under review.

As I pre-warned in my earlier statements, the implementation of the minimum wage in 2011 would heavily impact on the catering sector, especially for large employers like Café de Coral with half of our workforce of about 7,800 staff resulting a 19% wage increase in one stroke. Our annual payroll is expected to increase close to HK$120 million within the year. Despite these challenges, we advance in strides with various development initiatives, realizing that it would take some time for the catering industry to adjust to a new market equilibrium.

To further strengthen our presence as a leading fast food catering network in the mass market, a total of 10 new fast food shops were opened for our **Café de Coral** fast food and **Super Super Congee and Noodles** restaurants in large-scale private residential districts and high traffic shopping malls. With success now proven, the 25 **Super Super Congee and Noodles** shops have now become a scalable business platform and is helping to broaden our customer base.

On another front, strong inflows of visitors from the Mainland, continued income growth and government relief polices have all stimulated demand in our mid-priced western style restaurants, particularly in the fast casual concept of **The Spaghetti House and Oliver's Super Sandwiches.**

Our institutional catering business also had to confront with contracts expiring during the period under review. Riding on our years of credentials, we were able to enter into meaningful negotiations on contract renewal and contract terms with our various clients. Four new contracts were successfully renewed with reputable clients from banking sector, education institutions and hospitals.

PRC Business Platform

During the period under review, we have taken an aggressive expansion pace in our China growth platform on all fronts, which now includes a total of 90 shops, 15 institutional catering units and 8 **The Spaghetti House** outlets. We are proud to witness the growth of our China business platform into a formidable and sizeable operation with well over 100 stores in the PRC. We remain committed in pursuing our aggressive branch development strategy in the Mainland China region, heading firmly towards the goal of 200 outlets by 2014, in order to capture increasingly the vast potential of this market segment.

At the same time, our new central food processing plant has officially commenced operation in May of this year, which carries a production capacity capable to cater for well over 350 shops. Having said that, we have to be well prepared for the short-term burden of the escalating pre-opening expenses and depreciation charges as they are paving the way for long-term enhancement in business efficiency and productivity.

North America Business Platform

Across the ocean, **Manchu WOK** has been improving on its operating performance and business results. Our strategy in working closely with our strategic master franchisees and our efforts in introducing new shop design prototype also contributed to our initial success in business improvement.

While we are facing the continued economic sluggishness in North America, we remain proactive in identifying any opportunities to enhance value in this part of our business.

Looking Ahead

The future is rapidly changing in front of our eyes. Given the challenging employment dynamics, the persistent cost inflation pressures, and the competitive leasing landscape, the rules of the game for our business operations in the Hong Kong would never be the same. I reckon that all the challenges we have faced this year had alerted management to re-examine the ways we run our business in our home market, and strengthen our resolve to further improve on our production and operational efficiencies to become more cost effective and price competitive. In the process, we recognize that inevitably our profit margins would be negatively impacted in the short term.

However, in the medium to longer term, we remain optimistic and confident about our future as I believe that the breadth and high caliber of our management team and the depth of our operational experience would give us the edge to rise above any adversity and come out stronger and as resilient as ever. On this note, I am glad that we have long set our sights on sustainable growth, and for the past couple of years have placed high on our agenda a programme, to develop a steady stream of staff with potentials from within and outside our group, in order that we may attend to our future business needs and support our continuous organic growth and territorial expansion.

Under this charted course, I also reckon that the Group has now grown to such a size and scale that a new organizational structure and succession planning are warranted. We are now intensively undergoing a management restructuring to better equip ourselves with the management resources to support the growth initiatives for a sustainable future. Equally, we believe a sound management succession plan is critical for us to be well prepared for the challenges and opportunities ahead. I strongly believe that these new initiatives will allow the more effective management of our diverse and fast growing business, and forge a more promising future for the Group in the years to come.

