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

Annual Report 2008 年報

Contents

Directors and Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

* *Independent Non-executive Directors*

COMPANY SECRETARIES

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

QUALIFIED ACCOUNTANT

Ms. Chung Sau Man, Grace

REGISTERED OFFICE

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

HEAD OFFICE

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

AUDITORS

Messrs. PricewaterhouseCoopers

SOLICITORS

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.
Sumitomo Mitsui Banking Corporation

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

FINANCIAL HIGHLIGHTS

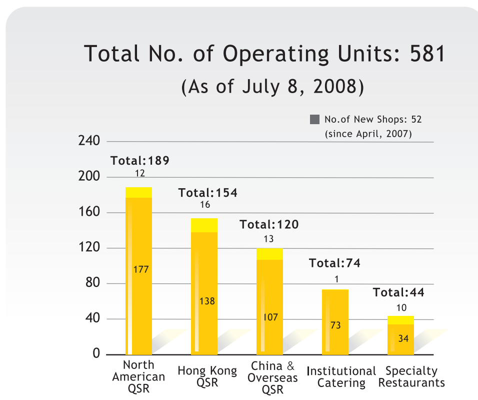
Year ended 31st March,	**2008** *HK$'000*	2007 *HK$'000*	Change %
Revenue	**4,290,031**	3,885,151	10.42
Profit attributable to equity holders of the Company	**420,234**	370,067	13.56
Total assets	**2,934,496**	2,485,027	18.09
Net assets	**2,387,388**	1,996,467	19.58
Basic earnings per share	**76.36 HK cents**	67.95 HK cents	12.38
Interim and final dividends per share	**50 HK cents**	42 HK cents	19.05
Net assets per share	**$4.32**	$3.67	17.71

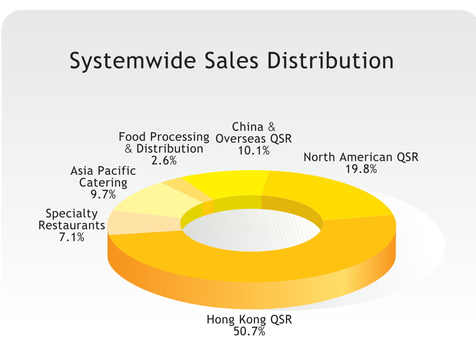
FINANCIAL CALENDAR

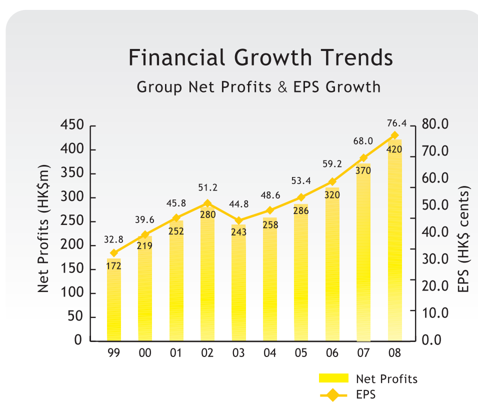
Half year results	Announcement on 11th December, 2007
Full year results	Announcement on 8th July, 2008
Annual Report	Despatched to shareholders in late July, 2008
Closure of register of members for the proposed final dividend	10th September, 2008 to 17th September, 2008
Annual General Meeting	17th September, 2008
Dividends	Interim: 15 HK cents per share paid on 11th January, 2008 Final: 35 HK cents per share payable on 3rd October, 2008

HIGHLIGHTS

- Continuous turnover growth for the 21st consecutive year since public listing exceeding the HK$4 billion mark.
- Continuous double-digit profit growth reaching the historic high of HK$420 million.
- Recognised as PRC Consumer's Most Favourable Hong Kong Brand and winner of Top Service Award.
- Record-breaking branch development expansion of 20 units under our various restaurant brands in Hong Kong.
- Unlocking the vast potentials of the China business platforms with a total of 40 and 72 outlets operating in Southern and Eastern China respectively.
- Simultaneous construction of our HK$350 million central processing plants both in Hong Kong and China.
- Shareholders' value was enhanced for the 13th consecutive year with this year's dividend increment of another 19%, reaching a payout ratio of 66%.
- Marching forward to celebrate the Group's commemorative 40th Anniversary Year.








紐西蘭南冰魚柳
·炒滑蛋·牛油厚多士·即磨咖啡/茶


CAFÉ DE CORAL
服務 窩心暖送
榮獲星鑽服務品牌選舉2007
食肆連鎖店(快餐)
從心體貼您需要，就是大家樂的一貫精神。我們承諾攀越更高服務水準，
以謝您的無間斷支持。
大家樂見


Café de Coral


Café de Coral

MARCHING TOWARDS 40TH ANNIVERSARY

I am proud to report another unprecedented result for the year ended 31st March, 2008. Turnover and profit attributable to shareholders for the year ended 31st March, 2008 reached new heights of HK$4.29 billion and HK$420 million representing an increase of 10.42% and 13.56% respectively as compared to last year. This achievement marks the beginning of the commemorative moment to celebrate the Group's 40th Anniversary in the new financial year 2008/2009.

To enhance the return to our shareholders, I would recommend to the Board to propose a final dividend of 35 HK cents per share. Together with the interim dividend paid earlier, a total dividend payable for the entire year is 50 HK cents per share, representing an increase of 19% over that of last year.

HONG KONG BUSINESS PLATFORM

For the year under review, we achieved another record-breaking pace of branch development for the Group. A total of 20 new outlets, operating under our own restaurant brands, were opened in Hong Kong. Other than leasing properties only, we also strengthened our branch development portfolio by acquiring properties at strategic locations for housing our own reputable restaurant brands. This enabled us, on the one hand, to capture the capital appreciation opportunities and, on the other hand, to alleviate the cost pressure from escalating rental in these prime locations. It was also gratifying to witness that all these new outlets delivered satisfactory performance shortly after their openings. With these development initiatives being duly implemented, we lay a solid foundation for enhancing our profitability in the years to come.

Despite the ever-growing cost pressure in our local businesses, in particular the raw material and labour costs, I am glad to report that we were still able to achieve a double-digit growth for the Group's operating profit for the year under review. This encouraging performance was not a gift of luck but a result of our strong branding power and implementation of various successful business imperatives. Over the years, we spent millions of dollars in establishing our brands' awareness, be it for "**Café de Coral**", "**The Spaghetti House**" or "**Oliver's Super Sandwiches**". These initiatives, coupled with our 40 years' history in the catering industry and our well-recognized business practices, outrivaled our competitors in the market. Leveraging on this strong branding power, we were able to deal with the cost increments more effectively by adjusting our product mix, passing part of the cost increments to our customers and bargaining for more competitive raw material quotations, thereby safeguarding our profit margin from being eroded.

Our strong branding power was also exemplified in the recognitions and awards we won in the year. We are elected as the winner of the Top Service Award for the 4th consecutive year and also won the applause among mainland visitors by claiming the Gold Award as "PRC Consumer's Most Favourable Hong Kong Brand", while I have personally been bestowed with the "Entrepreneur of The Year China 2007".

PRC BUSINESS PLATFORM

In Southern China, our **Café de Coral**'s aggressive branch development program continues. As of today, there are a total of 40 operating units, an addition of 11 new shops since April, 2007. Despite the introduction of certain austerity measures and adoption of tightened monetary policy by the Central Government to cool down the overheating economy, our pace of development has not been hampered. To capture the opportunities offered by the increasingly affluent households in the Pearl River Delta Region, our branch development program would focus more on the development initiatives in these areas. Subject to any unforeseen circumstances, we envisage that we are well on track to meet our target set out in four years ago to have not less than 50 outlets by the year 2009.

In Eastern China, I am glad to report that, after years of our dedicated efforts to fine-tune the business model of the chain, **New Asia Dabao**, it finally turned around for the year under review. It is also noteworthy that the sales performance of our "**Café de Coral**" in the region was much improved with steady growth since inception. The business improvement reinforces our confidence in capturing this vast market potential in the Yangtze River Delta Region.

NORTH AMERICA BUSINESS PLATFORM

Across the Ocean, the business performance of **Manchu Wok** is slightly below our expectation. The loss for the year under review is mainly attributable to the non-recurrent write-off as a result of closing down certain non-performing stores. As planned by the management, it is expected to step up further closures and disposal on an accelerated pace in dealing with the loss-making regional market at one go in the forthcoming year. Despite the provisions made for closure and asset impairment, it is noteworthy that **Manchu Wok** has improved on its operating performance.

Other than the consolidation measures we deployed, we have also taken up growth initiatives to regain the business momentum for this chain of restaurants. By introducing a new operating model to selected prototype stores, we achieved results that exceed our expectation, which should lead **Manchu Wok** into a more viable operating formula for supporting its business growth. Our strategy in exploring business opportunities in non-traditional areas also bears fruit, resulting in increasing number of stores in these areas. The encouraging performance in these growth initiatives also reinforces our confidence in achieving business turnaround in the upcoming year.

LOOKING AHEAD

Marching towards the Group's 40th Anniversary, we shall adopt all the requisite initiatives for delivering our promises to shareholders, employees and customers. Such initiatives are not only demonstrated by the way of doing our core businesses, they are also exemplified in our strategy in capturing the investment opportunities in the catering industry. Our strategic investment in "Tao Heung" has brought us with attractive dividend returns together with a remarkable capital appreciation in our equity, proving another successful strategy we deployed in sharing the growth potential in the Chinese restaurants market both in Hong Kong and China.

As reported earlier to you all, we are now in the planning stage for constructing the two food processing plants at the Guangzhou Development District, China and Tai Po Industrial Estate, Hong Kong. The two new plants, once completed by the late 2009 and mid 2010 respectively, are expected to greatly increase our production capacity both in Hong Kong and Southern China. Both of which would further enhance our competitive edge and support our sustainable growth in these two regions.

As to all the business platforms of the Group, be it in Hong Kong, Greater China region or overseas, we remain confident to unlock their vast potential for enhancing the Group's profitability and returning value to our shareholders. As we are now well into the Group's 40th Anniversary Year, I assure you that our 13,000 strong will do all our best to mark another milestone in the Group's history in celebrating this commemorative event.

Chan Yue Kwong, Michael
Chairman

Hong Kong, 8th July, 2008


我愛意大利
THE SPAGHETTI HOUSE
New
芝士焗龍蝦帶子墨魚汁天使麵
Squid Ink Angel Hair Pasta
with Lobster & Scallop Au Gratin


THE
SPAGHETTI
HOUSE
Since 1979

INTRODUCTION

The year under review saw a mix of challenges and opportunities to the Group. In the first half of the year, local business environment was upbeat with buoyant spending sentiment driven by surging stock and property markets. In the second half of the year, the economic environment was overshadowed by the widespread impact of the United States sub-prime rate crisis and inflationary pressure on all aspects of life in Hong Kong.

