大 家 樂 集 團 有 限 公 司

CAFÉ DE CORAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

二 零 零 五 年 中 期 報 告

INTERIM REPORT 2005

CONTENTS

DIRECTORS AND CORPORATE INFORMATION

Board of Directors

Executive Directors
Mr. Chan Yue Kwong, Michael *(Chairman)*
Mr. Lo Hoi Kwong, Sunny *(Managing Director)*
Ms. Lo Pik Ling, Anita
Mr. Lo Tak Shing, Peter

Non-executive Directors
Mr. Lo Tang Seong, Victor
Mr. Lo Hoi Chun
Mr. Hui Tung Wah, Samuel
Mr. Choi Ngai Min, Michael*
Mr. Li Kwok Sing, Aubrey*
Mr. Kwok Lam Kwong, Larry*

* *Independent Non-executive Directors*

Company Secretaries

Ms. Li Oi Chun, Helen
Mr. To Hon Fai, Alfred

Qualified Accountant

Ms. Chung Sau Man, Grace

Registered Office

Canon's Court, 22 Victoria Street
Hamilton, HM12, Bermuda

Head Office

10th Floor, Café de Coral Centre
5 Wo Shui Street, Fo Tan
Shatin, New Territories, Hong Kong

Auditors

Messrs. PricewaterhouseCoopers

Solicitors

Messrs. Johnson Stokes & Master

Principal Bankers

ABN AMRO Bank N.V.
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
The Bank of Tokyo-Mitsubishi Ltd.
BNP Paribas
Calyon Corporate and Investment Bank
China Construction Bank Corporation
Citibank, N.A.
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Mizuho Corporate Bank, Ltd.
Rabobank, B.A.
Standard Chartered Bank (HK) Ltd.
Sumitomo Mitsui Banking Corporation
UFJ Bank Limited
Wing Lung Bank Ltd.

Bermuda Share Registrars

The Bank of Bermuda Limited

Hong Kong Branch Share Registrars

Computershare Hong Kong Investor Services Limited

Website

http://www.cafedecoral.com

HIGHLIGHTS

- The Group's interim profit again registered an encouraging increase of 15% to HK$136 million.

- Our core businesses in Hong Kong recorded sustainable double-digit earnings growth despite rising cost pressures.

- Our aggressive expansion program in Southern China has brought our total number of units to 32 strong.

- The Board of Directors decided on a gratifying interim dividend payout of HK$54 million, representing an increase of close to 35% over that of last year.

- We are now proactively seeking opportunities in expanding our central food processing plant in Southern China and further penetrating our food manufacturing business in other China regions.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited six months ended 30th September, 2005 HK$'000	2004 HK$'000 (As restated)
Turnover	6	**1,609,614**	1,489,582
Cost of sales		**(1,377,782)**	(1,285,217)
Gross profit		**231,832**	204,365
Administrative expenses		**(76,033)**	(65,841)
Other income, net	6	**31,442**	19,087
Operating profit	7	**187,241**	157,611
Finance costs	8	**(2,219)**	(132)
		185,022	157,479
Share of profit/(loss) of			
– Associated companies		**516**	506
– Jointly controlled entities		**(18,540)**	(13,790)
Profit before taxation		**166,998**	144,195
Taxation	9	**(31,407)**	(26,488)
Profit attributable to equity holders of the Company		**135,591**	117,707
Dividends – Interim	10	**54,027**	40,174
Basic earnings per share	11	**25.14 HK cents**	22.02 HK cents
Diluted earnings per share	11	**24.82 HK cents**	21.64 HK cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th September, 2005 HK$'000	Audited 31st March, 2005 HK$'000 (As restated)
ASSETS			
Non-current assets			
Property, plant and equipment	12	**503,957**	509,646
Leasehold land and land use rights	12	**357,350**	360,740
Investments	13	**216,201**	216,533
Intangibles	12	**17,100**	18,452
Investment in associated companies	14	**3,601**	2,205
Investment in jointly controlled entities	15	**91,034**	65,873
Other non-current assets		**414**	828
Deferred tax assets		**5,580**	5,580
		1,195,237	1,179,857
Current assets			
Stocks, at cost		**70,942**	64,728
Prepayments, deposits and other current assets		**183,356**	111,786
Trade and other receivables	16	**42,474**	36,116
Short-term investments	17	**–**	87,488
Financial assets stated at fair value through profit or loss	18	**90,679**	–
Cash and bank balances		**536,290**	524,989
		923,741	825,107
Total assets		**2,118,978**	2,004,964
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**14,762**	14,117
Current liabilities			
Trade creditors	16	**91,038**	73,399
Other creditors and accrued liabilities		**259,563**	215,230
Taxation payable		**35,844**	22,324
		386,445	310,953
Total liabilities		**401,207**	325,070

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

	Note	**Unaudited 30th September, 2005 *HK$'000***	Audited 31st March, 2005 *HK$'000* (As restated)
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	*19*	**54,027**	53,576
Reserves (including interim dividend declared of HK$54,027,000; 31st March, 2005: final dividend proposed of HK$107,967,000)	*21*	**1,663,744**	1,626,318
		1,717,771	1,679,894
Total equity and liabilities		**2,118,978**	2,004,964
Net current assets		**537,296**	514,154
Total assets less current liabilities		**1,732,533**	1,694,011

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Share premium	Capital redemption reserve	Exchange translation reserve	Capital reserve	Contributed surplus	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1st April, 2004, as previously reported	53,119	30,099	152,034	8,795	(2,470)	85,197	1,221,559	1,548,333
Adjustment on amortisation of leasehold land and land use rights upon adoption of HKAS 17 *(Note 2(a))*	–	–	–	–	–	–	5,952	5,952
Balance at 1st April, 2004, as restated	53,119	30,099	152,034	8,795	(2,470)	85,197	1,227,511	1,554,285
Profit for the period	–	–	–	–	–	–	117,707	117,707
Exchange differences arising on consolidation	–	–	–	810	–	–	–	810
Total recognised income for the six months ended 30th September, 2004	–	–	–	810	–	–	117,707	118,517
Issuance of new shares upon exercise of share options	441	12,569	–	–	–	–	–	13,010
Dividends	–	–	–	–	–	–	(131,481)	(131,481)
Balance at 30th September, 2004	53,560	42,668	152,034	9,605	(2,470)	85,197	1,213,737	1,554,331