By order of the Board
Chan Yue Kwong, Michael
Chairman

Hong Kong, 29th November, 2011

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2011

	Note	**Six months ended 30th September, 2011** *HK$'000*	2010 *HK$'000*
Revenue	**4**	**2,901,229**	**2,632,910**
Cost of sales		(2,559,480)	(2,253,258)
Gross profit		341,749	379,652
Administrative expenses		(136,472)	(132,702)
Other gains, net	5	13,816	18,217
Operating profit	**6**	**219,093**	**265,167**
Finance income	7	3,717	5,041
Share of profit of associates		1,262	1,802
Share of loss of a jointly controlled entity		(29)	(37)
Profit before income tax		**224,043**	**271,973**
Income tax expense	8	(33,159)	(48,102)
Profit for the period		190,884	223,871
Allocated as:			
Profits/(loss) attributable to non-controlling interest		4	(13)
Profit attributable to equity holders of the Company		**190,880**	**223,884**
Earnings per share for profit attributable to the equity holders of the Company			
- Basic	**9**	**33.82 HK cents**	**39.94 HK cents**
- Diluted	9	33.51 HK cents	39.52 HK cents
Dividend	10		
- Interim		96,231	95,642

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2011

	Six months ended 30th September, 2011	2010
	HK$'000	*HK$'000*
Profit for the period	190,884	223,871
Other comprehensive income/(loss):		
Exchange differences arising from translation of foreign subsidiaries, associates and a jointly controlled entity	2,273	7,008
Tax effect on actuarial gains of retirement benefit obligation recognised in reserve	3,933	-
Fair value losses on available-for-sale financial assets	(19,593)	(3,191)
Reserve released upon disposal of available-for-sale financial assets	(3,249)	(2,427)
Total comprehensive income for the period	**174,248**	**225,261**
Attributable to:		
- Equity holders of the Company	174,244	225,274
- Non-controlling interests	4	(13)
	174,248	225,261

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30TH SEPTEMBER, 2011

	Note	**As at 30th September, 2011** *HK$'000* (Unaudited)	As at 31st March, 2011 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights		98,340	67,810
Property, plant and equipment		1,348,685	1,175,764
Investment properties		281,200	316,200
Intangibles assets		172,015	190,676
Investments in associates		21,391	21,271
Investment in a jointly controlled entity		4,322	4,240
Deferred income tax assets		17,766	14,160
Retirement benefit assets		17,276	14,361
Available-for-sale financial assets		263,292	324,052
Non-current prepayments and deposits		236,899	228,369
Financial assets at fair value through profit or loss		29,698	38,392
		2,490,884	2,395,295
Current assets			
Inventories		193,979	170,986
Trade and other receivables	11	91,228	54,333
Prepayments and deposits		83,903	101,534
Financial assets at fair value through profit or loss		37,014	65,902
Cash and cash equivalents		1,212,771	993,333
		1,618,895	1,386,088
Total assets		4,109,779	3,781,383
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		56,560	56,313
Other reserves		851,942	836,259
Retained earnings			
- Proposed dividends		96,231	395,098
- Others		2,271,840	1,778,160
		3,276,573	3,065,830
Non-controlling interests		1,593	1,589
Total equity		3,278,166	3,067,419

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (CONTINUED)
AS AT 30TH SEPTEMBER, 2011

	Note	**As at 30th September, 2011** ***HK$'000*** (Unaudited)	As at 31st March, 2011 *HK$'000* (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		55,760	61,117
Provision for long service payments		14,550	14,249
		70,310	75,366
Current liabilities			
Trade payables	12	200,704	172,413
Other creditors and accrued liabilities		526,009	440,361
Current income tax liabilities		34,590	25,824
		761,303	638,598
Total liabilities		831,613	713,964
Total equity and liabilities		4,109,779	3,781,383
Net current assets		857,592	747,490
Total assets less current liabilities		3,348,476	3,142,785

Notes: -

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th September, 2011 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.

This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st March, 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st March, 2011, as described in those annual financial statements.

