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## **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, 2012**

#### **HIGHLIGHTS**

- ◆ **Group's revenue for the half year increased by 8%, reaching HK\$3.14 billion.**
- ◆ **Profit recorded 16% increase to HK\$221 million, placing the Group back on track for continuous growth in profitability.**
- ◆ **The Group has successfully developed in the Hong Kong quick-service restaurant sector a multi-brand platform consisting of Café de Coral, Super Super Congee & Noodles and Oliver's Super Sandwiches.**
- ◆ **The Group is well-positioned with a sizable business platform comprising 129 operating units in the PRC market of tremendous potential.**
- ◆ **An interim dividend of 17 HK cents per share (2011: 17 HK cents per share) declared to shareholders, marking 26 years of uninterrupted dividend payments since listing.**

# Operational Review

## INTRODUCTION

The period under review brought ongoing challenges to the Group, one of which was the continuation of persistent domestic inflationary pressures. In addition, an emerging slowdown in the PRC economy became a new issue that needs to be taken into account. Specific operating cost pressures that the Group had to face in the period under review included the cost of implementing the statutory minimum wage, and pressures from rising costs in raw materials and rent.

Facing these challenges head-on, the Group adjusted the way it operated its businesses and took appropriate initiatives for change in order to place itself back on track for continuous growth in profitability. As a result of these efforts, we achieved a turnover of HK\$3.14 billion in the period under review, a rise of 8% compared with last year. As for the half-year profit, we saw this climb to HK\$221 million, from last year's HK\$191 million.

In keeping with our commitment to delivering a steady return to shareholders, the Board resolved to distribute an interim dividend of 17 HK cents per share (2011: 17 HK cents per share) to shareholders whose names appear on the register of members of the Company on 14th December, 2012.

## HONG KONG BUSINESS PLATFORM

The Group recorded a turnover of HK\$2.48 billion from its Hong Kong operations in the period under review, up approximately 7% as compared to HK\$2.32 billion for the same period last year. This Hong Kong segment result also grew by approximately 23% to HK\$343 million, from HK\$280 million. Comparable store sales of **Café de Coral** fast food restaurants increased by 7% over the same period last year.

Following the implementation of the statutory minimum wage in Hong Kong in May 2011, the Group faced a substantial increase in labour cost. In addition, rents continued to rise in the city, and raw materials prices also moved upwards during the period under review. In response to these developments, since May 2011, the Group has focused on changing certain aspects of its operations to achieve greater efficiency and enhance profitability. This has involved making adjustments in areas such as productivity, automation, menu design and location strategy. Despite the domestic inflationary environment, the Group was able to strike a balance between the interests of different stakeholders and maintain healthy growth for its business platform.

Among our quick-service restaurants, **Café de Coral** fast food remained the key contributor to the Group's revenue and profits. There were a total of 151 **Café de Coral** fast food outlets in operation at the end of the period. On the other hand, **Super Super Congee & Noodles** and **Oliver's Super Sandwiches** also grew well, achieving wide recognition among our customers. By 30th September, 2012 we were operating 26 **Super Super Congee & Noodles** shops and 18 **Oliver's Super Sandwiches** shops. Meanwhile, our mid-priced Western restaurants, led by **Spaghetti House**, continued to provide the Group with a steady flow of revenue.

In the face of keen competition, our institutional catering businesses **Asia Pacific Catering** and **Luncheon Star** were able to enter into meaningful negotiations on contract terms with various clients in the review period, allowing us to maintain reasonable profitability. **Asia Pacific Catering** also expanded the scope of its operations by opening six new branches, attracting clients from hospitals, educational institutions and the commercial sector.

In furtherance of our multi-brand strategy, we introduced two new brands to our portfolio in the period. **PizzaStage**, an Italian pizza restaurant, opened its first restaurant in Hong Kong, and **85°C**, a Taiwanese-style bakery café, opened three outlets. **PizzaStage** is a casual dining restaurant targeting middle-income customers, while **85°C** is operated in Hong Kong under a joint venture between our Group and Gourmet Master Co. Ltd., a listed company in Taiwan which runs the 85°C brand globally with great success.