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital redemption reserve	Exchange translation reserve	Capital reserve	Contributed surplus	Investment reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1st April, 2005, as previously reported	53,576	43,124	152,034	6,864	(2,470)	85,197	–	1,334,747	1,673,072
Adjustment on amortisation of leasehold land and land use rights upon adoption of HKAS 17 *(Note 2(a))*	–	–	–	–	–	–	–	6,822	6,822
Balance at 1st April, 2005, as restated	53,576	43,124	152,034	6,864	(2,470)	85,197	–	1,341,569	1,679,894
Profit for the period	–	–	–	–	–	–	–	135,591	135,591
Exchange differences arising on consolidation	–	–	–	501	–	–	–	–	501
Fair value loss – available for sale financial assets	–	–	–	–	–	–	(3,466)	–	(3,466)
Total recognised income for the six months ended 30th September, 2005	–	–	–	501	–	–	(3,466)	135,591	132,626
Issuance of new shares upon exercise of share options	451	12,853	–	–	–	–	–	–	13,304
Dividends	–	–	–	–	–	–	–	(108,053)	(108,053)
Balance at 30th September, 2005	54,027	55,977	152,034	7,365	(2,470)	85,197	(3,466)	1,369,107	1,717,771

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**241,017**	230,165
Net cash outflow in investing activities	**(133,249)**	(123,372)
Net cash outflow in financing activities	**(96,968)**	(78,603)
Net increase in cash and bank balances	**10,800**	28,190
Effect of foreign exchange rate changes	**501**	(1,504)
Cash and bank balances, beginning of period	**524,989**	473,243
Cash and bank balances, end of period	**536,290**	499,929

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed consolidated financial statements should be read in conjunction with the 2005 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31st March, 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1st January, 2005.

The interim financial statements have been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing these financial statements. The HKFRS standards and interpretations that will be applicable at 31st March, 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in Note 2 below.

2 Changes in accounting policies

(a) Effect of adopting new HKFRS

For the year ending 31st March, 2006, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The comparatives for the financial year ended 31st March, 2005 have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment properties
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31, 33 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

– HKASs 2, 7, 8, 10, 16, 23, 27, 28, 31, 33 and HKAS-Int 15 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

2 Changes in accounting policies *(continued)*

(a) Effect of adopting new HKFRS (continued)

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land and land use rights were accounted for at cost less accumulated depreciation and accumulated impairment. The adoption of revised HKAS 17 resulted in:

(i) Decrease in amortisation of leasehold land and land use rights of HK$6,822,000 prior to 1st April, 2005.

(ii) Reclassification of leasehold land and land use rights from property, plant and equipment as at 30th September, 2005 and 31st March, 2005 amounting to HK$357,350,000 and HK$360,740,000 respectively.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the measurement and classification of short-term investments and held to maturity securities. Short-term investment of approximately HK$90,679,000 is now classified as "Financial Assets at Fair Value through Profit and Loss" while range notes of approximately HK$210,380,000 are now classified as "Available for Sale Financial Assets". Gains and losses arising from change in fair value of "Financial Assets at Fair Value through Profit and Loss" are charged to profit and loss account while gains and losses arising from changes in fair value of "Available for Sale Financial Assets" are charged to investment reserve.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy for investment properties of which the changes in fair values are recorded in the profit and loss account.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities/assets arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. It applies to grants of shares, share options or other equity instruments that were granted after 7th November, 2002 and had not yet vested at the effective date of the HKFRS. As at 30th September, 2005, all the outstanding share options were granted before 7th November, 2002. As a result, this change in accounting policy does not have any material effect to the financial statements.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31st March, 2005, goodwill was:

– Amortised on a straight line basis over a period of 10 to 20 years; and

– Assessed for an indication of impairment at each balance sheet date when indication of impairment existed.

2 Changes in accounting policies *(continued)*

(a) Effect of adopting new HKFRS (continued)

In accordance with the provisions of HKFRS 3 *(Notes 2.5 and 2.6)*:

- The Group ceased amortisation of goodwill from 1st April, 2005;
- Accumulated amortisation as at 31st March, 2005 amounting to HK$246,000 and HK$5,667,000 relating to the goodwill arising from acquisition of a subsidiary and jointly controlled entities, respectively has been eliminated with a corresponding decrease in the cost of goodwill; and
- From the year ending 31st March, 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;
- HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2005 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1st April, 2005;
- HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1st January, 2005, including the reclassification of any amount held in revaluation surplus for investment property;
- HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1st January, 2005;
- HKFRS 2 – only retrospective application for all equity instruments granted after 7th November, 2002 and not vested at 1st January, 2005; and
- HKFRS 3 – prospectively after 1st January, 2005.

2 Changes in accounting policies *(continued)*

(a) Effect of adopting new HKFRS (continued)

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. The adoption of such Standards or Interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 3	Emission Rights
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

(b) New accounting policies

The accounting policies used for the condensed consolidated financial statements for the six months ended 30th September, 2005 are the same as those set out in Note 2 to the 2005 annual financial statements except for the following:

2.1 Acquisition of subsidiaries and associates

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

An investment in an associate is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment, the measurement and recognition of goodwill is the same as that of goodwill arising from the acquisition of subsidiaries. Goodwill relating to an associate is included in the carrying amount of the investment. Appropriate adjustments to the investor's share of the profits or losses after acquisition are made to the account based on their fair values at the date of acquisition.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

2 Changes in accounting policies *(continued)*

(b) New accounting policies (continued)

2.2 Foreign currency translation *(continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 Changes in accounting policies *(continued)*

(b) New accounting policies (continued)

2.3 Property, plant and equipment

Cost may include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.4 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially and its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent liability rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

Changes in fair values are recognised in the profit and loss account.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its costs for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and is stated at costs until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

2 Changes in accounting policies *(continued)*

(b) New accounting policies (continued)

2.5 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of jointly controlled entities and associates is included in investments in jointly controlled entities and associates respectively. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2.6 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.7 Investments

From 1st April, 2004 to 31st March, 2005:

The Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as other investments, short-term investment and held-to-maturity securities.