Taxation on income in the interim period is accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1st April, 2011 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New or revised standards, interpretations and amendments		
HKFRS 10	Consolidated Financial Statements	1st January, 2013
HKFRS 11	Joint Arrangements	1st January, 2013
HKFRS 12	Disclosure of Interests in Other Entities	1st January, 2013
HKFRS 13	Fair Value Measurement	1st January, 2013
HKAS 19 (2011)	Employee Benefits	1st January, 2013
HKAS 27 (2011)	Separate Financial Statements	1st January, 2013
HKAS 28 (2011)	Investments in Associates and Joint Venture	1st January, 2013
HKAS 1 (Revised)	Presentation of Financial Statements	1st January, 2013
HKAS 19	Employee Benefits	1st January, 2013
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st January, 2013
HKAS 31 (Revised)	Interests in Joint Ventures	1st January, 2013
HKAS 28	Investments in Associates	1st January, 2013
HK(SIC)-Int 12	Consolidation - Special Purpose Entities	1st January, 2013
HK(SIC)-Int 13	Jointly Controlled Entities	1st January, 2013

3 Segment information

The Executive Chairman of the Group reviews the Group's internal reporting in order to allocate resources and to assess the business principally from a geographic perspective including Hong Kong, Mainland China and North America.

The Group is principally engaged in the operation of quick service restaurants, fast casual dining, institutional catering and specialty restaurant chains, and the food processing and distribution business.

In view of the continuing expansion of businesses, the Executive Chairman assesses performance and allocates resources according to the "segment results". As a result, the segment information of the Group for the current period and the comparative figures have been presented to reflect such change as follows:

	Hong Kong *HK$'000* (Unaudited)	Mainland China *HK$'000* (Unaudited)	North America *HK$'000* (Unaudited)	Group *HK$'000* (Unaudited)
Six months ended 30th September, 2011				
Total segment revenue	2,319,242	529,425	105,020	2,953,687
Inter-segment revenue *(Note i)*	(1,597)	(50,861)	-	(52,458)
Revenue (from external revenue) *(Note ii)*	2,317,645	478,564	105,020	2,901,229
Segment results *(Note iii)*	279,728	52,821	8,803	341,352
Depreciation and amortisation	85,067	28,952	8,240	122,259
Finance income	2,644	971	102	3,717
Share of profit/(loss) of associates	952	(32)	342	1,262
Share of loss of a jointly controlled entity	-	(29)	-	(29)
Income tax expense/(credit)	25,495	8,690	(1,026)	33,159

3 Segment information (Continued)

	Hong Kong *HK$'000* (Unaudited)	Mainland China *HK$'000* (Unaudited)	North America *HK$'000* (Unaudited)	Group *HK$'000* (Unaudited)
Six months ended 30th September, 2010				
Total segment revenue	2,151,568	426,121	104,880	2,682,569
Inter-segment revenue *(Note i)*	(2,573)	(47,086)	-	(49,659)
Revenue (from external revenue) *(Note ii)*	2,148,995	379,035	104,880	2,632,910
Segment results *(Note iii)*	310,168	64,648	5,101	379,917
Depreciation and amortisation	73,174	34,183	7,393	114,750
Finance income	4,304	677	60	5,041
Share of profit of associates	1,054	748	-	1,802
Share of loss of a jointly controlled entity	-	(37)	-	(37)
Income tax expense/(credit)	40,274	9,777	(1,949)	48,102

(i) Inter-segment transactions were entered into in the normal course of business.

(ii) The Group has a large number of customers. For the period ended 30th September, 2011, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.

(iii) Reconciliation of total segment results to total profit before income tax is provided as follows:

	Six months ended 30th September, 2011 *HK$'000*	2010 *HK$'000*
Segment results	**341,352**	379,917
Depreciation and amortisation	**(122,259)**	(114,750)
Operating profit	**219,093**	265,167
Finance income	**3,717**	5,041
Share of profit of associates	**1,262**	1,802
Share of loss of a jointly controlled entity	**(29)**	(37)
Profit before income tax	**224,043**	271,973