Our new central food processing plant, currently under development in Hong Kong's Tai Po Industrial Estate, is expected to be in operation by early next year. This plant will take us to a new level when it comes to further improving product quality, and will also give us the ability to implement cost control measures uniformly across all our brands.

## **PRC BUSINESS PLATFORM**

The Group's substantial PRC platform comprised a total of 129 operating units at the end of the period, up approximately 8% from 120 operating units as at 31st March, 2012. Of these, 106 were **Café de Coral** shops, 15 were institutional catering units, and 8 were **Spaghetti House** outlets.

While the recent economic slowdown in the PRC has hampered consumer spending there, a development which we expect to be a short-term one, our PRC business has also had to face a rise in operating costs and deal with the early stage under-utilization of our recently completed central food processing plant in Guangzhou. In view of the slowdown in the PRC economy, the Group has taken a more cautious approach to opening new stores.

While **Café de Coral** is already accepted and well-represented in the developed cities throughout Southern China, there is still room to fine-tune our business model there in response to the changing operating environment. On another front, we have 8 stores in Eastern China operated in full-service mode recently introduced. The initial response looks positive in terms of customer count and per head spending. All the business model adjustments described here, along with our spending on human resources development so as to provide more internal training and to recruit new high calibre staff, have involved investment that has affected our short-term profitability. This is also true of our investment in the central processing plant in the PRC, which is still under-utilized at this stage. However, we firmly believe that the PRC market holds tremendous potential for the catering industry, and our confidence in and commitment to this market is as strong as ever.

## **NORTH AMERICA BUSINESS PLATFORM**

The Group operated a total of 143 **Manchu WOK** restaurants in North America. The Group achieved a positive cash-inflow from this business segment during the period under review. However, its performance was affected by weak consumer spending under the stagnant economic climate in the United States, along with rises in operational costs. We are confident that we can adjust appropriately to current conditions, and that **Manchu WOK** will continue to be a positive contributor to the Group in the long run. We will remain proactive in identifying new opportunities to enhance the value of this business. This may involve, for example, working more closely with our strategic master franchisees and with other catering operators.

## **LOOKING AHEAD**

The global economy looks set to remain unstable in the immediate future. This will require us as a Group to remain highly proactive in terms of anticipating the effect of economic fluctuations on the catering industry and responding quickly and efficiently. Our aim is to maintain our leading position in the industry and achieve sustainable growth, regardless of different economic cycles.

To achieve growth within a weaker economic environment, we have developed a very strong package of strategies and initiatives for sustainable development. Facing pressures like rising costs, the Group has translated challenges into opportunities by adjusting its business model and adopting a multi-brand strategy. For instance, **Super Super Congee & Noodles** and **Oliver's Super Sandwiches** are successful business models that are making us more adaptable to the changing dining preferences and operating environment in Hong Kong. Ongoing efforts will be made to introduce new brands, such as **85°C** and **PizzaStage**, in order to capture greater market share.

We expect to make good use of the new central food processing plant in Hong Kong when it comes into operation next year to increase our production efficiency. The new plant will take over the majority of back-end food preparation from individual stores, creating economies of scale and freeing up extra space for dining.

The huge PRC market continues to change rapidly. The constantly changing dining habits and preferences there require our management to adjust not simply our product offerings, but even the way we run our businesses. With support from our central food processing plant in Guangzhou, our two distinct operational hubs (one in Southern China and the other in Eastern China) give us scope for tailoring changes to specific regional developments.

To further strengthen our footing in this industry, we will also be looking at the possibility of business co-operation and acquisitions if appropriate. Internally, we are undertaking various human resources development programmes to support sustainable business growth; these will provide us with a vigorous recruitment and screening process for identifying new talent.

