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, 2010

HIGHLIGHTS

- **Record high of 37 new operating units in 6 months.**
- **Overall sales increased by 10%.**
- **Profit growth is modest as margin was eroded by surging food cost.**
- **Multi-brand strategy in our western restaurants developing into a sizable 61 units platform.**
- **A scalable business model of 79 Café de Coral units in China market.**
- **Our PRC business platform posted profit growth close to 20%.**
- **Uninterrupted and consistent dividend payment for the 24th consecutive year since listing.**

CHAIRMAN'S STATEMENT

The period under review was mixed with strategic and operational challenges to the Group.

With the gradual recovery of the global economy, in particular, the substantial increase in assets price boosted up by influx of capital, we witnessed an improved market sentiment. However, we also noted that only a minority of the public benefited from the increase in assets price while most of them were faced with rising costs of living, constraining the local spending sentiment.

Under the onslaught of the inflationary environment, the Group has been confronting the rising raw materials costs and other operational overheads. Facing these challenges, we have adopted a variety of measures, be it strategic, operational or geographical, all aiming to enhance our business effectiveness and competitiveness over the longer term.

The half year under review has witnessed a record-high of 37 shop openings within 6 months, whose profit contribution might not be immediately reflected within the period. A modest result was therefore posted with only a low single digit interim profit growth performance, of half year profit remaining at HK$224 million, while the revenue achieving a 10% increase to HK$2.63 billion for the six months ended 30th September, 2010.

To continuously return value to our shareholders, the Board resolved to distribute an interim dividend of 17 HK cents per share to shareholders whose names appear on the register of members of the Company on 16th December, 2010, representing an uninterrupted and consistent dividend payment for the 24 consecutive years since our public listing.

Hong Kong Business Platform

In the period under review, the same store sales performance of our **Café de Coral** fast food was flat as compared with the same period of last year. Such performance was mainly due to our conservative pricing strategy in face of constrained local spending sentiment, on the one hand and escalating food cost on the other. Being fully aware of these predicaments, we have been positively confronting these by implementing various strategic initiatives on different fronts, such as on-going application of automation initiative in the front line, productivity enhancement in our central processing function to enhance business efficiency, and adoption of an extensive global sourcing policy to contain the raw material cost pressures.

We anticipate that the forthcoming operating environment would present a temporary challenge to the business performance of the Group in the coming year. However, the Group is confident to take advantage of these challenges and to turn crisis into business opportunity, when the whole catering industry may have to go through a consolidation phase.

Meanwhile, the Group continues to pursue its multi-branding development initiative. Our **Super Super Congee & Noodles** becomes another sizeable quick service restaurant platform with 19 outlets as of today, contributing meaningful profits to the Group. On another front, our casual restaurant chains, under our "**360 Series**" and "**Oliver's Super Sandwiches**", have also stepped up their pace of development with strong same store sales growth. Other than the organic growth initiative, our recent successful acquisition of the "**MIX**" chain of lifestyle restaurants also reinforced our confidence in further merger and acquisition. As the market of casual dining for healthy and nutritional lifestyle is developing rapidly, we will continue to meet the demand of this expanding market. As of today, we have developed a sizeable platform of 61 units in our mid-priced western casual restaurant sector, establishing a solid presence in this market segment.

Furthermore, apart from its traditional clientele from educational and hospital sectors, our institutional catering business, **Asia Pacific Catering**, has also been able to branch out its business into commercial sector with a new list of internationally renowned clients, such as Dragonair and Hong Kong Disneyland, being recently added to our client base.

PRC Business Platform

Our PRC development platform is another key sustainable business growth driver of the Group, with a total of 79 **Café de Coral** outlets as of today, spreading over the major cities in the Pearl River Delta Region and the Yangtze River Delta Region.

After years of development, our **Café de Coral** in PRC has not only established a sizeable business platform but has become a meaningful profit contributor to the Group. Together with the contribution from other business units in PRC, our China business achieved a solid profit increase of close to 20% against same period last year.

