



大家樂集團有限公司
CAFÉ DE CORAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

Stock Code 股份代號: 341

Interim Report 2008 中期報告



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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

JSM

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Communications Co., Ltd.

The Bank of Tokyo-Mitsubishi UFJ, 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.

Standard Chartered Bank (Hong Kong) 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>

STOCK CODE

341

HIGHLIGHTS

- **Both revenue and profit registered another double-digit growth with six months profit exceeding the HK\$200 million mark.**
- **Record-breaking pace of the Group's branch development with openings of 31 new outlets in six months.**
- **Development target achieved in building a sizable growth platform of over 50 Café de Coral restaurants in Southern China within the year.**
- **Construction of the two purpose-built central food processing plants expected completion by 2010.**
- **To celebrate the Group's 40th Anniversary, the Board of Directors resolved to double the interim dividend payment to HK\$30 cents per share.**

Chairman's Statement

The period under review marks the Group's 40th Anniversary and is undoubtedly the most challenging period the Group has ever experienced since our founding in 1968.

Amidst the global financial storm, many of the retail businesses are being adversely affected with massive write-offs, profit erosion and staff attrition. Notwithstanding the adversity, I am glad to report that the Group was able to embrace the challenges by posting another solid interim results for the six months ended 30th September, 2008. Turnover and profit attributable to shareholders reached HK\$2.34 billion and HK\$201 million, both representing a double-digit growth of 12% and 15% respectively as compared to last year.

To repatriate enhanced value to our shareholders and to celebrate the Group's 40th Anniversary, the Board resolved to distribute an interim dividend of 15 HK cents per share together with an equivalent special dividend of 15 HK cents per share to shareholders whose names appear on the register of members of the Company on 5th January, 2009.

HONG KONG BUSINESS PLATFORM

As you are all well aware of, the local catering environment has long been confronted with escalating operating pressure in rental and raw material cost in the past year, well before the onslaught of the world-wide financial storm. The encouraging performance of our **Café de Coral** fast food business in Hong Kong is by no means a gift of luck but shows our competitiveness and defensiveness in this challenging environment.

Much of our growth performance was in fact attributed to our innovative product offerings, flexible pricing strategy coupled with a highly successful new advertising campaign, which ultimately contributed to our strong branding and pricing power, encouraging volume increase and continuous margin improvement. Indeed, our relentless efforts in promoting our brand preference and awareness over the years is being recognized by the recent award of the "2008 Top Service Award" and the "PRC Consumer's Most Favourable Hong Kong Brand" Gold Award.

For the six months under review, our Group has also achieved a record-breaking pace of branch development by opening a total of 19 new outlets in Hong Kong. All these new outlets, operating under our various restaurant brands, are able to deliver satisfactory performance after their openings. This aggressive branch development not only exemplifies our confidence in riding over the challenges ahead, it also demonstrates our branding power in securing strategic locations for these new outlets.

To support our growing local business, a state-of-the-art central food processing plant is now under construction at the Tai Po Industrial Estate, Hong Kong, at a cost of approximately HK\$250 million. Upon completion, not only our production capacity would be substantially enhanced to cope with our continuous expansion, but would increase the operational efficiency of our business with ultimate margin improvement.

PRC BUSINESS PLATFORM

In Southern China, we continue with our proactive branch development program. Having built a scalable business platform in the Pearl River Delta Region, our **Café de Coral** fast food business has now become another major growth driver of our business, contributing meaningful profit to the Group.

In addition, I am glad to report that as of today, the number of our **Café de Coral** outlets in Southern China reaches no less than 50 outlets, successfully achieving our target as we previously set. Having said that, we remain committed in pursuing our aggressive branch development strategy in this region, with a view to solidify this growth platform of ours into a formidable market leader position, in order to capture the enormous potential this market segment has to offer.

At the same time, we are now constructing a self-owned central food processing plant in Guangzhou budgeted at HK\$150 million which we believe, would become a powerful logistics backup in addressing the production throughput and the staff training needs of our rapid development and program in this very important region.

In Eastern China, as reported in my last annual statement, the restaurant chain of **New Asia Dabao** has finally achieved a profit turn-around after years of dedicated effort in fine tuning its business model. Riding on the successful learning experience in this region, we opine that it may now be the right time for us to refocus our energy to build up our own **Café de Coral** restaurant brand in the strategic Yangtze River Delta Region, much as what we have achieved in the Pearl River Delta Region.

NORTH AMERICA BUSINESS PLATFORM

Across the Ocean, **Manchu Wok** has been improving on its operating performance and business results. Since implementing the 3-year consolidation program, we are now into the last phase of the program where we have been finalizing our efforts in closing and disposing certain of our stores in the loss-making regional market during the six months under review. Other than the one-time write offs and compensation to the landlords, these consolidation initiatives are by large a necessary strategy in the process towards an ultimate business turn-around.

Chairman's Statement

In addition to the consolidation measures, we are also actively exploring the growth potential in certain captive markets by working closely with our strategic master franchisees. While we are facing the general economic downturn in North America, we are undaunted in identifying any opportunity to grow our business in this challenging environment.