(i) Other investments

Other investments are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the consolidated profit and loss account. This impairment loss is written back to the consolidated profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

2 Changes in accounting policies *(continued)*

(b) New accounting policies (continued)

2.7 Investments *(continued)*

(ii) Short-term investments

Short-term investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of short-term investments are recognised in the consolidated profit and loss account. Profits or losses on disposal of short-term investments, representing the difference between the net sales proceeds and the carrying amounts are recognised in the consolidated profit and loss account as they arise.

(iii) Held-to-maturity securities

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income expense in the consolidated profit and loss account. Provision is made when there is a diminution in value other than temporary.

The carrying amounts of individual held-to-maturity securities or holdings of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the consolidated profit and loss account as an expense immediately.

From 1st April, 2005 onwards:

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

2 Changes in accounting policies *(continued)*

(b) New accounting policies (continued)

2.7 Investments *(continued)*

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet *(Note 2.9)*.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

2 Changes in accounting policies *(continued)*

(b) New accounting policies (continued)

2.7 Investments *(continued)*

(iv) Available-for-sale financial assets *(continued)*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account – is removed from equity and recognised in the profit and loss account.

2.8 Inventories

Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

2.10 Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3 Financial Risk Management

The principle types of risk inherent in the Group's business are currency risk, interest rate risk, credit risk and liquidity risk.

(a) Currency risk

The Group primarily operates in Hong Kong. As a result, most of the Group's operating activities are denominated in Hong Kong dollars. Foreign exchange risk is arising from operating activities in the People's Republic of China ("PRC") and jointly controlled entities operating in the PRC, Canada and the United States, which does not pose significant risk for the Group.

(b) Interest rate risk

The Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(c) Credit risk

The Group's sales to customers are mainly on a cash basis. The carrying amount of trade and other debtors included in the condensed consolidated balance sheet represents the Group's maximum exposure to credit risk of less than 90 days credit period granted to certain customers of the Group's institutional catering services and food manufacturing businesses.

The Group's historical records showed that over 85% of our trade debtors were aged less than 60 days and there is no significant credit risk to the Group.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The Group continues to maintain a healthy net cash position by keeping credit lines available and to maintain flexibility in future funding.

4 Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.5. The recoverable amounts of cash-generating units have been determined based on value in use calculations.

(b) Estimated impairment of property, plant and equipment

The Group tests whether property, plant and equipment and intangible assets other than goodwill have suffered any impairment when indication of impairment exists in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

4 Critical accounting estimates and judgments *(continued)*

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. The Group recognizes liabilities or anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

(d) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making this judgement, the Group appointed independent professional valuers to perform valuation on the investment properties.

5 Segment information

No segment information is provided as over 90% of the turnover and contribution to the Group's results are attributable to the restaurants and catering services in Hong Kong.

6 Turnover and other income

	Unaudited six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
Sales of food and beverages	**1,596,373**	1,477,038
Rental income	**13,241**	12,544
Total turnover	**1,609,614**	1,489,582
Interest income	**16,924**	8,552
Management and service fee income	**6,554**	3,790
Fair value gains on financial assets stated at fair value through profit or loss	**1,020**	–
Sundry income, net	**6,944**	6,745
Total other income, net	**31,442**	19,087
	1,641,056	1,508,669

7 Operating profit

Operating profit is stated after charging the following:

	Unaudited six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**64,874**	61,418
Amortisation of leasehold land and land use rights	**3,390**	3,968
Amortisation of goodwill	**–**	67
Amortisation of trademarks (including in administrative expenses)	**1,352**	1,352
Loss on disposal of property, plant and equipment	**1,431**	33
Provision for impairment in other investments	**–**	2,523
Provision for impairment of property, plant and equipment	**1,096**	–
Provision for bad debt on other receivables	**1,306**	–
Staff costs	**417,238**	384,218

8 Finance costs

	Unaudited six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
Interest expense on bank loans wholly repayable within 5 years	**2,219**	132

9 Taxation

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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 profit and loss account represents:

	Unaudited six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
		(As restated)
Current taxation:		
– Hong Kong profits tax	**27,113**	21,427
– Overseas taxation	**3,252**	1,726
Deferred taxation relating to the origination and reversal of temporary differences	**1,042**	3,335
	31,407	26,488

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

10 Dividends

	Unaudited six months ended 30th September, 2005 HK$'000	2004 HK$'000
Dividends proposed		
– Interim, 10 HK cents (2004: 7.5 HK cents) per share	**54,027**	40,174

11 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 issued during the period.

	Unaudited six months ended 30th September, 2005 '000	2004 '000
Profit attributable to equity holders of the Company	**HK$135,591**	HK$117,707
Weighted average number of ordinary shares in issue	**539,349**	534,620
Basic earnings per share	**25.14 HK cents**	22.02 HK cents

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.

	Unaudited six months ended 30th September, 2005 '000	2004 '000
Profit attributable to equity holders of the Company	**HK$135,591**	HK$117,707
Weighted average number of ordinary shares in issue	**539,349**	534,620
Adjustments for – share options	**6,873**	9,391
Weighted average number of ordinary shares for diluted earnings per share	**546,222**	544,011
Diluted earnings per share	**24.82 HK cents**	21.64 HK cents

12 Capital expenditure

	Intangible assets		Total intangible assets	Property, plant and equipment	Leasehold land and land use rights	Total
	Goodwill	Trademark				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost						
At 1st April, 2005	1,106	64,694	65,800	1,439,136	437,667	1,942,603
Additions	–	–	–	64,032	–	64,032
Disposals of property, plant and equipment	–	–	–	(19,149)	–	(19,149)
At 30th September, 2005	1,106	64,694	65,800	1,484,019	437,667	1,987,486
Accumulated depreciation/ amortisation						
At 1st April, 2005	–	47,348	47,348	929,490	76,927	1,053,765
Charge for the period	–	1,352	1,352	64,874	3,390	69,616
Disposals of property, plant and equipment	–	–	–	(15,398)	–	(15,398)
Impairment for property, plant and equipment	–	–	–	1,096	–	1,096
At 30th September, 2005	–	48,700	48,700	980,062	80,317	1,109,079
Net book value						
At 30th September, 2005	1,106	15,994	17,100	503,957	357,350	878,407
At 31st March, 2005	1,106	17,346	18,452	509,646	360,740	888,838