On behalf of the Board, I would like to thank our staff for all the effort they have put into the half-year, and for their excellent teamwork in the face of many challenges. I would also like to thank our customers, and our shareholders, for their unfailing support.

By order of the Board  
**Lo Hoi Kwong, Sunny**  
*Chief Executive Officer*

Hong Kong, 26th November, 2012

**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)  
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2012**

		<b>Six months ended 30th September,</b>	
	Note	<b>2012</b>	2011
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	<b>4</b>	<b>3,135,574</b>	<b>2,901,229</b>
Cost of sales		(2,739,738)	(2,559,480)
Gross profit		<u>395,836</u>	<u>341,749</u>
Administrative expenses		(143,425)	(136,472)
Other gains, net	5	11,453	13,816
<b>Operating profit</b>	<b>6</b>	<b>263,864</b>	<b>219,093</b>
Finance income	7	4,934	3,717
Share of (loss)/profit of associates		(2,189)	1,262
Share of loss of jointly controlled entities		(3,028)	(29)
<b>Profit before income tax</b>		<b>263,581</b>	<b>224,043</b>
Income tax expense	8	(41,820)	(33,159)
Profit for the period		<u>221,761</u>	<u>190,884</u>
Allocated as:			
Profit attributable to non-controlling interest		<u>623</u>	<u>4</u>
<b>Profit attributable to equity holders of the Company</b>		<b>221,138</b>	<b>190,880</b>
Earnings per share for profit attributable to the equity holders of the Company			
<b>- Basic</b>	<b>9</b>	<b>38.71 HK cents</b>	<b>33.82 HK cents</b>
- Diluted	9	38.42 HK cents	33.51 HK cents
Dividend			
- Interim	10	97,287	96,231

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)  
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2012**

	<b>Six months ended 30th September,</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period	221,761	190,884
<b>Other comprehensive income/(loss):</b>		
Exchange differences arising from translation of foreign subsidiaries, associates and jointly controlled entities	2,482	2,273
Tax effect on actuarial gains of retirement benefit obligation recognised in reserve	-	3,933
Fair value gains/(losses) on available-for-sale financial assets	17,100	(19,593)
Reserve released upon disposal of available-for-sale financial assets	-	(3,249)
<b>Total comprehensive income for the period</b>	<b>241,343</b>	<b>174,248</b>
<b>Attributable to:</b>		
- Equity holders of the Company	240,720	174,244
- Non-controlling interests	623	4
	<b>241,343</b>	<b>174,248</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(UNAUDITED)**  
**AS AT 30TH SEPTEMBER, 2012**

	Note	As at 30th September, 2012 <i>HK\$'000</i> (Unaudited)	As at 31st March, 2012 <i>HK\$'000</i> (Audited) (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land and land use rights		95,634	97,143
Property, plant and equipment		1,609,394	1,482,562
Investment properties		326,200	326,200
Intangibles assets		170,486	172,652
Investments in associates		16,074	18,505
Investments in jointly controlled entities		31,031	11,060
Deferred income tax assets		17,949	18,075
Available-for-sale financial assets		434,767	417,667
Non-current prepayments and deposits		219,110	229,505
Financial assets at fair value through profit or loss		22,874	14,745
		<u>2,943,519</u>	<u>2,788,114</u>
<b>Current assets</b>			
Inventories		183,216	172,099
Trade and other receivables	11	83,826	73,889
Prepayments and deposits		171,684	99,070
Financial assets at fair value through profit or loss		46,148	55,135
Bank deposits with maturity over three months		31,164	31,033
Cash and cash equivalents		702,825	854,417
		<u>1,218,863</u>	<u>1,285,643</u>
<b>Total assets</b>		<u><u>4,162,382</u></u>	<u><u>4,073,757</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital		57,198	56,956
Other reserves		1,111,795	1,057,413
Retained earnings			
- Proposed dividends		97,287	256,997
- Others		2,029,933	1,906,445
		<u>3,296,213</u>	<u>3,277,811</u>
<b>Non-controlling interests</b>		1,894	1,271
<b>Total equity</b>		<u><u>3,298,107</u></u>	<u><u>3,279,082</u></u>