Nevertheless, the Group was able to deliver another year of encouraging performance, with the Group's total turnover of HK$4.29 billion and profit attributable to shareholders of HK$420 million, representing an increase of 10.42% and 13.56%, respectively, over those of last year. This encouraging performance once again attested to our management ability to ride over challenges while capturing opportunities that came along with different economic cycles.

FAST FOOD BUSINESS

Café de Coral continued its development pace in Hong Kong by opening eight new stores, bringing the total number of this branded restaurants to 135 as at 31st March, 2008. All these new stores continued to demonstrate our branding power as we witnessed better-than-expected business performance immediately after their openings.

Recognizing the importance of continuously refreshing our stores, we invested over HK$45 million in the year to renovate 20 **Café de Coral** stores to maintain our stylish restaurant image. The move was part of our on-going program to usher in to our outlets **Café de Coral** 4th Generation post-modern design concept, which sets the trend in the casual dining industry.

Apart from upgrading store image, we carried on with our insistence on offering quality products. By upgrading and repackaging existing menu items, such as "Shanghai Yin Yang Vegetable Rice" and "Honey Roasted Chicken Fillet Breakfast Set", we were able to enhance our customers' experience and won their applause. New additions, such as "Chocolate Fountain Sizzling Plate" and "Angel Hair 1.2" were also introduced to our customers for their enjoyment at reasonable and affordable prices. "Easy Cook 100" was another innovative idea in promoting outside catering during the Chinese New Year.

Promotion and marketing initiatives were other business tools we utilized to refresh customer awareness of our quality products. A new TV series with focus on the uniqueness and freshness of our products was launched during the past year, arousing sufficient interest in the market to try and taste these new products. In the meantime, we continued the recruitment exercise for our immensely successful "Club 100" VIP Loyalty Program launched since 2006. More exciting gifts were introduced for redemption by members to reward their support of our brand and branches.

In our quest for excellence in everything we do, we adhered to our motto of "Putting People First". During the year, various training programs were conducted to raise the standard of health and safety, service quality and hygiene, providing our business growth with a solid platform.

To support our growing local business, we procured a suitable site at the Tai Po Industrial Estate, Hong Kong for the construction of a central food processing plant. This would play a pivotal role in the long run by providing our local operations with a competitive edge in food quality, food

safety, and operational excellence. Even though we are still in the planning stage, we are confident that, upon completion by mid-2010, our production capacity will be ready for the opportunities here in Hong Kong.

Recognizing that there was still plenty of room for growth in the local fast food sector, we committed resources to develop **Super Super Congee & Noodles** with this sector as target. During the year, we opened two additional locations under this brand. Subsequent to the year end, we added one more store at Kwai Chung Shopping Centre in May, bringing the total number of locations to 8 as of today. This newly opened store performed beyond our management's expectation shortly after its opening.

Oliver's Super Sandwiches, our well-known brand in the sandwich market, delivered a stable performance for the year under review. From the time we acquired the business in June, 2003, with a record high of five new outlets opened during the year, the total number of stores reached 16 as at 31st March, 2008.

Riding on the unique offering of freshly-made products, **Oliver's Super Sandwiches** is well-positioned to satisfy the strong demand in this niche market. To exceed our customers' expectations, we introduced various innovative and "value-for-money" products in the year. **Oliver's Super Sandwiches** also adopted a "leisure" interior design concept to create an ideal place in response to customers' demand for casual gathering. "illy", the famous Italian coffee, became an instant preferred brand as it was introduced to the entire chain of **Oliver's Super Sandwiches**.

The successful launch of this reputable coffee brand was accompanied by the establishment of a "joint-venture" to operate an exclusive franchise under the brand of "Espressamente illy" in Hong Kong and Macau. This premium coffee brand, targeting up-market customers, will enable us to penetrate the high-end coffee market. Since its inception in November, 2007, we have opened two stores at the Hong Kong International Airport as more stores will be introduced to the prime commercial areas in Hong Kong and Macau.

INSTITUTIONAL CATERING

Asia Pacific Catering, our flagship business unit in the institutional catering market, maintained its leading position in Hong Kong. During the year, we successfully renewed all catering contracts with major clients. Armed with the solid foundation we have established with large institutional clients, we began to explore business opportunities with smaller and medium-sized enterprises in Hong Kong to further expand our business. As at 31st March, 2008, we had 54 operating units in Hong Kong.

To further expand the catering business, we also actively explored business opportunities in the PRC market, where we believed there was ample room for growth. The necessary resource will continue to be made available in pursuit of this end. As at 31st March, 2008, the number of operating units in the PRC reached 20.

Luncheon Star, our business arm in the school catering market, is another proud success of the Group. Established in September, 1999, **Luncheon Star** has since secured the leadership position in the school

catering sector. Keenly aware that food safety is a key concern for schools and parents in their selection of meal caterer, we became accredited with "HACCP" and "ISO 9001" on food safety and monitoring system shortly after commencement of our business.

In addition, we were also accredited in the past year with "ISO 22000", by far the strictest food safety standard to-date. This accreditation is testimonial to our commitment to an advanced level of food safety, setting a pioneering standard for the industry. Despite escalating raw material costs, we remain confident that **Luncheon Star** would be able to maintain its business momentum as contract prices are adjusted to reflect rising costs.

SPECIALTY RESTAURANT

Competition in the mid-priced specialty restaurant sector remained keen in the year. Against the backdrop of soaring food cost and tightened labour market, **The Spaghetti House** continued to deliver satisfactory performance. During the year, four new stores were opened, two in Hong Kong and two in Shenzhen, PRC, bringing the total number of **The Spaghetti House** to 29 as at 31st March, 2008.

Renovation was carried out at two of our existing locations to maintain our stylish and trendy image as well as to provide a more comfortable dining environment to our customers. Coupled with our promotion and marketing initiatives, in particular, our advertising campaigns under the theme of "I Love" and "Italian Festival", we reinforced the image of **The Spaghetti House** as the "Pasta Expert" while raising our brand awareness.

To meet the ever-changing needs of our customers, a series of high perceived-value products were introduced during the year and successfully won the approval of our customers as evidenced by the rising number in patronage and turnover. The above initiatives, whether improving the quality of our service or products, were aimed to better our rivals in this increasingly competitive marketplace thereby securing a larger market share in the mid-priced specialty restaurant sector.

Cognizant of the vast market potential for specialty restaurants supported by the growth in size of the middle class in the PRC, we opened another two stores in Shenzhen, PRC during the year. With three stores in Shenzhen and one in Guangzhou, our number of PRC stores totaled four. Plans are in place to set up another outlet in Foshan, PRC in the near future. All these outlets are strategically located at prominent and favorite shopping arcades amongst high income earners.

For the franchise business, **The Spaghetti House** had 2 franchise restaurants in operation overseas, both located in Indonesia.

In recognition of its excellence in service quality, **The Spaghetti House** was awarded "**Certificate Award for the Best Brand Enterprise**" and "**2007 Service Retailer – Fast Food/Restaurant Category**" held by Hong Kong Productivity Council and Hong Kong Retail Management Association respectively.

SCANFOODS

The business of **Scanfoods** was affected by the general increase in raw material and labour costs. However, as our flagship in food processing and distribution, **Scanfoods** has long established and trusted business relationship with our institutional clients. With the recognized high quality of our "Viking Boat" brand of ham and sausage products, we were able to pass on these cost increments to the consumers.

In the PRC, as reported to you in the past, **Scanfoods** had already penetrated the retail market through our extensive distribution network. Our market coverage included the major supermarkets and other retail points in the Pearl River Delta region, putting us in a position to capture the fast growing business opportunities in packaged foods.

CAFÉ DE CORAL IN THE PRC AND MACAU

Café de Coral continued its active branch development program in Southern China throughout the year. Encouraged by the exciting performance achieved in recent years, we added eight new stores to our portfolio this past year, bringing the total number of this branded restaurant in the region to 37 as at 31st March, 2008, including one in Macau. Among these new openings are both stores that are strategically located at different first-tier and second-tier delta cities to capture the opportunities presented by these growing eating-out markets. With 12 to 15 additional **Café de Coral** outlets on the drawing board in the year 2008/2009, we are well on track to our objective of having a scalable business in this region. To this end, much emphasis has been placed in providing all-round training to our ever-increasing frontline and back-end staff to support this fast growing pace.

Despite the introduction of certain austerity measures by the Central Government to cool down the over-heated property market, we have seen little impact to our business. As the mainland economy transforms from an export-oriented to a consumer-spending-oriented one, it is our expectation that the food and beverage sector will be positively impacted.

To position ourselves for this development as well as the ever-growing middle class in the PRC, we made a decisive move in the year to acquire a parcel of land of 30,000 square metres at the Guangzhou Development District, China, with the aim to building a new central food processing plant supporting our development in the Pearl River Delta region in the next few decades.

Barring any unforeseen circumstances, we envisage **Café de Coral** fast food restaurant in the Southern China to benefit from the fast growing economy in the PRC and becomes another growth driver for the Group.

MANCHU WOK

The business performance of **Manchu Wok** is slightly below the expectation of management.

As reported to you previously, we were in a positive direction in controlling overheads and identifying opportunities for future expansion. Our development initiatives in non-traditional locations bore fruit in the year, resulting in an addition of eleven new outlets at various United States military bases. During the year, we introduced a prototype design concept into certain corporate stores. Shortly after its introduction, we witnessed an encouraging response with a sustained double-digit increase in turnover. As a result, we planned to roll out this design concept into the other corporate and franchise stores in the near future.

Other than our development initiatives, we remained committed to controlling our business cost and eliminating wastages. Since our take-over in October, 2005, the closure of some non-performing stores had been recognized as part of the necessary restructuring process. Proper planning had enabled management to identify those closures deemed necessary and resulted in decisive actions in the past year while mitigating costs normally associated with closure of stores. Nonetheless, impairment provision made as a result of such closures did hamper the performance of this business unit, resulting in a loss for the year under review.

Despite the challenges we encountered, we remained optimistic that **Manchu Wok** would become another growth platform on which we could pursue the Asian Cuisine market in North America.

As at 31st March, 2008, **Manchu Wok** has a total of 196 restaurants operating in North America.

NEW ASIA DABAO

In Eastern China, I am glad to report that our chain of **New Asia Dabao** finally turned around with a slight profit for the year under review. This is evidence of how our effort over the years finally bore fruits. Notwithstanding our initial success, we remained cautious about the challenging business environment, in particular, the upward pressure on various cost components. With the mass market as our core customers, we are constrained to keep our price point at an affordable level, thus leaving less room to adjust to mounting inflationary pressure.

Since taking up management control of **New Asia Dabao** in July, 2003, our management team was given the opportunity to understand the needs of local market through the introduction of various value-added imperatives. The invaluable experience gained would undoubtedly serve as a solid foundation for our future development in Eastern China.