LOOKING AHEAD

Despite the negative impact to the local and global economy as a result of the recent financial turmoil, which is believed to be subsisting for the next one to two years, we remain confident to our business outlooks in the years to come and we are well positioned to seize any opportunities for growth both organically or by way of mergers and acquisition.

We believe our two purpose-built central processing plants will be in place by 2010, which when in full operation, would greatly enhance our production capacity as well as our operational efficiency. While the Group would adopt a more conservative financial investment strategy in face of the volatile financial environment, consolidation of the retail sector may also release more retail space for our further expansion.

In the face of the current global economic uncertainties, we remain cautiously optimistic to our businesses in the years to come. We have not forgotten the history of the 1998 Asian financial crisis where we have sailed through the storm unscathed nor have we forgotten the experience of the 2003 SARS epidemic, where we have risen above the sudden market adversity and emerge as a stronger entity. As we turn our attention to the challenges and opportunities ahead, I am convinced that given the experience we have, the resilience our people possessed, and the management calibre we have so far demonstrated, we would confidently turn crisis into opportunities to continue deliver the results our shareholders have expected of us.

By Order of the Board
Chan Yue Kwong, Michael
Chairman

Hong Kong, 9th December, 2008

DIVIDENDS

To repatriate enhanced value to our shareholders and to celebrate the Group's 40th Anniversary, the Directors have declared the payment of an interim dividend of 15 HK cents (2007: 15 HK cents) per share together with a special dividend of 15 HK cents per share (2007: Nil) in respect of the year ending 31st March, 2009, payable on 13th January, 2009 to those persons registered as shareholders on 5th January, 2009.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of entitlement to the interim dividend and the special dividend, the Register of Members of the Company will be closed from 5th January, 2009 (Monday) to 6th January, 2009 (Tuesday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend and the special dividend, all completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 2nd January, 2009.

HUMAN RESOURCES

As at 30th September, 2008, the Group (other than associated companies and jointly controlled entities) employed approximately 14,000 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.

Other Information

FINANCIAL REVIEW

The Group's financial position, as at 30th September, 2008, continues to be very strong, with a net cash of close to about HK\$1.03 billion and available banking facilities of HK\$636 million.

As at 30th September, 2008, the Group did not have any external borrowing (31st March, 2008: Nil) and maintained a healthy gearing (being total borrowings over shareholders' funds) of Nil (31st March, 2008: Nil). There has been no material change in contingent liabilities or charges on assets since 31st March, 2008.

As at 30th September, 2008, the Company has given guarantees totaling approximately HK\$636,000,000 (31st March, 2008: HK\$636,000,000) to financial institutions in connection with the banking facilities granted to its subsidiaries.

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

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

As at 30th September, 2008, 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

Director	Notes	Number of ordinary shares (long position)					Total interests	% of total issued Shares
		Personal interests	Family interests	Corporate interests	Trusts and similar interests	Equity derivatives (Note (g))		
Mr. Lo Hoi Kwong, Sunny	(a) & (b)	5,020,000	-	-	88,443,394	3,100,000	96,563,394	17.43%
Mr. Lo Tak Shing, Peter	(c)	210,000	-	-	87,626,213	200,000	88,036,213	15.89%
Mr. Lo Hoi Chun	(d)	132,000	-	-	67,880,834	-	68,012,834	12.27%
Ms. Lo Pik Ling, Anita	(a)	9,016,339	-	-	51,060,000	770,000	60,846,339	10.98%
Mr. Chan Yue Kwong, Michael	(a) & (e)	5,271,407	1,189,400	-	51,060,000	2,850,000	60,370,807	10.90%
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		-	-	-	-	-	-	-

Other Information

Notes:

- (a) 51,060,000 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 RBC Trustees (CI) Limited (formerly “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 both of Mr. Lo Hoi Chun and his associates 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 share option scheme(s) to subscribe for shares of the Company, further details of which are set out in the section “Share Option Schemes”.

All the interests in 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, 2008, 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:

Name of shareholder	Notes	Number of ordinary shares (long position)				Total interests	% of total issued shares
		Personal interests	Family interests	Corporate interests	Trusts and similar interests		
GZ Trust Corporation	(a)	-	-	-	118,940,834	118,940,834	21.47%
Wandels Investment Limited	(b)	-	-	-	87,626,213	87,626,213	15.81%
Sky Bright International Limited	(b)	-	-	-	87,626,213	87,626,213	15.81%
Verdant Success Holdings Limited	(b)	-	-	-	87,626,213	87,626,213	15.81%
RBC Trustees (CI) Limited (formerly "Royal Bank of Canada Trustees Limited")	(b)	-	-	-	87,626,213	87,626,213	15.81%
Mr. Man Tak Wah	(c)	-	60,846,339	-	-	60,846,339	10.98%
Ms. Tso Po Ping	(d)	-	45,503,394	-	-	45,503,394	8.21%
Ardley Enterprises Limited	(e)	-	-	-	37,383,394	37,383,394	6.75%
Ms. Man Bo King	(f)	-	36,101,133	-	-	36,101,133	6.52%
LBK Holding Corporation	(g)	-	-	-	35,969,133	35,969,133	6.49%
MMW Holding Corporation	(h)	-	-	-	31,911,701	31,911,701	5.76%
Matthews International Capital Management, LLC	(i)	38,509,200	-	-	-	38,509,200	6.95%
Capital Research and Management Company	(i)	35,350,000	-	-	-	35,350,000	6.38%
Commonwealth Bank of Australia	(j)	-	-	33,488,000	-	33,488,000	6.04%