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

13 Investments

	Unaudited 30th September, 2005 ***HK$'000***	Audited 31st March, 2005 *HK$'000*
Available-for-sale financial assets:		
– Club debentures	**350**	–
– Unlisted investments	**210,380**	–
	210,730	–
Other investments:		
– Club debentures	**–**	350
– Equity securities listed in Hong Kong	**–**	516
	–	866
Held-to-maturity by security:		
– Debt securities listed overseas at amortised cost	**5,471**	5,490
– Unlisted investment, at amortised cost	**–**	210,177
	5,471	215,667
Total investment	**216,201**	216,533
Quoted market value of listed debt securities	**5,305**	5,365

14 Investment in associated companies

	Unaudited 30th September, 2005 ***HK$'000***	Audited 31st March, 2005 *HK$'000*
Share of net assets	**2,543**	2,145
Due from associated companies	**1,058**	60
	3,601	2,205

The amounts due from the associated companies are unsecured, non-interest bearing and not repayable within the next twelve months.

15 Investment in jointly controlled entities

	Unaudited 30th September, 2005 ***HK$'000***	Audited 31st March, 2005 *HK$'000*
Goodwill on acquisition of jointly controlled entities	**30,867**	30,867
Share of net liabilities	**(29,678)**	(12,067)
Due from jointly controlled entities	**89,845**	47,073
	91,034	65,873

The amounts due from the jointly controlled entities are unsecured, non-interest bearing and not repayable within the next twelve months.

16 Trade receivables and creditors

The Group's sales to customers are mainly on a cash basis. The Group also grants a credit period which is usually less than 90 days to certain customers for the sales of the Group's institutional catering services and food manufacturing businesses.

As at 30th September, 2005, approximately 86% (31st March, 2005: 85%) of the Group's trade receivables were aged less than 60 days and over 99% (31st March, 2005: 98%) of the trade creditors were aged less than 60 days.

17 Short-term investments

	Unaudited 30th September, 2005 ***HK$'000***	Audited 31st March, 2005 *HK$'000*
Equity securities listed in Hong Kong	**–**	132
Unlisted equity securities	**–**	7,795
Investment funds	**–**	79,561
	–	87,488

18 Financial assets stated at fair value through profit or loss

	Unaudited 30th September, 2005 *HK$'000*	Audited 31st March, 2005 *HK$'000*
Equity securities listed in Hong Kong	**1,580**	–
Unlisted equity securities	**7,478**	–
Investment funds	**81,621**	–
	90,679	–

19 Share capital

	Unaudited 30th September, 2005		Audited 31st March, 2005	
	Number of shares *'000*	**Nominal value *HK$'000***	Number of shares *'000*	Nominal Value *HK$'000*
Authorised				
Ordinary shares of HK$0.10 each				
Beginning and end of period/year	**1,000,000**	**100,000**	1,000,000	100,000
Issued and fully paid				
Beginning of period/year	**535,764**	**53,576**	531,194	53,119
Shares issued under share option scheme *(Note 20)*	**4,510**	**451**	4,570	457
End of period/year	**540,274**	**54,027**	535,764	53,576

20 Share options

Pursuant to a share option scheme adopted by the Company on 30th January, 1991 (the "Previous Scheme"), the Company has granted certain options to executives and employees of the Group, including executive directors employed by the Group, to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. The Previous Scheme was terminated upon the passing of a shareholders resolution for adoption of another share option scheme on 19th September, 2000 (the "Scheme"). Accordingly, no options can be granted under the Previous Scheme as at the date of this report. However, for the outstanding options granted and yet to be exercised under the Previous Scheme, the existing rights of the grantees are not affected. No share options had been granted under the Scheme since its adoption.

20 Share options *(continued)*

On 24th September, 2003, the Scheme was terminated upon the passing of a shareholders' resolution for adoption of a new share option scheme (the "New Scheme"). Pursuant to the New Scheme, the Company may grant options to executive and non-executive directors, employees, suppliers and customers of the Group and consultants, advisors, managers, officers and corporations that provided research, development or other technical support to the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. As at 30th September, 2005, no options have been granted under the New Scheme.

For options granted under the Previous Scheme, the exercise price in relation to each option was determined by the board of directors of the Company, but in any event would be the higher of (i) the nominal value of the shares of the Company or (ii) an amount which is not less than 80% nor more than 100% of the average of the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited daily quotations sheets for the 5 business days immediately preceding the date of offer of the option.

For options granted under the Previous Scheme, the exercisable period and the vesting period of the options are determined by the directors and the options expire at the end of a 5-year period after the options become exercisable.

(a) Movements in share options

	Unaudited 30th September, 2005	Audited 31st March, 2005
Beginning of period/year	**14,890,000**	19,640,000
Exercised *(Note (b))*	**(4,510,000)**	(4,570,000)
Cancelled upon termination of employment	**(40,000)**	(180,000)
End of period/year *(Note (c))*	**10,340,000**	14,890,000
Options vested *(Note (c))*	**810,000**	760,000

20 Share options *(continued)*

(b) Details of share options exercised during the period/year:

Exercise date	Exercise price	Market value per share at exercise date	Unaudited 30th September, 2005 Proceeds received	Number of options	Audited 31st March, 2005 Proceeds received	Number of options
	HK$	*HK$*	***HK$'000***		*HK$'000*	
1-30th April, 2004	2.950	7.400-7.900			8,903	3,018,000
3-31st May, 2004	2.950	6.000-7.250			1,245	422,000
2-24th June, 2004	2.950	7.200-7.250			354	120,000
5-26th July, 2004	2.950	7.650-8.250			354	120,000
2-30th August, 2004	2.950	8.400-9.050			384	130,000
1-24th September, 2004	2.950	8.100-9.050			1,770	600,000
12th October, 2004	2.950	8.300			147	50,000
31st December, 2004	2.950	9.000			295	100,000
25th February, 2005	2.950	8.750			30	10,000
1-28th April, 2005	2.950	8.350-8.850	**8,614**	**2,920,000**		
3-27th May, 2005	2.950	8.400-9.200	**1,652**	**560,000**		
1-28th June, 2005	2.950	8.850-9.150	**1,445**	**490,000**		
7-25th July, 2005	2.950	8.600-8.850	**826**	**280,000**		
12-31st August, 2005	2.950	8.500-8.750	**413**	**140,000**		
5-26th September, 2005	2.950	8.700-8.900	**354**	**120,000**		
			13,304	**4,510,000**	13,482	4,570,000

(c) Details of outstanding share options as at 30th September, 2005:

Grant date	Exercise period	Exercise price	Unaudited 30th September, 2005 Number of options outstanding	Number of options vested	Audited 31st March, 2005 Number of options outstanding	Number of options vested
		HK$				
4th November, 1999	1st April, 2003 to 31st March, 2013	2.950	**10,340,000**	**810,000**	14,890,000	760,000

21 Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange translation reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Investment reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st April, 2004, as previously reported	30,099	152,034	8,795	(2,470)	85,197	–	1,221,559	1,495,214
Adjustment on amortisation of leasehold land and land use rights upon adoption of HKAS 17 *(Note 2(a))*	–	–	–	–	–	–	5,952	5,952
At 1st April, 2004, as restated	30,099	152,034	8,795	(2,470)	85,197	–	1,227,511	1,501,166
Premium on shares issued upon exercise of share options	12,569	–	–	–	–	–	–	12,569
Exchange differences arising on consolidation	–	–	810	–	–	–	–	810
Profit attributable to equity holders of the Company	–	–	–	–	–	–	117,707	117,707
Dividends	–	–	–	–	–	–	(131,481)	(131,481)
At 30th September, 2004	42,668	152,034	9,605	(2,470)	85,197	–	1,213,737	1,500,771
At 1st April, 2005, as previously reported	43,124	152,034	6,864	(2,470)	85,197	–	1,334,747	1,619,496
Adjustment on amortisation of leasehold land and land use rights upon adoption of HKAS 17 *(Note 2(a))*	–	–	–	–	–	–	6,822	6,822
At 1st April, 2005, as restated	43,124	152,034	6,864	(2,470)	85,197	–	1,341,569	1,626,318
Representing:								
2005 final dividend proposed								107,967
Reserves								1,518,351
								1,626,318
Premium on shares issued upon exercise of share options	12,853	–	–	–	–	–	–	12,853
Fair value loss, – available for sale financial assets	–	–	–	–	–	(3,466)	–	(3,466)
Exchange differences arising on consolidation	–	–	501	–	–	–	–	501
Profit attributable to equity holders of the Company	–	–	–	–	–	–	135,591	135,591
Dividends	–	–	–	–	–	–	(108,053)	(108,053)
At 30th September, 2005	55,977	152,034	7,365	(2,470)	85,197	(3,466)	1,369,107	1,663,744
Representing:								
2005 interim dividend proposed								54,027
Reserves								1,609,717
								1,663,744

22 Commitments and contingent liabilities

(a) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Unaudited 30th September, 2005	Audited 31st March, 2005
	HK$'000	*HK$'000*
Land and buildings		
– Not later than one year	**262,950**	279,501
– Later than one year and not later than five years	**270,115**	329,049
– Later than five years	**23,789**	26,374
	556,854	634,924

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rentals payable, if any, when turnover of individual restaurants exceeds a pre-determined level as it is not possible to determine in advance the amount of such additional rentals.

(b) Capital commitments

	Unaudited 30th September, 2005	Audited 31st March, 2005
	HK$'000	*HK$'000*
Acquisition of property, plant and equipment		
Contracted but not provided for	**9,841**	3,773
Authorised but not contracted for	**93,603**	125,013
	103,444	128,786

(c) Guarantees

As at 30th September, 2005, the Company has given guarantees to financial institutions in connection with the total banking facilities granted to its subsidiaries amounting to HK$836,000,000 (31st March, 2005: HK$836,000,000). In addition, the Group has also given guarantee in respect of the outstanding loans drawn by certain jointly controlled entities amounting to HK$39,358,000 (31st March, 2005: HK$64,347,000). The Group's interests in the issued shares of the jointly controlled entities are pledged as securities against the bank loans of the jointly controlled entities.

23 Related parties transactions

(a) Transactions with related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Particulars of significant transactions between the Group and related parties are summarised as follows:

	Unaudited six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
Operating lease rentals paid to related parties:		
– Tinway Investments Limited *(Note (a))*	**828**	828
– LBK Holding Corporation *(Note (b))*	**450**	540
	1,278	1,368

(a) Tinway Investments Limited is a company jointly owned by Ms. Lo Pik Ling, Anita, a director of the Company, an associate of Mr. Chan Yue Kwong, Michael, the Chairman of the Company and Ardley Enterprises Limited, a company wholly and beneficially owned by the family members of Mr. Lo Hoi Kwong, Sunny, a director of the Company.

(b) LBK Holding Corporation is controlled by the associates of Mr. Lo Hoi Chun, a non-executive director of the Company.

In the opinion of the Company's directors and the Group's management, the above transactions were carried out in the normal course of business and in accordance with the terms of the contracts entered into by the Group and the related parties.

(b) Key management compensation

	Unaudited six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
Salaries and allowances	**3,107**	2,960
Others	**8,023**	4,741
	11,130	7,701

24 Events after the balance sheet date

On 16th September, 2005, the Group entered into an agreement with Ken Fowler Enterprises Limited ("KFE") for acquiring KFE's interest in Manchu Wok Enterprises, Inc ("MWEI") and Manchu Wok Enterprises II, Inc ("MWEII") (collectively, "Manchu Wok") for a price based on the terms of the agreement. In addition, arrangement was made by MWEI for acquiring the interests held by the management staff of MWEI in MWEI. Prior to the transaction, MWEI and MWEII are jointly controlled entities of the Group. As at 30th September, 2005, the Group had 48.76% interests in MWEI and 50% interest in MWEII. The acquisition and the aforesaid arrangement were completed on 25th October, 2005 and Manchu Wok had become wholly owned subsidiaries of the Group since then.