To maintain our competitive edge, we launched a series of initiatives to improve our operational efficiency. By tightening our centralized raw material purchasing and waste control measures, we were able to maintain our modest profit margin in the face of rising costs.

To enter the mid-priced fast casual dining segment, we established **Café de Coral's** presence in the region. In any initial stage of testing a relatively unknown concept, we expect to incur certain preliminary expense for our learning. Given the business potential presented by the Yangtze River Delta region, we remain optimistic of our business outlook in Eastern China, whether under the brand of "**New Asia Dabao**" or "**Café de Coral**".

As of 31st March, 2008, **New Asia Dabao** had a total of 73 outlets in the Eastern China region, 6 of which are under the brand of **Café de Coral**.

NEW BUSINESS PROCESSES

Information Technology played a critical part in the success of our business. During the year, various IT solutions were put in place to enhance our operating effectiveness across different business units. For example, our **Café de Coral** branches in Shenzhen,

PRC now accept payment by Octopus, which is the result of our joint effort with Octopus to resolve various cross border IT and payment-related issues. Since implementation, it is particularly welcomed by those who are frequent travelers across the border. At the back office, we initiated and implemented a "SOP" project for all the **Café de Coral** branches in the Southern China region, which allowed all the branches to access on-line video for standard procedure in food preparation, thereby standardizing the quality of our products.

In the local front, a "MOS" system was rolled out to the entire chains of **Café de Coral** and **Super Super Congee & Noodles** in Hong Kong. This MOS system aims to shorten our response time to customer's order by displaying order details and sequence at the back-kitchen of our stores, thereby ensuring our customers are timely served.

Other than the operational efficiency we were able to achieve by adopting IT solutions, savings in manpower cost was also attained by migrating some of the manual data entry work from Hong Kong to our data entry center in Shenzhen, PRC.

IT development and application is recognized as a critical area that will provide crucial support to our business growth and performance. Our commitment of resource to this area will reflect the importance that we place on IT.

FINANCIAL REVIEW

The Group's financial position, as at 31st March, 2008, continues to be very strong, with a net cash of close to about HK$733 million and available banking facilities of HK$636 million.

As at 31st March, 2008, the Group did not have any external borrowing (31st March, 2007: Nil) and maintained a healthy gearing (being total borrowings over shareholders' funds) of Nil (31st March, 2007: Nil). There has been no material change in contingent liabilities or charges on assets since 31st March, 2007.

As at 31st March, 2008, the Company has given guarantees approximately HK$636,000,000 (31st March, 2007: HK$836,000,000) to financial institutions in connection with the banking facilities granted to its subsidiaries.

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

HUMAN RESOURCES

As of 31st March, 2008, the Group (other than associated companies and jointly-controlled entities) employed approximately 13,000 employees. Remuneration packages are generally structured by references to market terms as well as individual qualifications and experience. With a unique Share Option Scheme, together with profit sharing bonus and performance incentive system, employees are entitled to participate in the growth of the Group.

During the year, various training activities have been conducted to improve front-end quality of services as well as to ensure smooth and effective installation of the Group's business systems.

CONCLUSION

The new financial year 2008/09 marks the Group's 40th Anniversary since its foundation in 1968. Over the years, we experienced a number of ups and downs in our economy. While our Hong Kong business remains the major revenue contributor, it is always the Group's objective to balance its business portfolio with larger contribution from its overseas businesses. Our strategic business development initiatives in the PRC and North America exemplify our commitment in pursuit of this objective.

We recognize that there are still much for us to do to deliver our promises of having the PRC and North America business platforms as the other main growth drivers for the Group. As we march towards our 40th Anniversary, we assure you that we will all do our best in overcoming challenges from different geographical settings and achieve yet another remarkable record for the Group in the new financial year.

Lo Hoi Kwong, Sunny
Managing Director

Hong Kong, 8th July, 2008


Oliver's Super Sandwiches

CHAIRMAN

Mr. Chan Yue Kwong, Michael, aged 56, is the Executive Chairman of the Group. He joined the Group in 1984 and was appointed as a director of the Group in 1988. He has been the Managing Director of the Group since 1989 and is now the Executive Chairman of the Group. Having worked as a professional town planner for various Government bodies in Hong Kong and Canada, he has considerable experience in planning and management. He holds a Degree in Sociology and Political Science, a Master Degree in City Planning from the University of Manitoba, Canada and an Honorary Doctorate Degree in Business Administration. He is currently an Executive Committee Member of the Hong Kong Retail Management Association, General Committee Member of the Employers' Federation of Hong Kong, Elected Member of the Quality Tourism Services Association, a Full member of the Canadian and the Hong Kong Institute of Planners, a Fellow of the Chartered Institute of Marketing, a Court Member of the Hong Kong University of Science and Technology, the Honorary President of Hong Kong Foodstuffs Association, the Honorary Adviser of the Hong Kong Institute of Marketing, a Member of the Hong Kong Tourism Board and the Chairman of the Business Enterprise Management Centre of the Hong Kong Management Association. In past years, Mr. Chan was personally bestowed with "The Stars of Asia Awards", the "Executive of the Year Award", the "Bauhinia Cup Outstanding Entrepreneur Awards", the "Hong Kong Business Mastermind Award", the "Directors of the Year Award", the Honoree, Beta Gamma Sigma of the Hong Kong University of Science and Technology and more recently, Ernst & Young Entrepreneur of The Year China 2007. He is the son-in-law of Mr. Lo Tang Seong, Victor, another Director of the Company. He is also a relative of Mr. Lo Hoi Kwong, Sunny, Ms. Lo Pik Ling, Anita, Mr. Lo Hoi Chun and Mr. Lo Tak Shing, Peter, all of whom are Directors of the Company.

MANAGING DIRECTOR

Mr. Lo Hoi Kwong, Sunny, aged 52, is the Managing Director of the Group. He joined the Group in 1982 and has been an Executive Director of the Company since 1990. He is responsible for business development in Hong Kong and overseas, as well as the marketing, operation, food processing and information technology functions of the Group. He holds a Master Degree in Chemical Engineering from Stanford University. Mr. Lo is the son of Mr. Lo Tang Seong, Victor and is the brother of Ms. Lo Pik Ling, Anita, both of whom are Directors of the Company. He is also a relative of Mr. Chan Yue Kwong, Michael, Mr. Lo Hoi Chun and Mr. Lo Tak Shing, Peter, all of whom are Directors of the Company. Mr. Lo is a director of NKY Holding Corporation which has discloseable interests in the shares of the Company under the provisions of Part XV of the Securities and Futures Ordinance.

EXECUTIVE DIRECTORS

Ms. Lo Pik Ling, Anita, aged 55, is an Executive Director and the Group General Manager. She joined the Group in 1982 and has been an Executive Director of the Company since 1990. She is responsible for the sales and marketing of the Hong Kong Fast Food, Contract Catering Business and School Lunch-Box Catering Business. She holds a Bachelor Degree in Social Sciences from the University of Hong Kong. She is the daughter of Mr. Lo Tang Seong, Victor and is the sister of Mr. Lo Hoi Kwong, Sunny, both of whom are Directors of the Company. Ms. Lo is also a relative of Mr. Chan Yue Kwong, Michael, Mr. Lo Hoi Chun and Mr. Lo Tak Shing, Peter, all of whom are Directors of the Company. She is a director of NKY Holding Corporation which has discloseable interests in the shares of the Company under the provisions of Part XV of the Securities and Futures Ordinance.

Mr. Lo Tak Shing, Peter, aged 46, is the Director of Business Logistics of the Group. He joined the Company in 1996 and has been an Executive Director of the Company since 1998. He is responsible for central food processing, central purchasing and project management functions of the Group. He holds a Bachelor Degree in Electronic Engineering & Physics from the Loughborough University of Technology, a Master Degree in Medical Physics from the University of Surrey and a Doctorate Degree in Medical Physics from the University of London. Mr. Lo is a relative of Mr. Lo Tang Seong, Victor, Mr. Lo Hoi Chun, Mr. Chan Yue Kwong, Michael, Mr. Lo Hoi Kwong, Sunny and Ms. Lo Pik Ling, Anita, all of whom are Directors of the Company. He is a director of Wandels Investment Limited, Verdant Success Holdings Limited and Sky Bright International Limited, each of which has discloseable interests in the shares of the Company under the provisions of Part XV of the Securities and Futures Ordinance.

NON-EXECUTIVE DIRECTORS

Mr. Lo Tang Seong, Victor, aged 93, is the founder of the Group and has been a Non-executive Director of the Company since 1990. He had considerable experience in the food and beverage industry. Prior to founding the Group in 1968, he has been in charge of the production management at The Hong Kong Soya Bean Products Company, Limited for 17 years. Mr. Lo is the father of Ms. Lo Pik Ling, Anita, Mr. Lo Hoi Kwong, Sunny and the father-in-law of Mr. Chan Yue Kwong, Michael, all of whom are Directors of the Company. Mr. Lo is also a relative of Mr. Lo Hoi Chun and Mr. Lo Tak Shing, Peter, both of whom are Directors of the Company. He is a director of NKY Holding Corporation which has discloseable interests in the shares of the Company under the provisions of Part XV of the Securities and Futures Ordinance.

NON-EXECUTIVE DIRECTORS

(Continued)

Mr. Lo Hoi Chun, aged 69, joined the Group in 1976 and has been a Non-executive Director of the Company since 1990. Prior to joining the Company, he had considerable experience in the food and beverage industry. He is a relative of Mr. Lo Tang Seong, Victor, Mr. Chan Yue Kwong, Michael, Mr. Lo Hoi Kwong, Sunny, Ms. Lo Pik Ling, Anita and Mr. Lo Tak Shing, Peter, all of whom are Directors of the Company. Mr. Lo is a director of LBK Holding Corporation and MMW Holding Corporation, both of which have discloseable interests in the shares of the Company under the provisions of Part XV of the Securities and Futures Ordinance.