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(UNAUDITED) (CONTINUED)**  
**AS AT 30TH SEPTEMBER, 2012**

	Note	As at <b>30th September, 2012</b> <i>HK\$'000</i> (Unaudited)	As at 31st March, 2012 <i>HK\$'000</i> (Audited) (Restated)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		32,102	33,208
Provision for long service payments		10,028	9,872
Retirement benefit liabilities		10,636	12,328
		<u>52,766</u>	<u>55,408</u>
<b>Current liabilities</b>			
Trade payables	12	189,351	171,250
Other creditors and accrued liabilities		572,879	535,286
Current income tax liabilities		49,279	32,731
		<u>811,509</u>	<u>739,267</u>
<b>Total liabilities</b>		<u>864,275</u>	<u>794,675</u>
<b>Total equity and liabilities</b>		<u>4,162,382</u>	<u>4,073,757</u>
<b>Net current assets</b>		<u>407,354</u>	<u>546,376</u>
<b>Total assets less current liabilities</b>		<u>3,350,873</u>	<u>3,334,490</u>

Notes: -

## 1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th September, 2012 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, 2012, 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, 2012, as described in those annual financial statements.

In December 2010, the HKICPA amended HKAS 12, ‘Income taxes’, to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1st January, 2012 with early adoption permitted.

The Group has adopted this amendment retrospectively for the financial period ended 30th September, 2012 and the effects of adoption are disclosed as follows.

### Effect on condensed consolidated statement of financial position

	30th September, 2012 HK\$’000	31st March, 2012 HK\$’000
Decreased in deferred tax liabilities	28,813	28,813
Increase in retained earnings	28,813	28,813

### Effect on condensed consolidated income statement

	For six months ended 30th September, 2012 HK\$’000	For year ended 31st March, 2012 HK\$’000
Decrease in income tax expense	-	3,528
Increase in net profit attributable to equity holders of the Company	-	3,528
Increase in basic EPS	-	HK 0.62 cents
Increase in diluted EPS	-	HK 0.62 cents

## 2 Accounting policies (Continued)

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

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1st April, 2012 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
New or revised standards, interpretations and amendments		
HKAS 1 (Amendment)	Presentation of Financial Statements	1st July, 2012
HKAS 19 (Amendment)	Employee Benefits (2011)	1st January, 2013
HKAS 27 (Amendment)	Separate Financial Statements (2011)	1st January, 2013
HKAS 28 (Amendment)	Investment in Associates and Joint Ventures (2011)	1st January, 2013
HKAS 32 (Amendment)	Financial Instruments: Presentation	1st January, 2014
HKFRS 7 (Amendment)	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities	1st January, 2013
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory Effective Date and Transition Disclosures	1st January, 2015
HKFRS 9	Financial Instruments	1st January, 2015
HKFRS 10	Consolidated Financial Statements	1st January, 2013
HKFRS 11	Joint Arrangements	1st January, 2013
HKFRS 12	Disclosure of Interests in Other Entities	1st January, 2013
HKFRS 13	Fair Value Measurements	1st January, 2013
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine	1st January, 2013

### 3 Segment information

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

Segment information of the Group for the current period and the comparative figures are as follows:

	Hong Kong HK\$'000 (Unaudited)	Mainland China HK\$'000 (Unaudited)	North America HK\$'000 (Unaudited)	Group HK\$'000 (Unaudited)
<b>Six months ended 30th September, 2012</b>				
Total segment revenue	2,480,453	612,460	95,646	3,188,559
Inter-segment revenue (Note i)	(1,358)	(51,627)	-	(52,985)
<b>Revenue (from external revenue) (Note ii)</b>	<u>2,479,095</u>	<u>560,833</u>	<u>95,646</u>	<u>3,135,574</u>
<b>Segment results (Note iii)</b>	<u>342,869</u>	<u>44,569</u>	<u>2,409</u>	<u>389,847</u>
Depreciation and amortisation	86,554	31,241	8,188	125,983
Finance income	3,421	1,488	25	4,934
Share of profit/(loss) of associates	385	(2,713)	139	(2,189)
Share of loss of jointly controlled entities	(3,002)	(26)	-	(3,028)
Income tax expense/(credit)	<u>38,607</u>	<u>5,916</u>	<u>(2,703)</u>	<u>41,820</u>