Other Information

Notes:

- (a) GZ Trust Corporation was deemed to be interested in the capacity of trustee. Part of the interests represented the aggregate of interests held by each of LBK Holding Corporation and MMW Holding Corporation.
- (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 RBC Trustees (CI) Limited (formerly "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) Mr. Man Tak Wah was deemed to be interested through the interests of his spouse, Ms. Lo Pik Ling, Anita (of which 770,000 shares were interests in underlying shares).
- (d) 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 3,100,000 shares were interests in underlying shares).
- (e) 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.
- (f) Ms. Man Bo King was deemed to be interested in these shares through the interests of her spouse, Mr. Lo Hoi Chun.
- (g) 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.
- (h) 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.
- (i) These interests were held in the capacity of investment manager.
- (j) These interests were interests of corporations controlled by Commonwealth Bank of Australia.

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, 2008, 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. The Company granted options to certain employees of the Group (including executive directors of the Company) pursuant to the New Scheme.

Other Information

Details of the share options outstanding as at 30th September, 2008 which have been granted under the Previous Scheme and the New Scheme are as follows:

Type of grantees	Date of grant	Options outstanding at 1st April, 2008	Granted during the period	Options exercised during the period	Options lapsed on expiry	Options cancelled upon termination of employment	Options outstanding at 30th September, 2008
Executive Directors							
Mr. Chan Yue Kwong,	1/11/2005 ^(a)	1,500,000	-	(150,000)	-	-	1,350,000
Michael	2/10/2007 ^(b)	1,500,000	-	-	-	-	1,500,000
Mr. Lo Hoi Kwong,	1/11/2005 ^(a)	2,000,000	-	(400,000)	-	-	1,600,000
Sunny	2/10/2007 ^(b)	1,500,000	-	-	-	-	1,500,000
Ms. Lo Pik Ling, Anita	4/11/1999 ^(a)	320,000	-	-	-	-	320,000
	2/10/2007 ^(b)	450,000	-	-	-	-	450,000
Mr. Lo Tak Shing, Peter	4/11/1999 ^(a)	70,000	-	(70,000)	-	-	-
	2/10/2007 ^(b)	200,000	-	-	-	-	200,000
Continuous contract employees	4/11/1999 ^(a)	496,000	-	(406,000)	-	-	90,000
	1/11/2005 ^(b)	7,412,000	-	(420,000)	-	(60,000)	6,932,000
	2/10/2007 ^(b)	<u>18,280,000</u>	-	<u>(76,000)</u>	-	<u>(320,000)</u>	<u>17,884,000</u>
		<u>33,728,000</u>	<u>-</u>	<u>(1,522,000)</u>	<u>-</u>	<u>(380,000)</u>	<u>31,826,000</u>

Notes:

- The share options were granted under the Previous Scheme.
- The share options were granted under the New Scheme.
- Under the Previous Scheme and in respect of 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\$15.04 where in respect of the category of "Continuous contract employees", 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\$15.31.

- (d) Under the New Scheme and in respect of 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\$15.11 where in respect of the category of “Continuous contract employees”, 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\$15.22.

Share Options granted under the Previous Scheme are exercisable at HK\$2.95 per share and the holders of the said share options may exercise the share options during the period from 1st April, 2003 to 31st March, 2013.

Share Options granted under the New Scheme on 1st November, 2005 are exercisable at HK\$8.80 per share (in respect of the Executive Directors) and at HK\$8.75 per share (in respect of the other continuous contract employees). The holders of the said share options may exercise the share options during the period from 1st January, 2007 to 31st October, 2015.

Share Options granted under the New Scheme on 2nd October, 2007 are exercisable at HK\$14.268 per share (in respect of the Executive Directors, but excludes Mr. Lo Tak Shing, Peter) and at HK\$14.748 per share (in respect of the other continuous contract employees and includes Mr. Lo Tak Shing, Peter). The holders of the said share options may exercise the share options during the period from 30th March, 2008 to 1st October, 2017.

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 period ended 30th September, 2008, 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.

Other Information

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

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, 2008.