25 Approval of interim financial statements

These interim financial statements were approved by the Board of Directors on 6th December, 2005.

I am glad to report that the Group registered another gratifying year of interim results with profit attributable to shareholders recording an encouraging increase of 15% as compared to the corresponding period in last year to HK$136 million. Turnover for the six months' periods grew by 8% to HK$1.61 billion.

In recognition of the long term support by our shareholders, I recommended to the Board to consider repatriating a significant interim dividend of 10 cents per share to our shareholders, with a total payout of HK$54 million. Such amount represents a substantial increase of close to 35% over that of last year and reflects our continuous policy in returning an increasing portion of our earnings.

Sustainable Growth in Hong Kong

In the months under review, we have been able to forge ahead continuously with our core businesses growth in Hong Kong, in particular, at both of our ***Café de Coral*** and ***The Spaghetti House***. As I reported to you in my previous annual report, while we are watching out very closely the general rise in business cost in the local market, the Group is well positioned to sail through the cost pressure by implementing various business imperatives to enhance profitability.

As attested by our business results, we are excited to see the fruits of our strategic business imperatives initiated a few years ago back, which include (1) building on local branding power; (2) continuous efforts in product improvement; (3) leading the pack in new shop design format; (4) vigorous business technology re-engineering; and (5) steadily unlocking the vast potentials of our overseas markets. Other than the core businesses, our newly established student catering business, ***Luncheon Star***, also witnessed a steady business growth ever since its pilot entry into the school catering sector some years ago. This business unit has now become a recognized market leader in the sector and contributes meaningfully to the Group's profit. At the same time, our ***Scanfoods*** food processing and distribution business, with a strong client base in the Hong Kong market and an expanding business presence in the Pearl River Delta, is ready to take a further step to penetrate to other regions in the Greater China market.

Expansion Drive in China

Continuing our expansion initiative in the China market, we have embarked on an aggressive branch development program in Southern China during the period under review. As of today, we have brought the total number of stores in this region to 22, significantly adding 7 new stores from last year. Over the years, the Group has built up a resourceful management team with valuable experience operating in the region. I am glad to report that our ***Café de Coral*** in Southern China continued to grow as planned, and we are committed in tapping the huge potential of this fast growing market.

On another front, while focusing on expanding its clientele in Hong Kong, ***Asia Pacific Catering*** has also widened its business platform by securing 5 more catering contracts in Southern China, making the total number of catering units in Southern China to 10 units.

In Eastern China, the business performance of our 50% stake in the 75-store restaurant chain of ***New Asia Dabao*** was gradually improving after adopting a series of value-added business improvement initiatives. We recognize that we are still going through the initial pain of fine-tuning our business model in this geographical region. However, we remain convinced that ***New Asia Dabao*** will present to us a valuable platform for our future business development in Eastern China region. With the full implementation of all these improvement initiatives to all the stores, we expect this business chain could also generate meaningful profit in the near future.

Capturing Opportunities in North America

Across the Ocean, we have reached an agreement with our overseas partner for acquiring their interest in ***Manchu Wok***, details of which was announced by the Company in September, 2005. As of today, the acquisition has completed and ***Manchu Wok Group*** has now become our wholly-owned operating arm in North America. We have already implemented various strategies to aim at a business turnaround, which would entail financial restructuring, improving the corporate store performance, minimizing our foreign currency exposure and reducing office overheads. With the successful implementation of all these business strategies together with a sustainable royalty income stream from our franchisees, we are confident of a meaningful business improvement in the upcoming fiscal year.

Past Recognition & Future Opportunities

I am also glad to report that the Group, for the sixth year, was once again being selected as one of the ***"Asia's Best Performing Small Capitalization Company"*** by ***Forbes Asia***.

While focusing on our existing businesses, we always remind ourselves for constantly enhancing value to our shareholders. We are now proactively looking for opportunities to further diversify our food manufacturing business in other parts of China and at the same time to expand our central food processing plant to support our fast growing business in Southern China. If these initiatives materialize, not only our operating cost structure will be further improved, but would also open up another new avenue of growth in the packaged food arena.

Despite the highly competitive business environment, the Group continues to lead the pack in the marketplace. In the second half of the year, we are confident that the solid foundation we are currently building will all be for the best interest of the Group, and our shareholders will continue to enjoy the fruits of our various growth initiatives for many years to come.

INTERIM DIVIDEND

In acknowledging continuous supports from our shareholders, the Directors have declared the payment of an interim dividend of 10 HK cents (2004: 7.5 HK cents) per share in respect of the year ending 31st March, 2006, payable on 11th January, 2006 to those persons registered as shareholders on 3rd January, 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 3rd January, 2006 (Tuesday) to 4th January, 2006 (Wednesday), 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 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 30th December, 2005 (Friday).

FINANCIAL REVIEW

The Group's financial position, as at 30th September, 2005, continues to be very strong, with a net cash of close to about HK$536 million and available banking facilities of HK$836 million.

As at 30th September, 2005, the Group did not have any external borrowing (31st March, 2005: Nil) and maintained a healthy gearing (being total borrowings over shareholders' funds) of Nil (31st March, 2005: Nil). There has been no material change in contingent liabilities or charges on assets since 31st March, 2005.

As at 30th September, 2005, the Company has given guarantees to financial institutions approximately HK$836,000,000 (31st March, 2005: HK$836,000,000) in connection with the total banking facilities granted to its subsidiaries. In addition, the Group has also given guarantees of approximately HK$39,358,000 (31st March, 2005: HK$64,347,000) in respect of the outstanding loans drawn by certain jointly controlled entities.

Regarding foreign exchange fluctuations, the Group earned revenue and incurred costs and expenses mainly in Hong Kong dollars, while those of our North America and PRC 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.