In Southern China, a total of 8 new outlets were added into our store portfolio during the period under review. The slower pace of development during the first half of the year is the result of meeting more stringent standards and practices in site-selection process, aiming to improve the success rate for new stores, thereby enhancing the profitability of the stores as a whole. For that matter, the profit contribution in our Southern China stores was most encouraging. We are confident that our pace of development in the region will soon pick up again through the accumulated experience in site-selection process. We are committed to our China business platform and heading firmly towards the vision of 200 outlets in Southern China by 2014.

Other than our quick service restaurants, we also introduced, The **Spaghetti House**, to capture the ever-growing consumer demand arising from middle class market in PRC. As of today, there is a total of 7 outlets in the first tier cities in the Southern China region, where we believe this concept is ready to expand and establish a stronger presence in the years to come.

Turning to the production logistics, I would like to update on the construction progress of our new food processing plant in Guangzhou, PRC. With a budgeted capital expenditure of RMB150 million and a gross floor area of 36,000 square meters, the new food processing plant would be equipped with state-of-the-art automated production facilities to enhance its production efficiency, satisfying the daily demand of 300 outlets. Trial run of the production facilities is expected by the end of this calendar year. The new food processing plant, as per my earlier report, will undoubtedly play a pivotal role in logistic support for our rapid expansion in the Southern China region, which certainly require substantial enhancement in business efficiency, production capacity and staff training.

North America Business Platform

Across the Ocean as reported earlier, **Manchu WOK** is now able to shift gear from its consolidation phase some 3 years ago to a growth mode with an aim to increase our scale of operation in this market. Our strategy of developing stores at non-traditional locations has proven to be a success, where we have been able to rebuild our brand image by establishing a solid presence in airports, campuses and military bases. In addition, our efforts in redefining shop design prototype bore fruit, which was evidenced by the recent award of the coveted Canadian Maple Leaf Silver Award from the International Council of Shopping Centers for excellence in retail design. Due to unfavourable sales and construction delay of a handful of corporate stores located in the United States, no substantial improvement can be reported for the period under review. Nevertheless, we are confident that our **Manchu WOK** has now evolved into a scalable business model of future growth.

Looking Ahead

Climbing food prices, excessive liquidity and rising wages are expected to push consumer inflation which certainly poses formidable challenges to the local catering industry. We understand that we have to proactively embrace these challenges by adopting various initiatives to balance the interests of our different stakeholders. We also reckon that all these operating pressures would ultimately translate into motivating factors on business productivity. It will ultimately upgrade the overall management's quality of the catering industry as a whole, raise the bar on an optimum business model, and enhance operating efficiency of the individual operator. After all, we all need to compete for the survival of the fittest.

Despite our long term optimism, one word of caution though is our immediate concern over the multiple cost challenges and industry consolidation in the catering sector, which would call for our watchfulness on the market dynamics and the associated business model adjustments. We are fully aware that none of the above strategy would have been achieved without the dedication of our 16,000 staff force, to whom we are most indebted throughout the past 24 years since our public listing.

By order of the Board
Chan Yue Kwong, Michael
Chairman

Hong Kong, 29th November, 2010

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2010

	Note	Six months ended 30th September, 2010 HK$'000	2009 HK$'000
Revenue	**4**	**2,632,910**	**2,386,171**
Cost of sales		(2,253,258)	(2,014,005)
Gross profit		379,652	372,166
Administrative expenses		(132,702)	(126,918)
Other gains, net	5	18,217	15,990
Operating profit	**6**	**265,167**	**261,238**
Finance income	7	5,041	3,115
Share of profit/(loss) of			
- Associates		1,802	1,078
- Jointly controlled entity		(37)	353
Profit before income tax		**271,973**	**265,784**
Income tax expense	8	(48,102)	(44,713)
Profit for the period		**223,871**	**221,071**
Allocated as:			
Loss attributable to minority interest		(13)	(295)
Profit attributable to equity holders of the Company		223,884	221,366
Earnings per share for profit attributable to the equity holders of the Company, expressed in HK cents per share			
- Basic	**9**	**39.94 HK cents**	**39.83 HK cents**
- Diluted	9	39.52 HK cents	39.54 HK cents
Dividends			
- Interim	10	95,642	94,761