### 3 Segment information (Continued)

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

- (i) Inter-segment transactions were entered into in the normal course of business.
- (ii) The Group has a large number of customers. For the period ended 30th September, 2012, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.
- (iii) Reconciliation of total segment results to total profit before income tax is provided as follows:

	<b>Six months ended 30th September,</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Segment results	<b>389,847</b>	341,352
Depreciation and amortisation	<b>(125,983)</b>	(122,259)
Operating profit	<b>263,864</b>	219,093
Finance income	<b>4,934</b>	3,717
Share of (loss)/profit of associates	<b>(2,189)</b>	1,262
Share of loss of jointly controlled entities	<b>(3,028)</b>	(29)
Profit before income tax	<b>263,581</b>	224,043

### 3 Segment information (Continued)

	Hong Kong <i>HK\$'000</i> (Unaudited)	Mainland China <i>HK\$'000</i> (Unaudited)	North America <i>HK\$'000</i> (Unaudited)	Group <i>HK\$'000</i> (Unaudited)
<b>As at 30th September, 2012</b>				
<b>Segment assets</b>	<b>2,531,758</b>	<b>835,065</b>	<b>273,821</b>	<b>3,640,644</b>
Segment assets include:				
Investments in associates	2,134	12,689	1,251	16,074
Investments in jointly controlled entities	26,719	4,312	-	31,031
Additions to non-current assets (other than financial instruments, deferred tax assets and retirement benefit assets)	275,740	64,553	2,918	343,211
<b>As at 31st March, 2012</b>				
<b>Segment assets</b>	<b>2,470,971</b>	<b>822,554</b>	<b>274,610</b>	<b>3,568,135</b>
Segment assets include:				
Investments in associates	1,869	15,402	1,234	18,505
Investments in jointly controlled entities	6,721	4,339	-	11,060
Additions to non-current assets (other than financial instruments, deferred tax assets and retirement benefit assets)	513,954	129,442	16,381	659,777

As at 30th September, 2012, the total non-current assets (other than financial instruments, deferred tax assets and retirement benefit assets) located in Hong Kong is HK\$1,750,056,000 (As at 31st March, 2012: HK\$1,631,799,000), in Mainland China is HK\$511,220,000 (As at 31st March, 2012: HK\$497,023,000) and in North America is HK\$206,653,000 (As at 31st March, 2012: HK\$208,805,000).

### 3 Segment information (Continued)

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

	<b>30th September, 2012 HK\$'000 (Unaudited)</b>	31st March, 2012 HK\$'000 (Audited)
Total segment assets	3,640,644	3,568,135
Deferred income tax assets	17,949	18,075
Available-for-sale financial assets	434,767	417,667
Financial assets at fair value through profit or loss	69,022	69,880
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Total assets	<b>4,162,382</b>	<b>4,073,757</b>
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### 4 Revenue

	<b>Six months ended 30th September, 2012 HK\$'000 (Unaudited)</b>		2011 HK\$'000 (Unaudited)
Sales of food and beverages	3,069,046		2,820,730
Rental income	16,065		20,149
Royalty income	18,913		21,282
Management and service fee income	5,393		6,495
Sundry income	26,157		32,573
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	<b>3,135,574</b>		<b>2,901,229</b>
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## 5 Other gains, net