Mr. Hui Tung Wah, Samuel, aged 54, joined the Group in 1984 and has been a Non-executive Director of the Company since 1997. He is an executive director of Omnicorp Limited. He holds a Bachelor Degree in Social Sciences from the University of Hong Kong and a Master Degree in Business Administration from the Brunel University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Choi Ngai Min, Michael, J.P., aged 50, was appointed as an Independent Non-executive Director of the Company in 1994 and is a member of Audit, Nomination and Remuneration Committees. He is the chairman of Land Power International Holdings Limited. Mr. Choi has been in the real estate industry for over 27 years with extensive knowledge and experience in the real estate markets in Hong Kong and Mainland China. Currently, he is a member of the Real Estate and Infrastructure Committee of the Hong Kong General Chamber of Commerce and Chairman of the Public Affairs Committee of the Hong Kong Institute of Real Estate Administration. Mr. Choi was a member of the Housing Authority from 1999 to 2007, Chairman of the Subsidised Housing Committee of Housing Authority from 2006 to 2007, President of the Society of Hong Kong Real Estate Agents from 1992 to 1996, Vice President of the Hong Kong Association For The Advancement of Real Estate and Construction Technology from 1997 to 2001, a member of the Estate Agents Authority from 1997 to 2002 and a member of the Infrastructure Development Advisory Committee of the Hong Kong Trade Development Council from 2003 to 2006. Mr. Choi graduated from the Business Management Department of the Hong Kong Baptist College and obtained a Master Degree in Business Administration from the University of East Asia, Macau. Mr. Choi is a Justice of the Peace appointed by the Government of the Hong Kong Special Administrative Region in 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

(Continued)

Mr. Li Kwok Sing, Aubrey, aged 58, was appointed an independent non-executive director of the Company in 1994 and is a member of the Audit, Nomination and Remuneration Committees. He is Chairman of MCL Partners Limited, a Hong Kong-based financial advisory and investment firm, and has over 30 years' experience in merchant banking and commercial banking. He is a non-executive director of ABC Communications (Holdings) Limited, The Bank of East Asia, Limited, China Everbright International Limited, CNPC (Hong Kong) Limited, Kowloon Development Company Limited, and Pokfulam Development Company Limited, and was previously an independent non-executive director of Value Partners China Greenchip Fund Limited. He is non-executive Chairman of Atlantis Asian Recovery Fund plc. Mr. Li has a Master of Business Administration from Columbia University and a Bachelor of Science in Civil Engineering from Brown University.

Mr. Kwok Lam Kwong, Larry, J.P., aged 52, was appointed as an Independent Non-executive Director of the Company in July 2004 and is a member of Audit and Remuneration Committees. Mr. Kwok is a practising solicitor in Hong Kong and is also qualified to practise as a solicitor in Australia, England and Wales and Singapore. He is also qualified as a CPA in Hong Kong and Australia and a Chartered Accountant in England and Wales. He graduated from the University of Sydney, Australia with Bachelor's degrees in economics and laws as well as a master's degree in laws. He is currently the Chairman of the Traffic Accident Victims Assistance Advisory Committee, a member of the Hospital Governing Committee of Kwai Chung Hospital/Princess Margaret Hospital, the Insurance Claims Complaints Panel and the Telecommunications (Competition Provisions) Appeal Board in Hong Kong. He is also a member of the Political Consultative Committee of Guangxi in the People's Republic of China.

COMPANY SECRETARY

Dr. Li Oi Chun, Helen, aged 49, joined the Group in 1981. Dr. Li is currently the Group Company Secretary and Director of Corporate Logistics of the Group. She is in charge of the Group's investor relations, financial investment and global governance functions of the Group.

Dr. Li holds a Doctorate Degree in Business Administration from The Hong Kong Polytechnic University, a Master Degree in Business Administration from the University of Surrey in UK and a Master Degree in Marketing Management from the Macquarie University in Australia. Dr. Li also possesses professional qualification as a Chartered Secretary. She is currently a Fellow member of both the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in United Kingdom and also holds a Postgraduate Diploma in Corporate Administration from The Hong Kong Polytechnic University.

QUALIFIED ACCOUNTANT

Ms. Chung Sau Man, Grace, aged 43, joined the Group in 2004 and is now the Assistant Director (Finance and Accounting) of the Group. She is the Qualified Accountant of the Company as required under the Listing Rules, and is responsible for finance, accounting, treasury and taxation functions of the Group. Prior to joining the Group, she has considerable professional experience in financial management at Hong Kong public listed companies and a Canadian corporation in food and beverage industry, including external auditing with one of the Big 4 accounting firms. Ms. Chung holds a Master Degree in Business Administration from The University of Western Ontario in Canada. She is a member of The Association of Chartered Certified Accountants in United Kingdom, Hong Kong Institute of Certified Public Accountants, and Certified General Accountants Association of Canada.

SENIOR MANAGEMENT

Ms. Lau Lee Fong, Rosa, aged 53, joined the Group in 1979 and is currently the Senior General Manager – Specialty Restaurants of the Group. She is responsible for development, management and overseas franchising of the chain of The Spaghetti House Restaurants and Oliver's Super Sandwiches. She holds a Master Degree in Business Administration from the University of East Asia, Macau and a Master of Science in Hotel & Tourism Management from The Hong Kong Polytechnic University. She is currently a member of the Hotel & Catering International Management Association (U.K.) and the Honorary Treasurer of Hong Kong Institute of Marketing.

Mr. Wong Yau Kwong, aged 52, joined the Group in 1983 and is the General Manager (China Institutional Catering). He is responsible for development and management of the Scanfoods Group of business and institutional catering business in the PRC. He is a graduate of Business Management Department, Baptist University.

Mr. Leung Cho Shing, aged 52, joined the Group in 1983 and is currently the General Manager of Café de New Asia Group Co., Limited. He is responsible for development and management of Café de New Asia and Café de Coral fast food business in Eastern China region. He holds a Bachelor Degree in Hotel and Catering Management from The Hong Kong Polytechnic University.

CORPORATE GOVERNANCE

The Board and management of the Group are committed to maintaining a high standard of corporate governance and striving for a transparent, responsible and value-driven management focused on enhancing and safeguarding shareholder value and interest. The Board believes that effective corporate governance is an essential factor to create more value to shareholders. The Board will continuously review and be committed to improving corporate governance practices and maintain its ethical corporate culture.

During the year, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the financial year ended 31st March, 2008 save and except for the deviation from Code Provision A.2.1, which provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Chan Yue Kwong, Michael assumes the roles of Chairman and Chief Executive Officer of the Group. The Board considers that, given the current corporate structure, there is no separation between the roles of Chairman and Chief Executive Officer. Although the roles and responsibilities for Chairman and Chief Executive Officer are vested in one person, all major decisions are made in consultation with the Board and appropriate Board committees. There are 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.

The key corporate governance principles and practices of the Company are summarized as follows:

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific inquiry with all directors of the Company, the Company ensures that all directors have confirmed their compliance with the required standard set out in the Model Code during the year ended 31st March, 2008.

BOARD OF DIRECTORS

RESPONSIBILITIES OF THE BOARD

The primary responsibilities of the Board are to establish long term strategies and financial policies for the Company and to regularly review the Company's performance. The Board comprises ten members, including four executive directors, three non-executive directors and three independent non-executive directors. As at the date of this report, the board members are:

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

Independent non-executive directors

Mr. Choi Ngai Min, Michael
Mr. Li Kwok Sing, Aubrey
Mr. Kwok Lam Kwong, Larry

Biographies, including relationships among members of the Board are set out in the "Biography of Directors and Senior Management" section on pages 18 to 22 of this annual report and the Company's website: www.cafedecoral.com. All Directors are aware of their collective and individual responsibilities to the Shareholders and have exercised their duties and care, skill and diligence, contributing to the successful performance of the Group.

The Company has received an annual confirmation of independence from each of the three independent non-executive directors pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmation, the Company considers that the three independent non-executive directors are independent and that they all meet the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

The Independent non-executive directors bring a wide range of business and financial expertise, experiences and independent judgment to the Board. Through active participation in Board Meetings and serving on various Board committees, all independent non-executive directors make various contributions to the effective direction and strategic decision of the Company.

The Company has purchased Directors and Officers Liability insurance for all directors and some senior management.

Every newly appointed director, if any, is ensured to have a proper understanding on the operations and businesses of the Group and fully aware of his responsibility under the relevant applicable legal and regulatory requirements. The senior management and the Company Secretary will conduct such briefing as necessary to update the Board with legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular board meetings, an agenda of the meeting and the accompanying board papers are sent in full to all Directors at least 3 days before the intended date of a meeting. Board papers are circulated to the Directors to ensure that they have adequate information before the meeting for any ad hoc projects.

The management has obligation to supply the Board and the Board committees with adequate information in a timely manner to enable it to make informed decisions. Where any director requires more information than is volunteered by management, each director has separate and independent access to the Company's senior management for inquiry of additional information.

All Directors are entitled to have access to board papers and related materials. Such materials are prepared to enable the Board to make informed decisions on matters placed before it.

BOARD MEETINGS

The Board schedules four meetings a year at approximately quarterly intervals. In addition, special Board meetings are held as necessary.

Proposed regular Board meeting dates for a year are informed to each director at the beginning of the year. Formal notice of at least fourteen days will be given in respect of a regular meeting. For special Board meeting, reasonable notice will be given.

Directors are given opportunity to include matters in the agenda for regular Board meeting. Directors have access to the advice and service of the Company Secretary to ensure that board procedures, all applicable rules and regulations, are followed.

Minutes of Board meetings and Board committees meetings are kept by the Company Secretary. Minutes are open for inspection at any reasonable time on reasonable notice by any director. A written procedure agreed by the Board is established to enable Directors, upon reasonable request, to seek independent professional advice.

APPOINTMENTS, RE-ELECTION AND REMOVAL

In compliance with the requirement under Code Provision A.4.2, the Company's Bye-laws were amended to provide that (i) any director who is appointed to fill a casual vacancy shall hold office until the next following general meeting; (ii) subject to the applicable laws in Bermuda, every director should retire by rotation in such manner as required under the Listing Rules and other applicable rules and regulations. Mr. Chan Yue Kwong, Michael and Mr. Lo Hoi Kwong, Sunny, being the Executive Chairman and Managing Director of the Company, have waived their rights under the applicable laws in Bermuda and be subject to the Company's Bye-laws.

All non-executive directors of the Company have been appointed for a term of two to three years subject to retirement by rotation as required by the Company's Bye-laws.

DELEGATION BY THE BOARD

The Board is primarily responsible for overall strategy and direction for the Group and overseeing the Group's businesses and providing leadership in strategic issues. The management is delegated to manage the day-to-day businesses of the Group.

When the Board delegates aspect of its management and administration functions to management, clear directions would be given as to the power of management, in particular, the circumstances where management should report back to the Board before making decisions or entering into any commitments on behalf of the Group.

Principal functions that are specifically delegated by the Board to the management include (i) implementation of corporate strategy and policy initiatives; (ii) provision of management reports to the Board in respect of the Group's performance, financial position and prospects; and (iii) day-to-day management of the Group.

BOARD COMMITTEES

The Board established certain Board committees with specific written terms of reference which deal clearly with the committees' authority and duties and requires the committees to report back on their decisions or recommendations.

NOMINATION COMMITTEE

The Board established a Nomination Committee. The committee was chaired by Mr. Chan Yue Kwong, Michael with Mr. Lo Tak Shing, Peter, Mr. Lo Hoi Chun, Mr. Choi Ngai Min, Michael and Mr. Li Kwok Sing, Aubrey as members. The primary function of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendation to the Board regarding any proposed changes.