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2010

	Six months ended 30th September, 2010	2009
	HK$'000	*HK$'000*
Profit for the period	223,871	221,071
Other comprehensive income/(loss):		
Exchange differences arising on translation of foreign subsidiaries, jointly controlled entity and associates	7,008	23,658
Fair value (losses)/gains, net of tax:		
- available-for-sale financial assets	(3,191)	100,797
Other comprehensive income for the period, net of tax	3,817	124,455
Total comprehensive income for the period	227,688	345,526
Total comprehensive income/(loss) attributable to:		
- Equity holders of the Company	227,701	345,821
- Minority interest	(13)	(295)
	227,688	345,526

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30TH SEPTEMBER, 2010

	Note	As at 30th September, 2010 HK$'000	As at 31st March, 2010 HK$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		1,121,395	1,033,870
Leasehold land and land use rights		68,383	69,058
Investment properties		266,100	266,100
Intangibles assets		182,267	190,848
Investments in associates		24,867	20,578
Investments in a jointly controlled entity		4,239	4,118
Deferred income tax assets		13,262	6,832
Retirement benefit assets		22,975	20,412
Available-for-sale financial assets		378,051	351,695
Non-current prepayments and deposits		192,905	197,791
Financial assets at fair value through profit or loss		38,259	30,294
		2,312,703	2,191,596
Current assets			
Inventories		128,508	110,370
Trade and other receivables	11	65,495	56,149
Prepayments and deposits		112,946	105,773
Financial assets at fair value through profit or loss		77,999	69,954
Cash and cash equivalents		924,234	968,559
		1,309,182	1,310,805
Total assets		3,621,885	3,502,401
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		56,224	55,887
Reserves (including interim dividend proposed of HK$95,642,000; 31st March, 2010: final dividend proposed of HK$252,419,000)		2,815,950	2,797,518
		2,872,174	2,853,405
Minority interest		1,582	1,595
Total equity		2,873,756	2,855,000

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (CONTINUED)
AS AT 30TH SEPTEMBER, 2010

	Note	As at 30th September, 2010 HK$'000	As at 31st March, 2010 HK$'000 (Restated)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		57,856	56,303
Provision for long service payments		8,633	8,255
		66,489	64,558
Current liabilities			
Trade payables	12	178,671	147,969
Other creditors and accrued liabilities		450,249	399,603
Current income tax liabilities		52,720	35,271
		681,640	582,843
Total liabilities		748,129	647,401
Total equity and liabilities		3,621,885	3,502,401
Net current assets		627,542	727,962
Total assets less current liabilities		2,940,245	2,919,558

Notes: -

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th September, 2010 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, 2010, 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, 2010, 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 Group has adopted new and amended standards and interpretations of HKFRS that are effective for the accounting periods beginning on or after 1st April, 2010.

Except for the reclassification of certain leasehold land held in Hong Kong, the adoption of these new and amended standards and interpretations does not have material impact on this condensed consolidated interim financial information and does not result in substantial changes to the Group's accounting policies.

HKAS 17 (Amendment), "Leases", requires leasehold land to be classified as a finance lease as if substantially all risks and rewards of the leasehold land have been transferred to the Group. As the present value of the minimum lease payments (i.e. the transactions price) of certain land held by the Group amounted to substantially all of the fair value of the land as if it were freehold, it has been classified as a finance lease. This amendment has been applied retrospectively to unexpired leases at the date of adoption of the amendment on the basis of information existing at the inception of the leases.