HUMAN RESOURCES

As at 30th September, 2005, the Group (other than associated companies and jointly controlled entities) employed approximately 11,000 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September, 2005, the interests of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Interests in Shares and Underlying Shares of the Company

		Number of ordinary shares (long position)						
Director	Note	Personal interests	Family interests	Corporate interests	Trusts and similar interests	Equity derivatives *(Note (g))*	Total interests	% of total issued Shares
Mr. Lo Hoi Kwong, Sunny	*(a) & (b)*	3,570,000	–	–	88,539,394	1,050,000	93,159,394	17.24%
Mr. Lo Tak Shing, Peter	*(c)*	70,000	–	–	87,626,213	210,000	87,906,213	16.27%
Mr. Lo Hoi Chun	*(d)*	132,000	–	–	67,880,834	–	68,012,834	12.59%
Ms. Lo Pik Ling, Anita	*(a)*	8,936,339	–	–	51,156,000	400,000	60,492,339	11.20%
Mr. Chan Yue Kwong, Michael	*(a) & (e)*	4,021,407	1,189,400	–	51,156,000	600,000	56,966,807	10.54%
Mr. Li Kwok Sing, Aubrey	*(f)*	55,000	–	–	–	–	55,000	0.01%
Mr. Hui Tung Wah, Samuel		25,837	–	–	–	–	25,837	0.01%
Mr. Lo Tang Seong, Victor		–	–	–	–	–	–	–
Mr. Choi Ngai Min, Michael		–	–	–	–	–	–	–
Mr. Kwok Lam Kwong, Larry		–	–	–	–	–	–	–

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Notes:

(a) 51,156,000 shares were held under a family trust of which Mr. Lo Hoi Kwong, Sunny, Ms. Lo Pik Ling, Anita and the associate of Mr. Chan Yue Kwong, Michael were beneficiaries.

(b) Mr. Lo Hoi Kwong, Sunny was deemed to be interested in 37,383,394 shares held under a family trust in the capacity of founder.

(c) These shares were held by Wandels Investment Limited ("Wandels"). Wandels was 50% owned by Sky Bright International Limited ("Sky Bright") and 50% owned by Verdant Success Holdings Limited ("Verdant Success"). Both of Sky Bright and Verdant Success were wholly-owned subsidiaries of Royal Bank of Canada Trustees Limited which was the trustee of two discretionary family trusts. Mr. Lo Tak Shing, Peter was deemed to be interested by virtue of being beneficiary of one of the family trusts.

(d) 31,911,701 shares were held under a family trust of which Mr. Lo Hoi Chun and his associates were beneficiaries. 35,969,133 shares were held under a family trust of which Mr. Lo Hoi Chun was the founder and associates of Mr. Lo Hoi Chun were beneficiaries.

(e) Mr. Chan Yue Kwong, Michael was deemed to be interested in 1,189,400 shares through interests of his associates.

(f) These shares were held by Mr. Li Kwok Sing, Aubrey jointly with his spouse.

(g) These represented interests of options granted to Directors under a share option scheme to subscribe for shares of the Company, further details of which are set out in the section "Share Option Schemes".

All interests in the shares and underlying shares of equity derivatives of the Company are long positions. None of the Directors held any short position in the shares, underlying shares of equity derivatives or debentures of the Company.

Save as disclosed above and other than certain nominee shares in subsidiaries held by the Directors in trust for the Company, none of the Directors or their respective associates had any interest or short position in any shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporations within the meaning of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th September, 2005, the interests and short positions of every persons, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

		Number of ordinary shares (long position)					
Name of shareholder	*Note*	**Personal interests**	**Family interests**	**Corporate interests**	**Trusts and similar interests**	**Total interests**	**% of total issued shares**
GZ Trust Corporation	*(a)*	–	–	–	119,036,834	119,036,834	22.03%
Wandels Investment Limited	*(b)*	–	–	–	87,626,213	87,626,213	16.22%
Sky Bright International Limited	*(b)*	–	–	–	87,626,213	87,626,213	16.22%
Verdant Success Holdings Limited	*(b)*	–	–	–	87,626,213	87,626,213	16.22%
Royal Bank of Canada Trustees Limited	*(b)*	–	–	–	87,626,213	87,626,213	16.22%
Mr. Lo Wong Mei Mui	*(c)*	–	–	–	67,880,834	67,880,834	12.56%
Mr. Man Tak Wah	*(d)*	–	60,492,339	–	–	60,492,339	11.20%
NKY Holding Corporation	*(e)*	–	–	–	51,156,000	51,156,000	9.47%
Ms. Tso Po Ping	*(f)*	–	42,003,394	–	–	42,003,394	7.77%
Ardley Enterprises Limited	*(g)*	–	–	–	37,383,394	37,383,394	6.92%
Ms. Man Bo King	*(h)*	–	36,101,133	–	–	36,101,133	6.68%
LBK Holding Corporation	*(i)*	–	–	–	35,969,133	35,969,133	6.66%
MMW Holding Corporation	*(j)*	–	–	–	31,911,701	31,911,701	5.91%

Notes:

(a) GZ Trust Corporation was deemed to be interested in the capacity of trustee.

(b) These interests were held by Wandels Investment Limited ("Wandels"). Wandels was 50% owned by Sky Bright International Limited ("Sky Bright") and 50% owned by Verdant Success Holdings Limited ("Verdant Success"). Both of Sky Bright and Verdant Success were wholly-owned subsidiaries of Royal Bank of Canada Trustees Limited which was the trustee of two discretionary family trusts. Mr. Lo Tak Shing, Peter, being a director of the Company, is also deemed to be interested by virtue of his being beneficiary of one of the family trusts.

(c) Ms. Lo Wong Mei Mui was deemed to be interested in the capacity of trustee. These interests were the aggregate of the interests disclosed in Notes (i) and (j) below.

(d) Mr. Man Tak Wah was deemed to be interested through the interests of his spouse, Mr. Lo Pik Ling, Anita (of which 400,000 shares were interests in underlying shares).

(e) These interests were held by NKY Holding Corporation in the capacity of trustee. These interests represented part of the interests held by GZ Trust Corporation and disclosed in Note (a) above.