Proposal for the appointment of new director, if any, will be considered and reviewed by the Nomination Committee. In addition to meeting the relevant standards set forth under the Listing Rules, the candidates to be selected are those who can add value to the Board through their contribution and expertise in the relevant strategic business areas and which appointments will result on the constitution of a strong and diverse Board.

Two meetings of Nomination Committee was held during the year (with individual members' attendance as set out under the section of number of meetings and directors' attendance) to review the current size and composition of the Board, assessed the independence of the independent non-executive directors and make recommendation on the re-election of Ms. Lo Pik Ling, Anita, Mr. Lo Hoi Chun, Mr. Li Kwok Sing, Aubrey and Mr. Kwok Lam Kwong, Larry as Directors of the Company to be proposed for shareholders' approval at the last Annual General Meeting held on 18th September, 2007.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee which is primarily responsible for making recommendations to the Board regarding the Group's policy and structure for remuneration of Directors and senior management and determining the specific remuneration packages of all executive directors and senior management of the Company.

The Remuneration Committee currently comprises Mr. Lo Hoi Chun, Mr. Choi Ngai Min, Michael, Mr. Li Kwok Sing, Aubrey and Mr. Kwok Lam Kwong, Larry and is chaired by Mr. Li Kwok Sing, Aubrey.

During the financial year ended 31st March, 2008, one meeting of Remuneration Committee was held to finalize the terms of the new service contract of each of Mr. Chan Yue Kwong, Michael and Mr. Lo Hoi Kwong, Sunny, being the Chairman and Managing Director of the Group respectively and to propose the principal framework in respect of share options to be granted to employees of the Group for Board's approval.

AUDIT COMMITTEE

The Company established an Audit Committee which is primarily responsible for reviewing the financial information of the Company (including annual report and half-year report) and overseeing the financial reporting system, risk management and internal control procedures.

The Audit Committee comprises the three independent non-executive directors of the Company which is currently chaired by Mr. Li Kwok Sing, Aubrey and with Mr. Choi Ngai Min, Michael and Mr. Kwok Lam Kwong, Larry as the members.

During the financial year ended 31st March, 2008, two meetings of Audit Committee were held to (i) discuss the general scope of audit work; (ii) review external auditors' management letter and management response; (iii) review the interim and annual reports before submission to the Board for approval; (iv) focus on the impact of changes in respect of the changes in accounting policies and practices and compliance with the accounting standards, Listing Rules and legal requirement in relation to the Company's interim and annual reports; and (v) overview on the progress and assessment of the Company's internal control and risk management.

Full minutes of the Audit Committee are kept by the Company Secretary.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Attendance records of the Directors at Board Meetings (BM), Audit Committee Meetings (ACM), Remuneration Committee Meeting (RCM), Nomination Committee Meetings (NCM) and Annual General Meeting (AGM) held for the year ended 31st March, 2008 are set out below:

	Number of meetings attended/held For the year ended 31st March, 2008				
	BM	**ACM**	**RCM**	**NCM**	**AGM**
Executive Directors					
Mr. Chan Yue Kwong Michael *(Chairman)*	6/6	N/A	N/A	2/2	1/1
Mr. Lo Hoi Kwong, Sunny *(Managing Director)*	6/6	N/A	N/A	N/A	1/1
Ms. Lo Pik Ling, Anita	6/6	N/A	N/A	N/A	1/1
Mr. Lo Tak Shing, Peter	6/6	N/A	N/A	2/2	1/1
Non-executive Directors					
Mr. Lo Tang Seong, Victor	6/6	N/A	N/A	N/A	1/1
Mr. Lo Hoi Chun	6/6	N/A	1/1	2/2	1/1
Mr. Hui Tung Wah, Samuel	6/6	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Choi Ngai Min, Michael	6/6	2/2	1/1	2/2	1/1
Mr. Li Kwok Sing, Aubrey	6/6	1/2	1/1	2/2	1/1
Mr. Kwok Lam Kwong, Larry	5/6	2/2	1/1	N/A	1/1

EXTERNAL AUDITORS AND FINANCIAL REPORTING

The Management has provided such explanation and information to the Board and will enable the Board to make an informed assessment of the financial and other information put before the Board for approval. The Directors acknowledge their responsibilities to prepare the financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The Board is aware that their responsibilities to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

A statement by the external auditors about their reporting responsibilities is included in the Independent Auditor's Report on pages 47 to 48.

During the year under review, the remuneration paid to the Company's auditors, Messrs. PricewaterhouseCoopers, is set out as follows:

Type of services	**Fee paid/payable** *HK$'000*
Audit services	3,489
Non-audit services	330
Total:	3,819

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and the Company assets, and reviewing the effectiveness of such on an annual basis through the Audit Committee. The Audit Committee reports to the Board on any material issues and makes recommendations to the Board. The Board has conducted an annual review and assessment of the effectiveness of the risk management and internal control system of the Group for the year ended 31st March, 2008.

Management recognizes the benefits from internal controls review conducted by the external consultant – Deloitte Touche Tohmatsu in the last year. In this year, the Group has established an Internal Audit function. The Internal Audit function cooperates with external consultant – Deloitte Touche Tohmatsu in co-sourcing arrangement, to review the Group's internal control system, working systems and workflows, as well as the management systems. The Group identifies, assesses and ranks the risks that are most relevant to the Group's business according to their likelihood, financial consequence and reputational impact on the Group. Food quality system was the key focus in internal controls review during the year 2007. The review was conducted by making reference to the guidelines and definitions given by the regulatory and professional bodies for the purpose of assessing five different internal control elements, namely, the control environment, risk assessment, control activities, information and communication, and monitoring.

The Group is committed to maintaining high standards of corporate governance. Guidelines on specific areas including corporate and financial reporting, conflicts of interest, personal benefits, relations with suppliers and contractors have been issued. New employees are informed of the Code of Ethics, corporate mission and objectives through the Group's staff orientation programme.

The Group has established defined organizational structures. Authority to operate various business functions is delegated to respective management within limits set by senior management of the headquarters or the executive directors. The senior management by way of Management Board as chaired by the Chairman meets on a regular basis to discuss and approve business strategies, plans and budgets prepared by individual business units. The performance of the Group is reported to the Board on a regular basis.

The importance of internal controls and risk management is communicated to staff members in order to foster a control environment and awareness within the Group. The Group's working systems document operational procedures of all business units, as well as authorization and approval procedures for significant decision making.

The Group adopts a control and risk self-assessment methodology, continuously assessing and managing its business risks by way of assessment by the headquarters of the Group and each business unit on a regular basis, and communication of key control procedures to employees.

Directors acknowledge their responsibility for reviewing the Group's internal control systems, and were satisfied to the effectiveness of the Company in managing risks based on the management report and the findings performed by the external consultant.

Audit recommendations are tracked and followed up for proper implementation. Progress is reported to the management and Audit Committee on a regular basis.

PRICE SENSITIVE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of price-sensitive information, the Company is fully aware of its obligations under the Listing Rules. Proper procedures have been adopted for responding to external enquiries about the Group's affairs.

SHAREHOLDERS' RIGHT

At the annual general meeting held on 18th September, 2007, the Chairman demanded a poll on all resolutions. The procedure for demanding a poll by shareholders was incorporated in the relevant circular for the said annual general meeting. The Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, was engaged as scrutineer to ensure the votes were properly counted.

INVESTOR RELATIONS

The Company regularly meets institutional investors, financial analysts and financial media, and releases information related to the business progress of the Company so as to update the recent development of the Company through mutual and efficient communications. The Company has constantly conducted road shows and investors' conference during the year on open dialogue with the investment community. Investors are welcome to write directly to the Company at its Hong Kong head office or send enquiries to the Company's website at www.cafedecoral.com.

Important Shareholders' dates are set out on page 3 of this annual report. Investors and shareholders are welcome to review the Company's recent press release and result announcement at the Company's website at www.cafedecoral.com.

CORPORATE SOCIAL RESPONSIBILITY

The Company is conscious of its role as being a responsible business entity and ensuring to make positive contribution to the communities where it operates. The Company has performed certain social activities during the year and gained with recognition from the community.

HEALTH & SAFETY

The Company takes health and safety commitment towards our employees, customers and communities. The Company's health and safety policy has been reviewed and refined periodically aiming at achieving continual improvement. Periodical and Operational Safety training have been provided to those employees who are working under different environment. Since 2004, the Company has also developed a continual annual plan to deal with possible outbreak of influenza.

General Health and Safety

Taking full account of the health and safety obligations towards the stakeholders, the Company has set up a Health and Safety Committee and the related policy since 90's to monitor all functional departments and shops follows the Factories and Industrial Undertakings Ordinance「工廠及工業經營條例」and Occupational Health and Safety Ordinance「職業安全及健康條例」. Regular meetings and enforcement of checking procedures, meeting reviews, as well as inspection of all the safety and health measures were being imposed by all department and shops.

Café de Coral Centre

In compliance with the Factories and Industrial Undertakings (Safety Management) Regulation「工廠及工業經營（安全管理）規例」, the Company has implemented a comprehensive safety management system for its central food manufacturing plant and headquarter which was audited by external safety auditor since 2002 to assess, evaluate and improve the health and safety at work continuously. The Company has also implemented a work-station ergonometric assessment in order to evaluate possible office work-related illnesses.

Branches

A broad range of health and safety promotional program has been implemented at all branches. For example, periodically reviewed Employee Health & Safety Handbook will be dispatched to all new join staff. Health and safety poster and labels in alerting different types of hazards have been posted at kitchen and staff rest room at branch.

Joint Health & Safety Training at Corporate Store of Manchu Wok in North America

In May, 2007, all corporate store restaurant managers and assistant restaurant managers participated in a 3-day intense classroom training on Health & Safety. This was a legislative requirement that all stores should be stationed with a certified representative. All managers have met all legislative requirements and training which was specific to the food industry.

Awards

It is honor to report that the Company has won different prizes in "Catering Industry Safety Award Scheme (2007/08)" (勞工處飲食業安全獎勵計劃) organized by Labour Department of Hong Kong. The Company has won the Gold (金), Silver (銀) and Bronze Prizes (銅獎) in three different categories for "Group Safety Performance Awards" (集團安全表現獎) respectively according to their nature of business, namely, Fast Food Shops serving Chinese and general categories of food (中式及一般快餐店), Fast Food Shops serving Western Shops (Chinese and general categories) (西式快餐店) and Restaurants (Non-Chinese) (非中式餐館). The award goes to ***Café de Coral Fast Food, The Spaghetti House Restaurants and Oliver's Super Sandwiches***. Moreover, some of the employees have also won in the "Safe Worker Awards" (安全工友組) and "Supervisor Awards" (管理人員組).

WORK-LIFE BALANCE

The Company's human resources function aims at maintaining high ethical standards, professionalism and best people management practice in the industry.