3 Segment information (Continued)

	Hong Kong *HK$'000* (Unaudited)	Mainland China *HK$'000* (Unaudited)	North America *HK$'000* (Unaudited)	Group *HK$'000* (Unaudited)
As at 30th September, 2011				
Segment assets	2,632,984	841,940	269,809	3,744,733
Segment assets include:				
Investments in associates	2,798	17,050	1,543	21,391
Investment in a jointly controlled entity	-	4,322	-	4,322
Additions to non-current assets (other than financial instruments, deferred tax assets and retirement benefit assets)	330,206	69,678	3,733	403,617
As at 31st March, 2011				
Segment assets	**2,252,421**	**785,993**	**286,102**	**3,324,516**
Segment assets include:				
Investments in associates	1,966	16,730	2,575	21,271
Investment in a jointly controlled entity	-	4,240	-	4,240
Additions to non-current assets (other than financial instruments, deferred tax assets and retirement benefit assets)	268,160	117,654	17,783	403,597

As at 30th September, 2011, the total non-current assets (other than financial instruments, deferred tax assets and retirement benefit assets) located in Hong Kong is HK$1,481,028,000 (As at 31st March, 2011: HK$1,341,176,000), in Mainland China is HK$475,850,000 (As at 31st March, 2011: HK$438,022,000) and in North America is HK$205,974,000 (As at 31st March, 2011: HK$225,132,000).

3 Segment information (Continued)

Reconciliation of total segment assets to total assets is provided as follows:

	30th September, 2011	31st March, 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Total segment assets	**3,744,733**	3,324,516
Deferred income tax assets	**17,766**	14,160
Available-for-sale financial assets	**263,292**	324,052
Financial assets at fair value through profit or loss	**66,712**	104,294
Retirement benefit assets	**17,276**	14,361
Total assets	**4,109,779**	3,781,383

4 Revenue

	Six months ended 30th September,	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of food and beverages	**2,820,730**	2,556,198
Rental income	**20,149**	18,876
Royalty income	**21,282**	20,430
Management and service fee income	**6,495**	5,517
Sundry income	**32,573**	31,889
	2,901,229	2,632,910

5 Other gains, net

	Six months ended 30th September,	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/gain on disposals of financial assets at fair value through profit or loss	**(558)**	1
Gain on disposal of available-for-sales financial assets	**3,249**	6,498
Dividend income from listed investments	**13,585**	14,069
Fair value losses on financial assets at fair value through profit or loss	**(6,001)**	(18)
Gain on disposal of investment properties	**6,142**	-
Others	**(2,601)**	(2,333)
	13,816	18,217

6 Operating profit

The following items have been charged to the operating profit during the interim period:

	Six months ended 30th September,	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of raw materials and consumables used	**962,137**	845,127
Staff costs	**752,748**	643,492
Operating lease rentals in respect of rented premises	**326,102**	293,836
Depreciation of property, plant and equipment	**115,109**	107,855
Amortisation of leasehold land and land use rights	**1,363**	1,099
Amortisation of trademarks and franchise rights	**5,787**	5,796
Loss on disposal of property, plant and equipment	**3,793**	2,917
Provision for impairment of trade and other receivables	**-**	80

7 Finance income

	Six months ended 30th September,	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**3,717**	5,041

8 Income tax expense

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided for at the rate of 16.5% (2010: 16.5%) 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/(credited) to the condensed consolidated income statement represents:

	Six months ended 30th September,	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax:		
- Hong Kong profits tax	**27,782**	39,297
- Overseas taxation	**9,296**	9,428
Deferred income tax relating to the origination and reversal of temporary differences	**(3,919)**	(623)
	33,159	48,102

9 Earnings per share

Basic

Basic earnings 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,	
	2011	2010
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**190,880**	223,884
Weighted average number of ordinary shares in issue *('000)*	**564,432**	560,581
Basic earnings per share *(HK cents per share)*	**33.82 HK cents**	39.94 HK cents

Diluted

Diluted earning per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares are share options. For the share options, a calculation is prepared 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 outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

9 Earnings per share (Continued)

Diluted **(Continued)**

	Six months ended 30th September,	
	2011	2010
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**190,880**	223,884
Weighted average number of ordinary shares in issue *('000)*	**564,432**	560,581
Adjustment for share options *('000)*	**5,145**	5,938
	569,577	566,519
Diluted earnings per share *(HK cents per share)*	**33.51 HK cents**	39.52 HK cents

10 Dividend

	Six months ended 30th September,	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend proposed		
- Interim dividend, 17 HK cents (2010: 17 HK cents) per ordinary share	**96,231**	95,642

The interim dividend were declared on 29th November, 2011. This condensed consolidated interim financial information does not reflect this dividend payable.