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, 2008).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th September, 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Condensed Consolidated Interim Balance Sheet

As at 30th September, 2008

	Note	As at 30th September, 2008 HK\$'000 (Unaudited)	As at 31st March, 2008 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	579,047	564,488
Leasehold land and land use rights	5	344,384	347,960
Investment properties	5	202,700	202,700
Intangible assets	5	220,251	234,912
Available-for-sale financial assets	6	193,983	293,707
Held-to-maturity financial assets		1,018	1,018
Investments in associates	7	6,390	7,059
Investments in jointly controlled entities	8	34,327	33,604
Non-current deposits		128,436	123,034
Deferred income tax assets		17,411	15,615
Retirement benefit assets		14,104	14,104
		1,742,051	1,838,201
Current assets			
Inventories		109,480	94,881
Trade and other receivables	9	50,216	46,968
Prepayments, deposits and other current assets		116,354	87,006
Financial assets at fair value through profit or loss	11	119,605	134,142
Cash and cash equivalents		1,025,372	733,298
		1,421,027	1,096,295
Total assets		3,163,078	2,934,496

Condensed Consolidated Interim Balance Sheet (Continued)

As at 30th September, 2008

	Note	As at 30th September, 2008 HK\$'000 (Unaudited)	As at 31st March, 2008 HK\$'000 (Audited)
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	12	55,409	55,257
Reserves (including interim and special dividends proposed of HK\$166,242,000; 31st March, 2008: final dividends proposed of HK\$193,643,000)	21	<u>2,481,156</u>	<u>2,329,745</u>
		2,536,565	2,385,002
		2,081	2,386
Minority interest		<u>2,538,646</u>	<u>2,387,388</u>
Total equity		2,538,646	2,387,388
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		65,203	64,884
Provision for long service payments		<u>6,694</u>	<u>6,311</u>
		71,897	71,195
Current liabilities			
Trade payables	10	138,800	112,766
Other creditors and accrued liabilities		<u>362,007</u>	<u>328,808</u>
Current income tax liabilities		<u>51,728</u>	<u>34,339</u>
		552,535	475,913
Total liabilities		<u>624,432</u>	<u>547,108</u>
Total equity and liabilities		<u>3,163,078</u>	<u>2,934,496</u>
Net current assets		<u>868,492</u>	<u>620,382</u>
Total assets less current liabilities		<u>2,610,543</u>	<u>2,458,583</u>

The notes on pages 22 to 46 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Income Statement

For the six months ended 30th September, 2008

		Six months ended 30th September,	
	<i>Note</i>	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Revenue	14	2,342,213	2,085,381
Cost of sales		(1,993,845)	(1,782,055)
Gross profit		348,368	303,326
Administrative expenses		(113,386)	(112,219)
Other (losses)/gains, net	15	(5,930)	3,301
Operating profit	16	229,052	194,408
Finance income	17	10,026	17,687
Finance costs	17	–	(134)
		239,078	211,961
Share of profit/(loss) of			
– Associates		1,250	1,228
– Jointly controlled entities		805	(368)
Profit before income tax		241,133	212,821
Income tax expense	18	(40,802)	(37,723)
Profit for the period		200,331	175,098
Allocated as:			
Loss attributable to minority interest		(305)	–
Profit attributable to equity holders of the Company		200,636	175,098
Earnings per share for profit attributable to the equity holders of the Company, expressed in HK cents per share			
– Basic	19	36.26 HK cents	31.88 HK cents
– Diluted	19	35.99 HK cents	31.53 HK cents
Dividends	20		
– Interim		83,121	82,622
– Special		83,121	–
		166,242	82,622

The notes on pages 22 to 46 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Recognised Income and Expense

For the six months ended 30th September, 2008

	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Exchange differences arising on translation of foreign subsidiaries and jointly controlled entities	4,702	23,647
Fair value (losses)/gains, net of tax: – available-for-sale financial assets	<u>(76,442)</u>	<u>195,281</u>
Net (loss)/income recognised directly in equity	<u>(71,740)</u>	<u>218,928</u>
Profit for the period	<u>200,331</u>	<u>175,098</u>
Total recognised income for the period	<u><u>128,591</u></u>	<u><u>394,026</u></u>
Attributable to		
– Equity holders of the Company	128,896	394,026
– Minority interest	<u>(305)</u>	<u>–</u>
	<u><u>128,591</u></u>	<u><u>394,026</u></u>

The notes on pages 22 to 46 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30th September, 2008

	Six months ended 30th September,	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Net cash generated from operating activities	323,460	285,557
Net cash used in investing activities	(48,775)	(190,674)
Net cash generated from financing activities	11,251	16,015
Net increase in cash and cash equivalents	285,936	110,898
Cash and cash equivalents at the beginning of the period	733,298	546,655
Effect of foreign exchange rate changes	6,138	3,042
Cash and cash equivalents at the end of the period	1,025,372	660,595

The notes on pages 22 to 46 are an integral part of this condensed consolidated interim financial information.

1 GENERAL INFORMATION

Café de Coral Holdings Limited (the “Company”) was incorporated in Bermuda as an exempted company under the Companies Act 1981 of Bermuda with limited liability on 1st October, 1990. The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company and its subsidiaries (together the “Group”) are 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 Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK\$’000) unless otherwise stated and has been approved for issue by the Board of Directors on 9th December, 2008.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30th September, 2008 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

This condensed consolidated interim financial information should be read in conjunction with the 2008 annual financial statements for the year ended 31st March, 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st March, 2008, as described in those annual financial statements.