The recruitment and staffing function has been implemented in accordance with annual manpower planning to ensure that staff and talents are identified from both internal and external sources, aiming at providing the suitable career path and opportunities within the corporation. Transparent human resources policies have been set up and reviewed periodically to strike the balance of human relations in hiring, grievance, disciplinary and ethical aspects.

Acting as the communication channel within the Group, regular meetings and briefings are held to exchange the view from the management and obtain feedback from staff. The compensation and benefits policies would be reviewed annually to meet the mutual needs and the enforcement of the belongingness.

A series of benefit programmes was launched in January, 2008 to keep on improving the working condition of our employees in every aspect. These programmes enhancement included implementation of alternate Saturday off work week for head office employees, premium subsidy increase for Group Hospitalization Insurance Plan and launching of the newly designed "Quality Work Life Incentive Programme" (優質工作生活獎勵計劃).

Part of the Company's underlying principle in setting up human resources and welfare related policies is to balance the demands of employee work and family life, including Compassionate Leave, Paternity Leave and the launching of staff wellness club (大家樂融融會) which organizes health trainings and recreational programmes accessible to all staff. Planning in offering Employees Assistance Programmes such as stress management classes and mental health seminars is under progress and relevant programmes will be launched in the forthcoming quarter to the front-line employees.

The directors are pleased to present their annual report together with the audited financial statements of Café de Coral Holdings Limited (the "Company") and its subsidiaries (together with the Company hereinafter as the "Group") for the year ended 31st March, 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. 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 activities of the principal subsidiaries are set out on pages 92 to 97.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 52.

The details of dividends for the year ended 31st March, 2008 are set out in Note 31 to the consolidated financial statements. An interim dividend of 15 HK cents per share, totaling approximately HK$82,622,000 was paid on 11th January, 2008. The directors recommended the payment of a final dividend of 35 HK cents per share, totaling approximately HK$193,643,000.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 24 to the consolidated financial statements.

Distributable reserves of the Company as at 31st March, 2008 amounted to approximately HK$446,664,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 7 to the consolidated financial statements.

PRINCIPAL INVESTMENT PROPERTIES

Details of the principal properties held for investment purposes are set out on page 135.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 23 to the consolidated financial statements.

FIVE-YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 136 to 138.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and there is no restriction against such rights under the laws of Bermuda.

PURCHASE, SALE OR REDEMPTION OF SHARES

There were no purchases, sales or redemptions by the Company or any of its subsidiaries, of the Company's listed securities during the year.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the share option schemes described below, the Company had no outstanding convertible securities, options, warrants or similar rights as at 31st March, 2008. Save as disclosed below, there has been no issue or exercise of any convertible securities, options, warrants or similar rights during the year.

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.

SHARE OPTION SCHEMES *(Continued)*

Summary of details of the New Scheme is as follows:

Purpose	To grant incentives for retaining and rewarding eligible participants who contribute to the business and development of the Group
Participants	Employees (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company or any of its subsidiaries, 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
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report	49,925,403 ordinary shares representing 9.02% of the issued share capital as at 8th July, 2008
Maximum entitlement of each participant	In any 12-month period shall not exceed 1% of the shares in issue
Period within which the securities must be taken up under an option	5 years commencing on the date on which an option becomes exercisable and expiring on the last day of the 5-year period save that such period shall not expire later than 10 years from the date on which the option is deemed to be granted and accepted in accordance with the New Scheme
Minimum period for which an option must be held before it can be exercised	Not applicable
Amount payable on acceptance of the option	HK$1.00

SHARE OPTION SCHEMES *(Continued)*

Basis of determining the exercise price

Not less than the highest of (i) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 remaining life of the scheme

The New Scheme remains in force until 23rd September, 2013 unless otherwise terminated under the terms of the New Scheme

Outstanding Options Granted Under the Previous Scheme and the New Scheme

Details of the share options outstanding as at 31st March, 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, 2007	Granted during the year	Options exercised during the year	Options lapsed on expiry	Options cancelled upon termination of employment	Options outstanding at 31st March, 2008
Executive Directors							
Mr. Chan Yue Kwong,	4/11/1999[a]	300,000	–	(300,000)	–	–	–
Michael	1/11/2005[b]	2,000,000	–	(500,000)	–	–	1,500,000
	2/10/2007[b]	–	1,500,000	–	–	–	1,500,000
Mr. Lo Hoi Kwong,	4/11/1999[a]	600,000	–	(600,000)	–	–	–
Sunny	1/11/2005[b]	2,000,000	–	–	–	–	2,000,000
	2/10/2007[b]	–	1,500,000	–	–	–	1,500,000
Ms. Lo Pik Ling, Anita	4/11/1999[a]	400,000	–	(80,000)	–	–	320,000
	2/10/2007[b]	–	450,000	–	–	–	450,000
Mr. Lo Tak Shing, Peter	4/11/1999[a]	140,000	–	(70,000)	–	–	70,000
	2/10/2007[b]	–	200,000	–	–	–	200,000
Continuous contract	4/11/1999[a]	4,226,000	–	(3,690,000)	–	(40,000)	496,000
employees	1/11/2005[b]	8,814,000	–	(1,402,000)	–	–	7,412,000
	2/10/2007[b]	–	18,280,000	–	–	–	18,280,000
		18,480,000	21,930,000	(6,642,000)	–	(40,000)	33,728,000

SHARE OPTION SCHEMES *(Continued)*

Outstanding Options Granted Under the Previous Scheme and the New Scheme *(Continued)*

Notes:

(a) The relevant share options were granted under the Previous Scheme.

(b) The relevant share options were granted under the New Scheme.

(c) 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 year was HK$14.14 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 year was HK$14.49.

(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 year was HK$16.93 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 year was HK$16.98.

(e) The closing price of the Company's shares immediately before 2nd October, 2007 on which options were granted under the New Scheme was HK$14.64. The fair value of share options granted during the year ended 31st March, 2008 and the accounting policy adopted for the share options are set out in Notes 35 and 2.21(v) to the consolidated financial statements respectively.

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 year.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS

The directors who held office during the year and up to the date of this report are:

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

Independent Non-executive Directors

Mr. Choi Ngai Min, Michael
Mr. Li Kwok Sing, Aubrey
Mr. Kwok Lam Kwong, Larry

All non-executive directors and independent non-executive directors have been appointed for a term of 2-3 years subject to retirement by rotation as required by the Company's Bye-laws.

Mr. Chan Yue Kwong, Michael and Mr. Lo Hoi Kwong, Sunny, being the Executive Chairman and Managing Director of the Company, have waived their rights under the applicable laws in Bermuda and agreed to subject to the Company's Bye-law 109(A). Thus, in accordance with Bye-law 109(A) of the Company's Bye-laws, Mr. Lo Hoi Kwong, Sunny, Mr. Lo Tang Seong, Victor, Mr. Hui Tung Wah, Samuel and Mr. Choi Ngai Min, Michael retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company has received an annual confirmation of independence from each of the independent non-executive directors, Mr. Choi Ngai Min, Michael, Mr. Li Kwok Sing, Aubrey and Mr. Kwok Lam Kwong, Larry, and as at the date of this report considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACT AND CONTINUING CONNECTED TRANSACTION

(i) On 21st April, 2006, Weli Company Limited ("Weli"), an indirectly wholly-owned subsidiary of the Company, as tenant, entered into a tenancy agreement with Tinway Investments Limited ("Tinway"), as landlord, to renew the tenancy agreement in respect of Shop G50 on the Ground Floor, Shops Nos. 116, 117, 124-149, 165, 173 and 174 on the First Floor of Man On House, Nos. 151-163 Wan Chai Road, Nos. 12A-C Burrows Street and Nos. 17-27 Cross Lane, Wanchai, Hong Kong (the "Premises") for a term of three years from 12th April, 2006 to 11th April, 2009 at a monthly rental at HK$176,000 ("New Tenancy Agreement"). The Premises have been used to operate a Café de Coral restaurant.

Based on the monthly rent of HK$176,000, the annual cap, excluding management fee, rates and operating expenses, is HK$2,112,000. Tinway is a connected person of the Company by virtue of being an associate of each of Mr. Chan Yue Kwong, Michael, Mr. Lo Hoi Kwong, Sunny, Ms. Lo Pik Ling, Anita, Mr. Lo Tak Shing, Peter, Mr. Lo Tang Seong, Victor and Mr. Lo Hoi Chun, all being directors of the Company, as defined under the Listing Rules. Accordingly, the execution of the New Tenancy Agreement constitutes a continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules. Details of the transaction was disclosed in an announcement published on 24th April, 2006.

(ii) On 14th November, 2007, Café de Espressamente illy (HK) Limited ("Café de Espressamente illy"), a non wholly-owned subsidiary of the Company, entered into a Master Franchise Agreement with illycaffe SpA ("illy") for exclusive franchises to develop, open and operate outlets in Hong Kong and Macau (other than certain locations in Macau) for a period of ten years from the date of the agreement and be automatically renewed for another ten years unless otherwise notified by either party of its intention not to renew the same.

Café de Espressamente illy is a company owned by Vogue Asia Limited, being a wholly-owned subsidiary of the Company, and illycaffe Asia Pacific Limited ("illycaffe Asia Pacific") in the proportion of 70% and 30% respectively. illy is an associate of illycaffe Asia Pacific as defined under the Listing Rules where illycaffe Asia Pacific is a substantial shareholder of Café de Espressamente illy. Thus, the transactions contemplated under the Master Franchise Agreement constitute continuing connected transactions of the Company under the Listing Rules. Details of the transaction were disclosed in an announcement dated 14th November, 2007.

DIRECTORS' INTERESTS IN CONTRACT AND CONTINUING CONNECTED TRANSACTION *(Continued)*

During the year ended 31st March, 2008, the amount paid or payable to illy or associate of illy did not exceed the annual cap of HK$35,000,000.

The independent non-executive directors of the Company reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreement(s) governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged the auditors to perform certain agreed-upon procedures on the above continuing connected transactions on a sample basis. The auditors have, based on the work performed, provided a letter to the Directors of the Company stating that the transactions:

a. have been approved by the board of directors of the Company;

b. have been entered into in accordance with the relevant agreements governing the transactions; and

c. have not exceeded the cap amounts disclosed in previous announcements.

Except as disclosed above, no contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

None of the Directors have interests in a competing business to the Group's businesses.