11 Trade and other receivables

	30th September, 2011 *HK$'000* **(Unaudited)**	31st March, 2011 *HK$'000* (Audited)
Trade receivables	**38,761**	23,002
Less: provision for impairment of receivables	**(714)**	(718)
Trade receivables - net	**38,047**	22,284
Other receivables	**53,181**	32,049
	91,228	54,333

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 its franchisees.

The ageing analysis of trade receivables is as follows:

	30th September, 2011 *HK$'000* **(Unaudited)**	31st March, 2011 *HK$'000* (Audited)
0 - 30 days	**32,527**	19,123
31 - 60 days	**4,735**	1,838
61 - 90 days	**32**	517
Over 90 days	**1,467**	1,524
	38,761	23,002

12 Trade payables

The ageing analysis of trade payables is as follows:

	30th September, 2011 *HK$'000* **(Unaudited)**	31st March, 2011 *HK$'000* (Audited)
0 - 30 days	**194,591**	162,929
31 - 60 days	**3,194**	4,473
61 - 90 days	**894**	2,629
Over 90 days	**2,025**	2,382
	200,704	172,413

INTERIM DIVIDEND

To continuously return value to our shareholders, the Directors have declared the payment of an interim dividend of 17 HK cents (2010: 17 HK cents) per share in respect of the six months ended 30th September, 2011 payable on 29th December, 2011 to those persons registered as shareholders on 15th December, 2011.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of entitlement to the interim dividend, the Register of Members of the Company will be closed from 15th December, 2011 (Thursday) to 16th December, 2011 (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 14th December, 2011.

HUMAN RESOURCES

As at 30th September, 2011, the Group (other than associated companies and a jointly controlled entity) employed approximately 16,600 employees. Remuneration packages are generally structured by reference to market terms and individual qualifications and experience. With a 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, such as training on operational safety, management skills as well as mentorship program, 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.

To equip for our 5-year plan execution, we have also instituted an Executive Development Program to enhance on the depth and breadth of our management staff for purpose of their future career development.

On employee benefits and welfare side, the Group provides all-round coverage to the employees as well as their families. These programs included medical plan, group life insurance plan, housing scheme, scholarship and education fund for children.

In addition, formalized recreational clubs were organized for our employees through the staff wellness plan, aiming to strike a work-life balance among our employees.

FINANCIAL REVIEW

The Group's financial position, as at 30th September, 2011, continues to be very strong, with a net cash of close to about HK$1.2 billion and available banking facilities of HK$626 million.

As at 30th September, 2011, the Group did not have any external borrowing (31st March, 2011: Nil) and maintained a healthy gearing (being total borrowings over shareholders' funds) of Nil (31st March, 2011: Nil). There has been no material change in contingent liabilities or charges on assets since 31st March, 2011.

As at 30th September, 2011, the Company has given guarantees totaling approximately HK$626 million (31st March, 2011: HK$626 million) 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 mainly denominated in Hong Kong dollars, while those of our North America and PRC subsidiaries and jointly controlled entity 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 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, 2011, 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 four 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.

AUDIT COMMITTEE

The Company has established an audit committee which currently consists of four 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, 2011).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th September, 2011, 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 Ming Shing, Ian and Mr. Hui Tung Wah, Samuel as non-executive directors; Mr. Choi Ngai Min, Michael, Mr. Li Kwok Sing, Aubrey, Mr. Kwok Lam Kwong, Larry and Mr. Look Guy as independent non-executive directors.