(f) Ms. Tso Po Ping was deemed to be interested in these shares through the interests of her spouse, Mr. Lo Hoi Kwong, Sunny (of which 1,050,000 shares were interests in underlying shares).

(g) These interests were held by Ardley Enterprises Limited in the capacity of trustee. These interests represented part of the interests of Mr. Lo Hoi Kwong, Sunny, being a director of the Company.

(h) Ms. Man Bo King was deemed to be interested in these shares through the interests of her spouse, Mr. Lo Hoi Chun.

(i) These interests were held by LBK Holding Corporation in the capacity of trustee. These interests represented part of the interests held by GZ Trust Corporation and disclosed in Note (a) above.

(j) These interests were held by MMW Holding Corporation in the capacity of trustee. These interests represented part of the interests held by GZ Trust Corporation and disclosed in Note (a) above.

All interests in the shares and underlying shares of equity derivatives of the Company held by the above persons are long positions.

Save as disclosed above, as at 30th September, 2005, the Directors are not aware of any other persons (other than a Director or chief executive of the Company) who have interests or short positions in the shares, underlying shares of equity derivatives of the Company which would be required to be disclosed to the Company pursuant to Part XV of the SFO.

SHARE OPTION SCHEMES

Pursuant to a share option scheme adopted by the Company on 30th January, 1991 (the "Previous Scheme"), the Company has granted certain options to executives and employees of the Group including executive directors employed by the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. The Previous Scheme was terminated upon the passing of a shareholders' resolution for adoption of another share option scheme on 19th September, 2000 (the "Scheme"). Accordingly, no options can be granted under the Previous Scheme as at the date of this report. However, for the outstanding options granted and yet to be exercised under the Previous Scheme, the existing rights of the grantees are not affected. No options had been granted under the Scheme since its adoption.

On 24th September, 2003, the Scheme was terminated upon the passing of a shareholders' resolution for adoption of a new share option scheme (the "New Scheme"). Pursuant to the New Scheme, the Company may grant options to executive and non-executive directors, employees, suppliers and customers of the Group and consultants, advisors, managers, officers and corporations that provided research, development or other technical support to the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. As at 30th September, 2005, no options have been granted under the New Scheme.

Details of the share options outstanding as at 30th September, 2005 which have been granted under the Previous Scheme are as follows:

Type of grantees	*Note*	**Options outstanding at 1st April, 2005**	**Options exercised during the period**	**Options lapsed on expiry**	**Options cancelled upon termination of employment**	**Options outstanding at 30th September, 2005**
Executive Directors						
Mr. Chan Yue Kwong, Michael	*(i)*	900,000	(300,000)	–	–	600,000
Mr. Lo Hoi Kwong, Sunny	*(i)*	1,500,000	(450,000)	–	–	1,050,000
Ms. Lo Pik Ling, Anita		400,000	–	–	–	400,000
Mr. Lo Tak Shing, Peter	*(i)*	280,000	(70,000)	–	–	210,000
Continuous contract employees	*(ii)*	11,810,000	(3,690,000)	–	(40,000)	8,080,000
		14,890,000	(4,510,000)	–	(40,000)	10,340,000

SHARE OPTION SCHEMES *(continued)*

Notes:

(i) For the category of "Executive Directors", the weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised during the period was HK$8.62.

(ii) For the category of "Continuous contract employees", the weighted average closing price of the Company's share immediately before the dates on which the share options were exercised during the period was HK$8.78.

The above share options were granted on 4th November, 1999 and are exercisable at HK$2.95 per share. The holders of share options may exercise the share options during the period from 1st April, 2003 to 31st March, 2013.

Save as disclosed above, no share options were granted, exercised, lapsed or cancelled during the period.

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

During the six months ended 30th September, 2005, the Company has complied with the provisions of the Code on Corporate Governance Practices (the "Code Provisions") as set out in Appendix 14 of the Listing Rules, except for the Code Provision C.2 on internal controls (which is applicable to the accounting periods commencing on or after 1st July, 2005) and the following deviations:

Code Provision A.2.1

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 balance of power and safeguards in place.

Code Provision A.4.2

Prior to the amendment of the Company's Bye-laws at the last annual general meeting held on 22nd September, 2005, directors were not required to retire by rotation at least once every three years. Further, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting, and shall then be eligible for re-election. At the Annual General Meeting of the Company held on 22nd September, 2005, amendments to the Company's Bye-laws were approved by the Company's shareholders pursuant to which (i) any director who is appointed to fill a casual vacancy shall hold office until the next following general meeting; (ii) subject to the applicable laws in Bermuda, every Director should retire by rotation in such manner as required under the Listing Rules and other applicable rules and regulation. Mr. Chan Yue Kwong, Michael and Mr. Lo Hoi Kwong, Sunny, being the executive Chairman and Managing Director of the Company have waived their rights under the applicable laws in Bermuda and agreed to subject to retirement by rotation at the Company's 2006 annual general meeting.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES UNDER APPENDIX 14 OF THE LISTING RULES *(continued)*

Other than the above, the Company has also performed the following in furtherance to those corporate governance principles and practices as set out under the Code Provisions during the six months ended 30th September, 2005:

1. The Board has reviewed and revised the terms of reference for each of the Audit Committee and Remuneration Committee to accommodate the relevant code provisions of Appendix 14 of the Listing Rules;

2. Written terms of reference has been established for the other Board committees.

3. Written procedure has been established for directors to seek independent professional advice at the Company's expense.

4. Written guidelines for dealing in the Company's securities by the relevant employees were established on terms no less exacting than the Model Code as set out in Appendix 10 of the Listing Rules. Such written guidelines will be issued to the relevant employees when occasion warrants.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the directors (the "Code"). The Company, having made specific enquiry of all Directors, confirms that its Directors had complied with the required standard set out in the Code during the six months ended 30th September, 2005.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th September, 2005, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

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, 2005).

By order of the Board
Chan Yue Kwong, Michael
Chairman

Hong Kong, 6th December, 2005

大 家 樂 集 團 有 限 公 司

CAFÉ DE CORAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)