	<b>Six months ended 30th September,</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Gain/(loss) on disposals of financial assets at fair value through profit or loss	<b>263</b>	(558)
Gain on disposal of available-for-sales financial assets	-	3,249
Dividend income from listed investments	<b>13,106</b>	13,585
Fair value gains/(losses) on financial assets at fair value through profit or loss	<b>885</b>	(6,001)
Gain on disposal of investment properties	-	6,142
Others	<b>(2,801)</b>	(2,601)
	<b>11,453</b>	13,816

## 6 Operating profit

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

	<b>Six months ended 30th September,</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cost of raw materials and consumables used	<b>1,020,920</b>	962,137
Staff costs	<b>815,536</b>	752,748
Operating lease rentals in respect of rented premises	<b>346,939</b>	326,102
Depreciation of property, plant and equipment	<b>119,303</b>	115,109
Amortisation of leasehold land and land use rights	<b>1,509</b>	1,363
Amortisation of trademarks and franchise rights	<b>5,171</b>	5,787
Loss on disposal of property, plant and equipment	<b>3,944</b>	3,793



**7 Finance income**

	<b>Six months ended 30th September,</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest income	<b>4,934</b>	3,717

**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% (2011: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the condensed consolidated income statement represents:

	<b>Six months ended 30th September,</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current income tax:		
- Hong Kong profits tax	<b>38,049</b>	27,782
- Overseas taxation	<b>4,870</b>	9,296
Deferred income tax relating to the origination and reversal of temporary differences	<b>(1,099)</b>	(3,919)
	<b>41,820</b>	33,159

## 9 Earnings per share

### *Basic*

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

	<b>Six months ended 30th September,</b>	
	<b>2012</b>	<b>2011</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit attributable to equity holders of the Company ( <i>HK\$'000</i> )	<b>221,138</b>	190,880
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<b>571,222</b>	564,432
Basic earnings per share ( <i>HK cents per share</i> )	<b>38.71 HK cents</b>	33.82 HK cents

### *Diluted*

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

## 9 Earnings per share (Continued)

### *Diluted (Continued)*

	Six months ended 30th September,	
	2012	2011
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company ( <i>HK\$'000</i> )	221,138	190,880
Weighted average number of ordinary shares in issue ( <i>'000</i> )	571,222	564,432
Adjustment for share options ( <i>'000</i> )	4,382	5,145
	<u>575,604</u>	<u>569,577</u>
Diluted earnings per share ( <i>HK cents per share</i> )	<u>38.42 HK cents</u>	<u>33.51 HK cents</u>

## 10 Dividends

	Six months ended 30th September,	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Dividend proposed		
- Interim dividend, 17 HK cents (2011: 17 HK cents) per ordinary share	97,287	96,231

The interim dividend was declared on 26th November, 2012. This condensed consolidated interim financial information does not reflect this dividend payable.

## 11 Trade and other receivables

	<b>30th September, 2012</b>	31st March, 2012
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>37,711</b>	35,969
Less: provision for impairment of receivables	<b>(136)</b>	(595)
	<hr/>	<hr/>
Trade receivables - net	<b>37,575</b>	35,374
Other receivables	<b>46,251</b>	38,515
	<hr/>	<hr/>
	<b>83,826</b>	73,889
	<hr/> <hr/>	<hr/> <hr/>

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

The ageing analysis of trade receivables is as follows:

	<b>30th September, 2012</b>	31st March, 2012
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
0 - 30 days	<b>29,668</b>	25,176
31 - 60 days	<b>5,578</b>	6,319
61 - 90 days	<b>516</b>	1,458
Over 90 days	<b>1,949</b>	3,016
	<hr/>	<hr/>
	<b>37,711</b>	35,969
	<hr/> <hr/>	<hr/> <hr/>

## 12 Trade payables

The ageing analysis of trade payables is as follows:

	<b>30th September, 2012 <i>HK\$'000</i> (Unaudited)</b>	31st March, 2012 <i>HK\$'000</i> (Audited)
0 - 30 days	<b>174,453</b>	153,201
31 - 60 days	<b>7,967</b>	10,348
61 - 90 days	<b>2,544</b>	2,260
Over 90 days	<b>4,387</b>	5,441
	<hr/> <b>189,351</b> <hr/>	<hr/> 171,250 <hr/>

## **INTERIM DIVIDEND**

To continuously return value to our shareholders, the Directors have declared the payment of an interim dividend of 17 HK cents per share (2011: 17 HK cents per share) in respect of the six months ended 30th September, 2012 payable on 28th December, 2012 to those persons registered as shareholders on 14th December, 2012.