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

The following new standards, amendments and interpretations to standards are effective for the financial year ending 31 March, 2009.

HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Amendments to HKAS 39 and HKFRS 7	Reclassification of Financial Assets

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

The following new standards, amendments and interpretations to standards have been issued but are not effective for the financial year ending 31st March, 2009 and have not been early adopted by the Group:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combination
HKFRS 8	Operating Segments
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

Notes to the Condensed Consolidated Interim Financial Information (Continued)

4 SEGMENT INFORMATION

(i) Primary reporting format – geographical segments

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

The segment results for the six months ended 30th September, 2008, based on location of customers, are as follows:

	Hong Kong HK\$'000 (Unaudited)	Mainland China HK\$'000 (Unaudited)	North America HK\$'000 (Unaudited)	Group HK\$'000 (Unaudited)
Segment revenues				
Total segment revenue	1,991,859	279,539	113,968	2,385,366
Inter-segment revenue (Note i)	(811)	(42,342)	-	(43,153)
Revenue	<u>1,991,048</u>	<u>237,197</u>	<u>113,968</u>	<u>2,342,213</u>
Segment results	<u>211,887</u>	<u>20,644</u>	<u>(3,479)</u>	229,052
Finance income	9,284	525	217	10,026
Share of profit of associates	1,250	-	-	1,250
Share of profit of jointly controlled entities	-	805	-	<u>805</u>
Profit before income tax				241,133
Income tax expense				<u>(40,802)</u>
Profit for the period				<u>200,331</u>

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

4 SEGMENT INFORMATION (Continued)

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

Other segment terms included in the condensed consolidated interim income statement for the six months ended 30th September, 2008 are as follows:

	Hong Kong HK\$'000 (Unaudited)	Mainland China HK\$'000 (Unaudited)	North America HK\$'000 (Unaudited)	Group HK\$'000 (Unaudited)
Depreciation	59,679	11,181	5,268	76,128
Amortisation of intangible assets	1,352	-	4,410	5,762
Amortisation of leasehold land and land use rights	2,935	1,115	-	4,050
Loss/(gain) on disposal of property, plant and equipment, net	<u>331</u>	<u>125</u>	<u>(2,185)</u>	<u>(1,729)</u>

Notes to the Condensed Consolidated Interim Financial Information (Continued)

4 SEGMENT INFORMATION (Continued)

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

The segment assets and liabilities, based on location of customers, at 30th September, 2008 and capital expenditure for the six months ended 30th September, 2008 are as follows:

	Hong Kong HK\$'000 (Unaudited)	Mainland China HK\$'000 (Unaudited)	North America HK\$'000 (Unaudited)	Group HK\$'000 (Unaudited)
Segment assets	2,083,408	413,458	293,478	2,790,344
Associates	6,390	-	-	6,390
Jointly controlled entities	-	34,327	-	34,327
	<u>2,089,798</u>	<u>447,785</u>	<u>293,478</u>	<u>2,831,061</u>
Unallocated assets				<u>332,017</u>
Total assets				<u>3,163,078</u>
Segment liabilities	<u>393,862</u>	<u>78,345</u>	<u>35,294</u>	507,501
Unallocated liabilities				<u>116,931</u>
Total liabilities				<u>624,432</u>
Capital expenditure	<u>64,244</u>	<u>38,471</u>	<u>1,795</u>	<u>104,510</u>

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

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise current and deferred income tax liabilities.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

4 SEGMENT INFORMATION (Continued)

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

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

The segment results for the six months ended 30th September, 2007, based on location of customers, are as follows:

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

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

4 SEGMENT INFORMATION (Continued)

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

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

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

4 SEGMENT INFORMATION (Continued)

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

The segment assets and liabilities, based on location of customers, at 31st March, 2008 and capital expenditure for the six months ended 30th September, 2007 are as follows:

	Hong Kong <i>HK\$'000</i> (Audited)	Mainland China <i>HK\$'000</i> (Audited)	North America <i>HK\$'000</i> (Audited)	Group <i>HK\$'000</i> (Audited)
Segment assets	1,764,468	372,386	312,497	2,449,351
Associates	7,059	-	-	7,059
Jointly controlled entities	-	33,604	-	33,604
	<u>1,771,527</u>	<u>405,990</u>	<u>312,497</u>	2,490,014
Unallocated assets				<u>444,482</u>
Total assets				<u><u>2,934,496</u></u>
Segment liabilities	<u>338,278</u>	<u>60,503</u>	<u>49,104</u>	447,885
Unallocated liabilities				<u>99,223</u>
Total liabilities				<u><u>547,108</u></u>
Capital expenditure (Unaudited)	<u>141,074</u>	<u>28,339</u>	<u>13,014</u>	<u>182,427</u>