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

As at 31st March, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Interests in Shares and Underlying Shares of the Company

		Number of ordinary shares (long position)						
Director	*Notes*	**Personal interests**	**Family interests**	**Corporate interests**	**Trusts and similar interests**	**Equity derivatives** *(Note (g))*	**Total interests**	**% of total issued Shares**
Mr. Lo Hoi Kwong, Sunny	*(a) & (b)*	4,620,000	–	–	88,539,394	3,500,000	96,659,394	17.49%
Mr. Lo Tak Shing, Peter	*(c)*	210,000	–	–	87,626,213	270,000	88,106,213	15.94%
Mr. Lo Hoi Chun	*(d)*	132,000	–	–	67,880,834	–	68,012,834	12.31%
Ms. Lo Pik Ling, Anita	*(a)*	9,016,339	–	–	51,156,000	770,000	60,942,339	11.03%
Mr. Chan Yue Kwong, Michael	*(a) & (e)*	5,121,407	1,189,400	–	51,156,000	3,000,000	60,466,807	10.94%
Mr. Li Kwok Sing, Aubrey	*(f)*	55,000	–	–	–	–	55,000	0.01%
Mr. Hui Tung Wah, Samuel		25,837	–	–	–	–	25,837	0.01%
Mr. Lo Tang Seong, Victor		–	–	–	–	–	–	–
Mr. Choi Ngai Min, Michael		–	–	–	–	–	–	–
Mr. Kwok Lam Kwong, Larry		–	–	–	–	–	–	–

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

Notes:

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

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

(c) These shares were held by Wandels Investment Limited ("Wandels"). Wandels was 50% owned by Sky Bright International Limited ("Sky Bright") and 50% owned by Verdant Success Holdings Limited ("Verdant Success"). Both of Sky Bright and Verdant Success were wholly-owned subsidiaries of 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 schemes to subscribe for shares of the Company, further details of which are set out in the section "Share Option Schemes".

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st March, 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:

		Number of ordinary shares (long position)					
Name of shareholder	*Notes*	**Personal interests**	**Family interests**	**Corporate interests**	**Trusts and similar interests**	**Total interests**	**% of total issued Shares**
GZ Trust Corporation	*(a)*	–	–	–	119,036,834	119,036,834	21.54%
Wandels Investment Limited	*(b)*	–	–	–	87,626,213	87,626,213	15.86%
Sky Bright International Limited	*(b)*	–	–	–	87,626,213	87,626,213	15.86%
Verdant Success Holdings Limited	*(b)*	–	–	–	87,626,213	87,626,213	15.86%
RBC Trustees (CI) Limited (formerly "Royal Bank of Canada Trustees Limited")	*(b)*	–	–	–	87,626,213	87,626,213	15.86%
Mr. Man Tak Wah	*(c)*	–	60,942,339	–	–	60,942,339	11.03%
NKY Holding Corporation	*(d)*	–	–	–	51,156,000	51,156,000	9.26%
Ms. Tso Po Ping	*(e)*	–	45,503,394	–	–	45,503,394	8.23%
Ardley Enterprises Limited	*(f)*	–	–	–	37,383,394	37,383,394	6.77%
Ms. Man Bo King	*(g)*	–	36,101,133	–	–	36,101,133	6.53%
LBK Holding Corporation	*(h)*	–	–	–	35,969,133	35,969,133	6.51%
MMW Holding Corporation	*(i)*	–	–	–	31,911,701	31,911,701	5.78%
Matthews International Capital Management, LLC	*(j)*	38,923,200	–	–	–	38,923,200	7.04%
Capital Research and Management Company	*(j)*	35,350,000	–	–	–	35,350,000	6.40%

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Continued)*

Notes:

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

(b) These interests were held by Wandels Investment Limited ("Wandels"). Wandels was 50% owned by Sky Bright International Limited ("Sky Bright") and 50% owned by Verdant Success Holdings Limited ("Verdant Success"). Both of Sky Bright and Verdant Success were wholly-owned subsidiaries of 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) These interests were held by NKY Holding Corporation in the capacity of trustee. These interests represented part of the interests held by GZ Trust Corporation and disclosed in Note (a) above.

(e) 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 3,500,000 shares were interests in underlying shares).

(f) 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.

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

(h) 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.

(i) 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.

(j) These interests were held in the capacity of investment manager.

All the 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 31st March, 2008, the Directors are not aware of any other persons (other than a Director of 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2008, the percentage of sales or purchases attributable to the Group's five largest customers or suppliers was less than 30%.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the directors, at least 25% of the Company's total issued shares are held by the public as at the date of this report.

AUDITOR

The accompanying consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming Annual General Meeting.

On behalf of the Board of Directors

CHAN YUE KWONG, MICHAEL
Chairman

Hong Kong, 8th July, 2008

TO THE SHAREHOLDERS OF CAFÉ DE CORAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Café de Coral Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 49 to 134, which comprise the consolidated and the company balance sheets as at 31st March, 2008, and the consolidated income statement, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8th July, 2008

Consolidated Balance Sheet

As at 31st March, 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	6	**347,960**	308,788
Property, plant and equipment	7	**564,488**	491,978
Investment properties	8	**202,700**	155,200
Intangible assets	9	**234,912**	213,068
Investments in associates	11	**7,059**	4,357
Investments in jointly controlled entities	12	**33,604**	32,195
Available-for-sale financial assets	13	**293,707**	267,398
Held-to-maturity financial assets	14	**1,018**	8,837
Deferred income tax assets	21	**15,615**	12,647
Non-current deposits	15	**123,034**	107,079
Retirement benefit assets	20	**14,104**	31,736
		1,838,201	1,633,283
Current assets			
Inventories	16	**94,881**	74,413
Trade and other receivables	17	**46,968**	44,145
Prepayments, deposits and other current assets	17	**87,006**	87,811
Financial assets at fair value through profit or loss	18	**134,142**	98,720
Cash and cash equivalents	19	**733,298**	546,655
		1,096,295	851,744
Total assets		**2,934,496**	2,485,027
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	23	**55,257**	54,593
Other reserves	24	**590,087**	354,008
Retained earnings	24		
– Proposed dividends		**193,643**	164,791
– Others		**1,546,015**	1,423,075
		2,385,002	1,996,467
Minority interest		**2,386**	–
Total equity		**2,387,388**	1,996,467

Consolidated Balance Sheet

As at 31st March, 2008

	Note	**2008 HK$'000**	2007 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*21*	**64,884**	65,121
Provision for long service payments	*20*	**6,311**	4,377
		71,195	69,498
Current liabilities			
Trade payables	*22*	**112,766**	94,741
Other creditors and accrued liabilities		**328,808**	300,463
Current income tax liabilities		**34,339**	23,858
		475,913	419,062
Total liabilities		**547,108**	488,560
Total equity and liabilities		**2,934,496**	2,485,027
Net current assets		**620,382**	432,682
Total assets less current liabilities		**2,458,583**	2,065,965

Approved by the Board of Directors on 8th July, 2008 and signed on behalf of the Board by

CHAN YUE KWONG, MICHAEL
Chairman

LO HOI KWONG, SUNNY
Managing Director

The notes on pages 55 to 134 are an integral part of these consolidated financial statements.

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	10	**792,054**	720,611
Current assets			
Prepayments, deposits and other current assets		**10**	8
Cash and cash equivalents	19	**519**	252
		529	260
Total assets		**792,583**	720,871
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	23	**55,257**	54,593
Other reserves	24	**385,103**	335,291
Retained earnings	24		
– Proposed dividends		**193,643**	164,791
– Others		**158,554**	166,181
Total equity		**792,557**	720,856
LIABILITIES			
Current liabilities			
Other creditors and accrual liabilities		**26**	15
Total equity and liabilities		**792,583**	720,871
Net current assets		**503**	245
Total assets less current liabilities		**792,557**	720,856

Approved by the Board of Directors on 8th July, 2008 and signed on behalf of the Board by

CHAN YUE KWONG, MICHAEL	**LO HOI KWONG, SUNNY**
Chairman	*Managing Director*

The notes on pages 55 to 134 are an integral part of these financial statements.

Consolidated Income Statement

– By Function Of Expense

For the year ended 31st March, 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	25	**4,290,031**	3,885,151
Cost of sales	27	**(3,585,428)**	(3,234,421)
Gross profit		**704,603**	650,730
Other gains, net	26	**16,910**	10,385
Administrative expenses	27	**(240,838)**	(238,804)
Operating profit		**480,675**	422,311
Finance income	28	**31,278**	34,859
Finance costs	28	**–**	(3,676)
Share of profit of associates		**2,442**	2,269
Share of loss of jointly controlled entities		**(791)**	(2,857)
Profit before income tax		**513,604**	452,906
Income tax expense	29	**(93,370)**	(82,839)
Profit attributable to equity holders of the Company	30	**420,234**	370,067
Dividends	31	**276,265**	230,181
Earnings per share for profit attributable to the equity holders of the Company during the year			
– Basic	32	**76.36 HK cents**	67.95 HK cents
– Diluted	32	**75.65 HK cents**	66.95 HK cents

The notes on pages 55 to 134 are an integral part of these consolidated financial statements.

	2008 *HK$'000*	2007 *HK$'000*
Exchange differences arising on translation of foreign subsidiaries and jointly controlled entities	**42,853**	5,763
Actuarial (losses)/gains on retirement benefit obligations recognised in reserve	**(24,942)**	14,488
Deferred income tax effect on actuarial losses/gains of retirement benefit obligation recognised in reserve	**4,365**	(2,535)
Fair value gains, net of tax:		
– on transfer of property, plant and equipment and leasehold land and land use rights to investment properties	**–**	180
– available-for-sale financial assets	**143,414**	7,408
Net income recognised directly in equity	**165,690**	25,304
Profit for the year	**420,234**	370,067
Total recognised income for the year	**585,924**	395,371
Attributable to:		
– Equity holders of the Company	**585,924**	395,371

The notes on pages 55 to 134 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31st March, 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash generated from operations	*34(a)*	**631,372**	611,169
Interest paid		**–**	(3,676)
Hong Kong profits tax paid		**(75,798)**	(69,840)
Overseas taxation paid		**(11,188)**	(14,815)
Net cash generated from operating activities		**544,386**	522,838
Cash flows from investing activities			
Purchase of property, plant and equipment		**(219,384)**	(188,374)
Purchase of investment properties		**(62,600)**	–
Purchase of leasehold land and land use rights		**(44,687)**	–
Proceeds from disposals of property, plant and equipment and leasehold land	*34(b)*	**33,634**	1,030
Investment in a jointly controlled entity		**–**	(4,641)
(Advance to)/repayment from associates		**(1,200)**	1,060
Repayment from jointly controlled entities		**–**	677
Dividend received from an associate		**940**	1,040
Purchase of available-for-sale financial assets		**(31,941)**	(135,458)
Purchase of held-to-maturity financial assets		**–**	(19,492)
Proceeds from redemptions/disposals of available-for-sale financial assets		**148,974**	48,975
Proceeds from redemption of held-to-maturity financial assets		**7,819**	16,121
Interest received		**31,278**	34,859
Net cash used in investing activities		**(137,167)**	(244,203)
Cash flows from financing activities			
Net proceeds from issue of shares upon exercise of share options		**30,441**	20,833
New bank borrowings		**–**	800,000
Repayment of bank borrowings		**–**	(800,000)
Investment contributed by a minority shareholder		**2,386**	–
Dividends paid		**(247,865)**	(310,645)
Net cash used in financing activities		**(215,038)**	(289,812)
Increase/(decrease) in cash and cash equivalents		**192,181**	(11,177)
Cash and cash equivalents at beginning of the year		**546,655**	559,506
Effect of foreign exchange rate changes		**(5,538)**	(1,674)
Cash and cash equivalents at end of the year	*19*	**733,298**	546,655

The notes on pages 55 to 134 are an integral part of these consolidated financial statements.