Effect of adopting HKAS 17 (Amendment) on this condensed consolidated interim financial information is as follows:

	As at 30th September, 2010 *HK$'000* (Unaudited)	As at 31st March, 2010 *HK$'000* (Unaudited)
Condensed consolidated statement of financial position:		
Increase/(decrease) in assets:		
Property, plant and equipment	307,676	265,234
Leasehold land and land use rights	(307,676)	(265,234)

2 Accounting policies (Continued)

	Six months ended 30th September, 2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Condensed consolidated income statement:		
Increase/(decrease) in expenses:		
Depreciation of property, plant and equipment	2,928	2,635
Amortisation of leasehold land and land use rights	(2,928)	(2,635)

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

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related Party Disclosures	1st January, 2011
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters	1st July, 2010
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets	1st July, 2011
HKFRS 9	Financial Instruments	1st January, 2013
HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement	1st January, 2011
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1st July, 2010

3 Segment information

The Executive Chairman of the Group has reviewed 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 Executive Chairman assesses the performance of the operating segments based on a measure of profit/loss before income tax.

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.

The segment information for the reportable segments for the six months ended 30th September, 2010 is 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, 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
Profit/(loss) before income tax	242,353	31,852	(2,232)	271,973
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

3 Segment information (Continued)

	Hong Kong	Mainland China	North America	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30th September, 2009				
Total segment revenue	1,997,833	347,760	90,112	2,435,705
Inter-segment revenue (Note i)	(1,381)	(48,153)	-	(49,534)
Revenue (from external revenue) (Note ii)	1,996,452	299,607	90,112	2,386,171
Profit/(loss) before income tax	240,159	26,680	(1,055)	265,784
Depreciation and amortisation	66,312	13,870	6,883	87,065
Finance income	2,610	334	171	3,115
Share of profit of associates	1,078	-	-	1,078
Share of profit of a jointly controlled entity	-	353	-	353
Income tax expense/(credit)	39,375	6,598	(1,260)	44,713

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, 2010				
Segment assets	2,073,790	749,937	267,612	3,091,339
Segment assets include:				
Investments in associates	5,502	17,040	2,325	24,867
Investment in a jointly controlled entity	-	4,239	-	4,239
Additions to non-current assets (other than financial instruments, deferred tax assets and retirement benefit assets)	170,001	41,792	10,223	222,016
As at 31st March, 2010				
Segment assets	2,125,149	624,156	273,909	3,023,214
Segment assets include:				
Investments in associates	4,568	16,010	-	20,578
Investment in a jointly controlled entity	-	4,118	-	4,118
Additions to non-current assets (other than financial instruments, deferred tax assets and retirement benefit assets)	202,214	114,922	7,246	324,382

(i) Inter-segment transactions were entered into under the normal commercial terms and conditions.

(ii) The Group has a large number of customers. For the six months ended 30th September, 2010, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.

3 Segment information (Continued)

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

	30th September, 2010 HK$'000 (Unaudited)	31st March, 2010 HK$'000 (Unaudited)
Total segment assets	3,091,339	3,023,214
Deferred income tax assets	13,262	6,832
Available-for-sale financial assets	378,051	351,695
Financial assets at fair value through profit or loss	116,258	100,248
Retirement benefit assets	22,975	20,412
Total assets	3,621,885	3,502,401

4 Revenue

	Six months ended 30th September, 2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Sales of food and beverages	2,556,198	2,318,828
Rental income	18,876	18,021
Royalty income	20,430	20,080
Management and service fee income	5,517	5,587
Sundry income	31,889	23,655
	2,632,910	2,386,171

5 Other gains/(losses), net

	Six months ended 30th September, 2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Gain/(loss) on disposals of financial assets at fair value through profit or loss	1	(52)
Gain/(loss) on disposals of available-for-sales financial assets	6,498	(5)
Dividend income from listed investments	14,069	12,450
Fair value (losses)/gains on financial assets at fair value through profit or loss	(18)	1,854
Others	(2,333)	1,743
	18,217	15,990

6 Operating profit

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

	Six months ended 30th September, 2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited) (Restated)
Cost of raw materials and consumables used	845,127	744,995
Staff costs	643,492	591,197
Operating lease rentals in respect of rented premises	293,836	268,724
Depreciation of property, plant and equipment	107,855	81,361
Amortisation of leasehold land and land use rights	1,099	429
Amortisation of trademarks and franchise rights	5,796	5,275
Loss on disposal of property, plant and equipment	2,917	2,984
Provision for impairment of trade and other receivables	80	66

7 Finance income

	Six months ended 30th September, 2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Interest income	5,041	3,115

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% (2009: 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.