(ii) Secondary reporting format – business segment

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

5 CAPITAL EXPENDITURE

	Intangible assets		Total intangible assets	Investment properties	Property, plant and equipment	Leasehold land and land use rights	Total
	Goodwill	Other intangible assets					
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Period ended							
30th September, 2008							
Opening net book amount	120,700	114,212	234,912	202,700	564,488	347,960	1,350,060
Additions	-	-	-	-	104,510	-	104,510
Depreciation/amortisation expense	-	(5,762)	(5,762)	-	(76,128)	(4,050)	(85,940)
Disposals	(2,973)	-	(2,973)	-	(15,699)	-	(18,672)
Exchange differences	(3,187)	(2,739)	(5,926)	-	1,876	474	(3,576)
Closing net book amount	<u>114,540</u>	<u>105,711</u>	<u>220,251</u>	<u>202,700</u>	<u>579,047</u>	<u>344,384</u>	<u>1,346,382</u>
At 30th September, 2008							
Cost/valuation	114,540	187,896	302,436	202,700	1,811,734	437,527	2,754,397
Accumulated depreciation/ amortisation	-	(82,185)	(82,185)	-	(1,232,687)	(93,143)	(1,408,015)
Net book amount	<u>114,540</u>	<u>105,711</u>	<u>220,251</u>	<u>202,700</u>	<u>579,047</u>	<u>344,384</u>	<u>1,346,382</u>

Notes to the Condensed Consolidated Interim Financial Information
(Continued)

5 CAPITAL EXPENDITURE (Continued)

	Intangible assets						Total
	Goodwill	Other intangible assets	Total intangible assets	Investment properties	Property, plant and equipment	Leasehold land and land use rights	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Period ended							
30th September, 2007							
Opening net book amount	103,551	109,517	213,068	155,200	491,978	308,788	1,169,034
Additions	-	-	-	62,600	119,827	-	182,427
Depreciation/amortisation expense	-	(5,631)	(5,631)	-	(73,697)	(3,219)	(82,547)
Disposals	-	-	-	-	(2,188)	(28,864)	(31,052)
Exchange differences	20,362	19,090	39,452	-	4,500	74	44,026
Closing net book amount	<u>123,913</u>	<u>122,976</u>	<u>246,889</u>	<u>217,800</u>	<u>540,420</u>	<u>276,779</u>	<u>1,281,888</u>
At 30th September, 2007							
Cost/valuation	123,913	194,673	318,586	217,800	1,744,899	361,680	2,642,965
Accumulated depreciation/amortisation	-	(71,697)	(71,697)	-	(1,204,479)	(84,901)	(1,361,077)
Net book amount	<u>123,913</u>	<u>122,976</u>	<u>246,889</u>	<u>217,800</u>	<u>540,420</u>	<u>276,779</u>	<u>1,281,888</u>

Notes to the Condensed Consolidated Interim Financial Information (Continued)

6 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30th September, 2008 HK\$'000 (Unaudited)	31st March, 2008 HK\$'000 (Audited)
Available-for-sale financial assets:		
– Unlisted debts securities with interest rates ranging from 4% to 7% per annum, and with maturity dates between 2 and 7 years	17,355	50,254
– Listed investments	173,492	242,888
– Listed equity securities	3,136	–
– Others	–	565
	<u>193,983</u>	<u>293,707</u>

7 INVESTMENTS IN ASSOCIATES

	30th September, 2008 HK\$'000 (Unaudited)	31st March, 2008 HK\$'000 (Audited)
Share of net assets	4,132	4,801
Due from associates	2,258	2,258
	<u>6,390</u>	<u>7,059</u>

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

8 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	30th September, 2008 HK\$'000 (Unaudited)	31st March, 2008 HK\$'000 (Audited)
Share of net assets	28,723	28,000
Goodwill on acquisition of jointly controlled entities	5,604	5,604
	34,327	33,604

9 TRADE AND OTHER RECEIVABLES

	30th September, 2008 HK\$'000 (Unaudited)	31st March, 2008 HK\$'000 (Audited)
Trade receivables	27,413	20,986
Less: provision for impairment of receivables	(1,185)	(589)
Trade receivables – net	26,228	20,397
Other receivables	23,988	26,571
	50,216	46,968

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

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

Notes to the Condensed Consolidated Interim Financial Information (Continued)

9 TRADE AND OTHER RECEIVABLES (Continued)

The aging analysis of trade receivables is as follows:

	30th September, 2008 HK\$'000 (Unaudited)	31st March, 2008 HK\$'000 (Audited)
0 – 30 days	18,917	12,001
31 – 60 days	5,933	6,275
61 – 90 days	642	1,495
Over 90 days	1,921	1,215
	27,413	20,986

10 TRADE PAYABLES

The aging analysis of the trade payables is as follows:

	30th September, 2008 HK\$'000 (Unaudited)	31st March, 2008 HK\$'000 (Audited)
0 – 30 days	132,283	105,634
31 – 60 days	5,230	1,594
61 – 90 days	357	70
Over 90 days	930	5,468
	138,800	112,766