## **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 on 14th December, 2012 (Friday) on which 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 Share 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 13th December, 2012.

## **HUMAN RESOURCES**

As at 30th September, 2012, the Group (other than associated companies and jointly controlled entities) employed approximately 16,600 employees. Remuneration packages are generally structured by reference to market terms and individual qualifications and experience. With a Share Option Scheme together with profit sharing bonus and performance incentive system, employees were entitled to share in the growth of the Group.

During the period, various training activities, such as training on operational safety, management skills as well as mentorship program, have been conducted to improve the front-end quality of services as well as to ensure the smooth and effective installation of the Group's business systems.

We have also instituted an Executive Development Program to enhance the depth and breadth of our management staff for the 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.

Apart from introduction of 5-day work week during the period under review, 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, 2012, continues to be very strong, with a net cash of close to about HK\$703 million and available banking facilities of HK\$536 million.

As at 30th September, 2012, the Group did not have any external borrowing (31st March, 2012: Nil) and maintained a healthy gearing (being total borrowings over shareholders' funds) of Nil (31st March, 2012: Nil). There has been no material change in contingent liabilities or charges on assets since 31st March, 2012.

As at 30th September, 2012, the Company has given guarantees totaling approximately HK\$536 million (31st March, 2012: HK\$536 million) to financial institutions in connection with the banking facilities granted to its subsidiaries.

Regarding foreign exchange fluctuations, for the six months' period under review, the Group earned revenue and incurred costs and expenses mainly denominated in Hong Kong dollars, while those of our North America and PRC subsidiaries, associates 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.

## **CORPORATE GOVERNANCE**

During the six months period ended 30th September, 2012, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") ) and the Corporate Governance Code and Corporate Governance Report (the "CG Code") (the new edition of the Code on Corporate Governance Practices which is applicable to financial reports covering a period after 1st April, 2012) except for the following which is expected to be fully complied with during the financial year ending 31st March, 2013:

### *Code provision A.6.6*

Code provision A.6.6 of the CG Code requires each Director to disclose to the Company at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. The Board has adopted a disclosure form for each Director to complete in order to comply with this code provision.

### *Code provision C.3.7*

Code provision C.3.7 of the CG Code stipulates that the Audit Committee of the Company should review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action. Such duties have been added to the terms of reference of the Audit Committee of the Company and relevant procedures have been adopted pending for inclusion in the employee handbook of the Group.

### *Code provision D.3.1*

Code provisions D.3.1 (c) and (d) of the CG Code require the Board (i) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; and (ii) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors. With the Board's approval, the terms of reference of the Audit Committee of the Company have been amended to include such duties. Formulation of the required policies and practices as well as the code of conduct is underway.

### *Code provision E.1.4*

Code provision E.1.4 of the CG Code requires that the Board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness. A shareholders' communication policy was adopted by the Board in August 2012.

## **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, 2012).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30th September, 2012, 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 comprises Mr. Lo Hoi Kwong, Sunny, Ms. Lo Pik Ling, Anita and Mr. Lo Tak Shing, Peter as executive directors; Mr. Chan Yue Kwong, Michael, Mr. Lo Ming Shing, Ian and Mr. Hui Tung Wah, Samuel as non-executive directors; and Mr. Choi Ngai Min, Michael, Mr. Li Kwok Sing, Aubrey and Mr. Kwok Lam Kwong, Larry as independent non-executive directors.*