	Six months ended 30th September, 2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Current income tax:		
- Hong Kong profits tax	39,297	37,839
- Overseas taxation	9,428	5,338
Deferred income tax relating to the origination and reversal of temporary differences	(623)	1,536
	48,102	44,713

9 Earnings per share

Basic

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

	Six months ended 30th September, 2010 (Unaudited)	2009 (Unaudited)
Profit attributable to equity holders of the Company (HK$'000)	HK$223,884	HK$221,366
Weighted average number of ordinary shares in issue ('000)	560,581	555,799
Basic earnings per share (HK cents per share)	39.94 HK cents	39.83 HK cents

9 Earnings per share (Continued)

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.

	Six months ended 30th September,	
	2010 (Unaudited)	2009 (Unaudited)
Profit attributable to equity holders of the Company (HK$'000)	HK$223,884	HK$221,366
Weighted average number of ordinary shares in issue ('000)	560,581	555,799
Adjustment to share options ('000)	5,938	4,066
	566,519	559,865
Diluted earnings per share (HK cents per share)	39.52 HK cents	39.54 HK cents

10 Dividends

	Six months ended 30th September,	
	2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Dividends proposed		
- Interim, 17 HK cents (2009: 17 HK cents) per share	95,642	94,761

The interim dividend was declared on 29th November, 2010. This condensed consolidated interim financial information does not reflect this dividend payable.

11 Trade and other receivables

	30th September, 2010 HK$'000 (Unaudited)	31st March, 2010 HK$'000 (Unaudited)
Trade receivables	27,530	22,864
Less: provision for impairment of receivables	(922)	(992)
Trade receivables - net	26,608	21,872
Other receivables	38,887	34,277
	65,495	56,149

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 and sale of merchandise for the Group's food manufacturing businesses and its franchisees.

The aging analysis of trade receivables is as follows:

	30th September, 2010 HK$'000 (Unaudited)	31st March, 2010 HK$'000 (Unaudited)
0 - 30 days	22,335	17,749
31 - 60 days	3,156	2,045
61 - 90 days	336	1,273
Over 90 days	1,703	1,797
	27,530	22,864

12 Trade payables

The aging analysis of the trade payables is as follows:

	30th September, 2010 HK$'000 (Unaudited)	31st March, 2010 HK$'000 (Unaudited)
0 - 30 days	164,911	123,958
31 - 60 days	8,401	10,796
61 - 90 days	2,359	4,623
Over 90 days	3,000	8,592
	178,671	147,969

INTERIM DIVIDEND

To continuously return value to our shareholders, the Directors have declared the payment of an interim dividend of 17 HK cents (2009: 17 HK cents) per share in respect of the year ending 31st March, 2011, payable on 29th December, 2010 to those persons registered as shareholders on 16th December, 2010.

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 16th December, 2010 (Thursday) to 17th December, 2010 (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 15th December, 2010.

HUMAN RESOURCES

As at 30th September, 2010, the Group (other than associated companies and jointly controlled entity) employed approximately 16,000 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 breath 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, 2010, continues to be very strong, with a net cash of close to about HK$924 million and available banking facilities of HK$661 million.

As at 30th September, 2010, the Group did not have any external borrowing (31st March, 2010: Nil) and maintained a healthy gearing (being total borrowings over shareholders' funds) of Nil (31st March, 2010: Nil). There has been no material change in contingent liabilities or charges on assets since 31st March, 2010.

As at 30th September, 2010, the Company has given guarantees totaling approximately HK$661 million (31st March, 2010: HK$660 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 are mainly denominated in Hong Kong dollars, while those of our North America and PRC subsidiaries and jointly controlled entities are denominated in United States dollars, Canadian dollars and Renminbi respectively. While foreign currency exposure did not pose significant risk for the Group, we will continue to take proactive measures and monitor closely 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, 2010, 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, 2010).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th September, 2010, 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.