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30th September, 2008 HK\$'000 (Unaudited)	31st March, 2008 HK\$'000 (Audited)
Equity securities listed in Hong Kong Investment portfolio (<i>Note i</i>)	1,723	5,341
Unlisted debt securities	104,235	111,512
Others	9,913	11,761
	3,734	5,528
	119,605	134,142

- (i) As at 30th September, 2008, investment portfolio mainly comprises fixed income securities of HK\$41 million (31st March, 2008: HK\$39 million), equity securities of HK\$28 million (31st March, 2008: HK\$39 million) and cash and term deposits of HK\$28 million (31st March, 2008: HK\$23 million) and is managed by four financial institutions, which management believes are of high quality and without significant credit risk.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

12 SHARE CAPITAL

	(Unaudited) 30th September, 2008		(Audited) 31st March, 2008	
	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 the period/year	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>
Issued and fully paid				
Beginning of the period/year	<u>552,576</u>	<u>55,257</u>	545,934	54,593
Shares issued under share option scheme (Note 13)	<u>1,522</u>	<u>152</u>	<u>6,642</u>	<u>664</u>
End of the period/year	<u>554,098</u>	<u>55,409</u>	<u>552,576</u>	<u>55,257</u>

13 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 after its termination. 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.

13 SHARE OPTIONS (Continued)

On 24th September, 2003, the Scheme was terminated upon the passing of a shareholders' resolution for the 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. The Company granted options to certain employees of the Group (including executive directors of the Company) pursuant to 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 (the "Stock Exchange") daily quotations sheets for the five business days immediately preceding the date of offer of the option. The exercise period and the vesting period of the options were also determined by the board of directors and the options shall expire at the end of a 5-year period after the options become exercisable.

For options granted under the New Scheme, the exercise price in relation to each option was determined by the board of directors of the Company, but in any event would not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant or (iii) the nominal value of a share. The exercisable period and the vesting period of the options were also determined by the board of directors and the options shall expire at the end of a 5-year period after the options become exercisable save that such period shall not expire later than 10 years from the date of grant.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

13 SHARE OPTIONS (Continued)

Movements in share options

	30th September, 2008 '000 (Unaudited)	31st March, 2008 '000 (Audited)
Beginning of the period/year	33,728	18,480
Granted	–	21,930
Exercised	(1,522)	(6,642)
Cancelled upon termination of employment	(380)	(40)
	<u>31,826</u>	<u>33,728</u>
End of the period/year		
Options vested	<u>3,405</u>	<u>4,539</u>

Details of share options

Grant date	Exercise period	Exercise price HK\$	(Unaudited)		(Audited)	
			30th September, 2008		31st March, 2008	
			Number of options outstanding '000	Number of options vested '000	Number of options outstanding '000	Number of options vested '000
4th November, 1999	1st April, 2003 to 31st March, 2013	2.950	410	410	886	476
1st November, 2005	1st January, 2007 to 31st October, 2015	8.800	2,950	550	3,500	1,100
1st November, 2005	1st January, 2007 to 31st October, 2015	8.750	6,932	672	7,412	1,092
2nd October, 2007	30th March, 2008 to 29th March, 2017	14.268	3,450	345	3,450	345
2nd October, 2007	30th March, 2008 to 1st October, 2017	14.748	18,084	1,428	18,480	1,526
			<u>31,826</u>	<u>3,405</u>	<u>33,728</u>	<u>4,539</u>

Notes to the Condensed Consolidated Interim Financial Information
(Continued)

14 REVENUE

	Six months ended 30th September,	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of food and beverages	2,262,634	2,016,857
Rental income	17,615	18,022
Royalty income	23,092	21,750
Management and service fee income	5,283	4,439
Sundry income, net	33,589	24,313
	<u>2,342,213</u>	<u>2,085,381</u>

15 OTHER (LOSSES)/GAINS, NET

	Six months ended 30th September,	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gain on disposals of financial assets at fair value through profit or loss	387	514
Loss on disposals of available-for-sale financial assets	(359)	-
Dividend income from listed investments	5,103	-
Fair value (losses)/gains on financial assets at fair value through profit or loss	(11,061)	2,787
	<u>(5,930)</u>	<u>3,301</u>

Notes to the Condensed Consolidated Interim Financial Information (Continued)

16 OPERATING PROFIT

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

	Six months ended 30th September,	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Cost of raw materials and consumables used	752,970	646,242
Depreciation of property, plant and equipment	76,128	73,697
Amortisation of leasehold land and land use rights	4,050	3,219
Amortisation of trademarks and franchise rights	5,762	5,631
Gain on disposal of property, plant and equipment	(1,729)	(2,083)
Gain on disposal of restaurants (including release of goodwill amounting to HK\$2,973,000)	(2,521)	–
Provision for impairment of trade and other receivables	596	–
	596	–

17 FINANCE INCOME AND COSTS

	Six months ended 30th September,	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Finance income – interest income	10,026	17,687
Finance costs – interest expense on bank loans	–	(134)
Net finance income	10,026	17,553

18 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% (2007: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30th September,	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax:		
– Hong Kong profits tax	35,766	31,352
– Overseas taxation	5,966	5,380
Deferred income tax relating to the origination and reversal of temporary differences	(930)	991
	40,802	37,723

Notes to the Condensed Consolidated Interim Financial Information (Continued)

19 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,	
	2008 (Unaudited)	2007 (Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	HK\$200,636	HK\$175,098
Weighted average number of ordinary shares in issue ('000)	553,294	549,267
Basic earnings per share (HK cents per share)	<u>36.26 HK cents</u>	<u>31.88 HK cents</u>

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.

Notes to the Condensed Consolidated Interim Financial Information
(Continued)

19 EARNINGS PER SHARE (Continued)

Diluted (Continued)

	Six months ended 30th September,	
	2008 (Unaudited)	2007 (Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	HK\$200,636	HK\$175,098
Weighted average number of ordinary shares in issue ('000)	553,294	549,267
Adjustment to share options ('000)	4,221	5,989
	557,515	555,256
Diluted earnings per share (HK cents per share)	35.99 HK cents	31.53 HK cents

20 DIVIDENDS

	Six months ended 30th September,	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Dividends proposed		
– Interim, 15 HK cents (2007: 15 HK cents) per share	83,121	82,622
– Special, 15 HK cents (2007: Nil) per share	83,121	–
	166,242	82,622

The interim and special dividends were declared on 9th December, 2008. This condensed consolidated interim financial information does not reflect this dividend payable.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

21 RESERVES

	Share premium	Capital redemption reserve	Exchange translation reserve	Share-based compensation reserve	Capital reserve	Contributed surplus	Investment reserve	Revaluation reserve	Retained earnings	Total
	HK\$'000	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)	(Unaudited)
At 1st April, 2008	114,133	152,034	51,048	24,469	21,079	85,197	141,947	180	1,739,658	2,329,745
Proceeds from shares issued	11,098	-	-	-	-	-	-	-	-	11,098
Exchange differences arising on translation of foreign subsidiaries and jointly controlled entities	-	-	4,702	-	-	-	-	-	-	4,702
Changes in fair value for available-for-sale financial assets	-	-	-	-	-	-	(76,442)	-	-	(76,442)
Employees shares option scheme-value of employee services	-	-	-	11,417	-	-	-	-	-	11,417
Release of share-based compensation reserve to share premium upon exercise of share options	2,106	-	-	(2,106)	-	-	-	-	-	-
Profit attributable to equity holders of the Company	-	-	-	-	-	-	-	-	200,636	200,636
At 30th September, 2008	<u>127,337</u>	<u>152,034</u>	<u>55,750</u>	<u>33,780</u>	<u>21,079</u>	<u>85,197</u>	<u>65,505</u>	<u>180</u>	<u>1,940,294</u>	<u>2,481,156</u>
At 1st April, 2007	79,243	152,034	8,195	9,547	21,079	85,197	(1,467)	180	1,587,866	1,941,674
Proceeds from shares issued	15,537	-	-	-	-	-	-	-	-	15,537
Exchange differences arising on translation of foreign subsidiaries and jointly controlled entities	-	-	23,647	-	-	-	-	-	-	23,647
Changes in fair value for available-for-sale financial assets	-	-	-	-	-	-	195,281	-	-	195,281
Employees shares option scheme-value of employee services	-	-	-	2,367	-	-	-	-	-	2,367
Release of share-based compensation reserve to share premium upon exercise of share options	1,894	-	-	(1,894)	-	-	-	-	-	-
Profit attributable to equity holders of the Company	-	-	-	-	-	-	-	-	175,098	175,098
At 30th September, 2007	<u>96,674</u>	<u>152,034</u>	<u>31,842</u>	<u>10,020</u>	<u>21,079</u>	<u>85,197</u>	<u>193,814</u>	<u>180</u>	<u>1,762,964</u>	<u>2,353,804</u>

22 CAPITAL COMMITMENTS

	30th September, 2008 HK\$'000 (Unaudited)	31st March, 2008 HK\$'000 (Audited)
Acquisition of property, plant and equipment		
Authorised and contracted for	7,525	18,716
Authorised but not contracted for	258,760	188,709
	266,285	207,425

23 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Six months ended 30th September, 2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Operating lease rentals paid to a related party:		
– Tinway Investments Limited (Note i)	1,056	1,056
Franchise fees paid to a related party:		
– illycaffè SpA (Note ii)	310	–
Accessories charges paid to a related party:		
– illycaffè SpA (Note ii)	247	–

23 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

- (i) 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.
- (ii) illycaffè SpA is an associate of illycaffè Asia Pacific Limited, a minority shareholder of the Café de Espressamente illy (HK) Limited, a 70% owned subsidiary of the Group.

The above transactions were carried out in accordance with the terms of the contracts entered into by the Group and the related parties.

(b) Key management compensation

	Six months ended 30th September,	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and allowances	4,349	4,338
Others	8,706	16,019
	<u>13,055</u>	<u>20,357</u>

Café 大家樂
de Coral