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 principal activity of the Company is investment holding. The Company’s subsidiaries 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.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$’000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 8th July, 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation

The consolidated financial statements of the Company and its subsidiaries (together known as the “Group”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in *Note 4*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) *Standards, amendments and interpretations that are effective in current year*

- HKFRS 7, "Financial instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of financial statements – Capital disclosures", introduce new disclosures relating to financial instruments and do not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables;

- HK(IFRIC)-Int 8 "Scope of HKFRS 2" requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements;

- HK(IFRIC)-Int 11 "HKFRS 2 – Group and treasury share transactions" provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over the parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone financial statements of the parent and group companies. This interpretation does not have any significant impact on the Group's financial statements; and

- HK(IFRIC)-Int 10 "Interim Financial Reporting and Impairment" prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(b) *Interpretations effective in current year but not relevant for the Group's operations*

- HK(IFRIC)-Int 7 "Applying the restatement approach under HKAS 29, Financial reporting in hyper inflationary economies"; and

- HK(IFRIC)-Int 9 "Re-assessment of embedded derivatives".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) *Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group*

- HKAS 1 (Revised), "Presentation of financial statements" (effective from 1st January, 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1st April, 2009;

- HKAS 23 (Amendment), "Borrowing costs" (effective from 1st January, 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Amended) from 1st April, 2009;

- HKFRS 8, "Operating segments" (effective from 1st January, 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1st April, 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) ***Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group*** *(Continued)*

- HK(IFRIC)-Int 13, "Customer loyalty programmes" (effective from 1st July, 2008). HK(IFRIC)-Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group will apply HK(IFRIC)-Int 13 from 1st April, 2009, but it is not expected to have any significant impact on the Group's financial statements;

- HK(IFRIC)-Int 14, "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1st January, 2008). HK(IFRIC)-Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC)-Int 14 from 1st April, 2008, but it is not expected to have any significant impact on the Group's financial statements;

- HKAS 27 (Revised) "Consolidated and separate financial statements" (effective from annual period beginning on or after 1st July, 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1st April, 2010;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) *Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group* *(Continued)*

- HKFRS 3 (Revised) "Business combinations" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than "are conducted and managed". It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1st April, 2010; and

- HKFRS 2 Amendment "Share-based payment vesting conditions and cancellations" (effective from 1st January, 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 Amendment from 1st April, 2009, but it is not expected to have any significant impact on the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(d) *The following interpretation has not yet been effective and not relevant for the Group's operations*

- HK(IFRIC)-Int 12, "Service concession arrangements" (effective from 1st January, 2008). HK(IFRIC)-Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC)-Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st March.

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill *(Note 2.9)*. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(c) Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Investments in jointly controlled entities are accounted for by using the equity method of accounting and are initially recognised at cost.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

(b) *Transactions and balances*

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in equity.

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

(c) *Group companies*

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

(c) Group companies *(Continued)*

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

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

2.5 Leasehold land and land use rights

Leasehold land and land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for rights to use the land on which various plants and buildings are situated. Amortisation of leasehold land and land use rights is calculated on a straight-line basis over the period of the lease.

2.6 Property, plant and equipment

The property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

No provision for depreciation is made on freehold land. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	2.5%
Leasehold improvements	Over the remaining period of the lease
Furniture, restaurant and other equipment	10%-33.3%

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment *(Continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(Note 2.10)*. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.7 Construction in progress

Construction in progress represents buildings, plant and machinery, furniture and fixtures, office equipment and leasehold improvements under construction. Construction in progress is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalised costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in *Note 2.6*.

2.8 Investment properties

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Investment properties *(Continued)*

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, others, including contingent rent payments, are not recognised in the financial statements.

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

Changes in fair values are recognised in the income statement.

2.9 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of jointly controlled entities is included in investments in jointly controlled entities and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Other intangible assets

Other intangible assets have a definite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate costs of other intangible assets over their estimated useful lives of 9 to 20 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Impairment of investments in subsidiaries, associates, jointly controlled entities and non-financial assets

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

2.11 Financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet *(Note 2.13)*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale financial assets. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date; these are classified as current assets.

(d) Available-for-sale financial assets

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

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other gains, net, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other gains when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale financial assets are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the income statement; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial assets are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as “gains and losses from investment securities”. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group’s right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade and other receivables is described in *Note 2.13*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade and other receivable is uncollectible, it is written off against the allowance account for trade and other receivable. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

All borrowing costs are recognised in the income statement in the period in which they are incurred.

2.18 Current and deferred income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries, associates and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Current and deferred income tax *(Continued)*

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration of the type of customer, the type of transaction and the specifics of each arrangement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Revenue recognition *(Continued)*

(i) Sales of food and beverages

Sales of food and beverages are recognised in the income statement at the point of sale to customers.

(ii) Rental income

Rental income is recognised on a straight-line basis over the period of the lease.

(iii) Royalty and franchise income

Royalty and franchise income are recognised on an accrual basis in accordance with the substance of the relevant agreements.

(iv) Management and service fee income

Management and service fee income are recognised when services are rendered.

(v) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.21 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Employee benefits *(Continued)*

(iii) Pension obligations

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans typically define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are recognised in full in the period in which they occur, outside the income statement, in the statement of recognised income and expense.

Past-service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Employee benefits *(Continued)*

(iv) Long service payment

The Group's net obligation in respect of long service payments to its employees upon the termination of their employment or retirement when the employee fulfills certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services in the current and prior periods.

The obligation is calculated using the projected unit credit method, discounted to present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The discount rate is the yield at balance sheet date on high quality corporate bonds which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses are recognised in full in the period in which they occur, outside the income statement, in the statement of recognised income and expense.

(v) Share-based compensation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Operating leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.24 Financial guarantees

A financial guarantee (a type of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at each balance sheet date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee to result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) Foreign exchange risk

The Group mainly operates in Hong Kong, Mainland China and North America and is exposed to foreign exchange risk from various currency exposures, primarily with respect to Chinese Renminbi ("RMB"), United States ("US") dollar and Canadian dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) *Foreign exchange risk* *(Continued)*

Management has a policy to require group companies to manage their foreign exchange risks against their respective functional currencies. It mainly includes managing the exposures arisen from sales and purchases made by relevant group companies in currencies other than their own functional currencies. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. The Group has not used any hedging arrangement to hedge its foreign exchange risk exposure.

As the assets and liabilities of each company within the Group are mainly denominated in the respective company's functional currency, Directors are of the opinion that the Group's volatility against changes in exchange rates of foreign currencies would not be significant.

(b) *Interest rate risk*

The Group has no significant interest-bearing assets except for bank deposits and debt securities, the income and operating cash flows of which are substantially independent of changes in market interest rates.

As at 31 March, 2008, since most of the Group's bank deposits and debt securities were at fixed rates which only subject to fair value interest rate risk, Directors are of the opinion that any reasonable changes in interest rates would not result in a significant change in the Group's results.

(c) *Price risk*

The Group is exposed to securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or financial assets at fair value through profit or loss. The Group has not mitigated its price risk arising from these financial assets.

For the Group's financial assets that are publicly traded, the fair value is determined with reference to quoted market prices. For the Group's financial assets that are not publicly traded, the Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the balance sheet date. The Group also engaged independent professional fund managers to manage the price risk arising from unlisted investment funds held by the Group.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Price risk *(Continued)*

As at 31st March, 2008, if the price of the listed securities has increased/decreased by 7% with all other variables held constant, the Group's other gains would have increased/decreased by HK$374,000 (2007: HK$29,000) arising from the financial assets at fair value through profit or loss and the investment reserve would have increased/decreased by HK$17,002,000 (2007: HK$ Nil) arising from the available-for-sale financial assets.

(d) Credit risk

Credit risk is managed on a group basis. Credit risk mainly arises from cash and cash equivalents, rental deposits, debt securities, unlisted investment funds and trade receivables.

Cash and cash equivalents were mainly deposited in over 10 and debt securities were issued by over 4 financial institutions, respectively, which management believes are of high quality and without significant credit risk. There is no material concentration of credit risk for rental deposits due to the large number of landlords. The Group also engaged 4 independent professional fund managers to manage the investment portfolio of the unlisted investment funds. Management does not expect any losses from non-performance by these counterparties.

The Group's sales to customers are mainly on a cash basis. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The Group's historical experience in collection of trade receivables falls within the recorded allowance and the Directors are of the opinion that adequate provision for uncollectible receivable has been made.

(e) Liquidity risk

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

The Group's primary cash requirements have been for payments for trade and other payables and operating expenses. The Group mainly finances its working capital requirements through internal resources.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(e) Liquidity risk *(Continued)*

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long-term.

As at 31st March, 2008, all of the Group's financial liabilities were due for settlement contractually within 12 months.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital of the Group is calculated as "capital and reserves attributable to the shareholders of the Company" less total borrowings, if any. Management considers that the Group's capital risk is minimal as there is no borrowing as at 31st March, 2007 and 31st March, 2008.

3.3 Fair value estimation

The fair value of financial assets traded in active markets (such as financial assets at fair value through profit or loss and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debts. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying values less impairment provision of trade receivables and payables are a reasonable approximation of their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on fair value less costs to sell calculations. The fair value less costs to sell calculations primarily use market approach based on estimated enterprise value, and income approach based on discounted cash flow method. There are a number of assumptions and estimates involved in the preparation of the business valuations. Judgement is required to determine key assumptions adopted in the calculations and changes to key assumptions could affect the calculations and therefore affect the results of the impairment reviews.

(b) Impairment of property, plant and equipment, leasehold land and land use rights and intangible assets (other than goodwill)

Property, plant and equipment, leasehold land and land use rights, and intangible assets (other than goodwill) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs to sell calculations. The calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group’s financial position and results of operations.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(Continued)

(c) Useful lives of property, plant and equipment and intangible assets (other than goodwill)

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets (other than goodwill). The estimates are based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets (other than goodwill) of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisable lives and therefore affect the depreciation and amortisation charges in future periods.

(d) Income taxes

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

5 SEGMENT INFORMATION

(a) Primary reporting format – geographical segments

At 31st March, 2008, the Group's business activities are conducted predominantly in Hong Kong, Mainland China and North America.

The segment results for the year ended 31st March, 2008, based on location of customers, are as follows:

	Hong Kong *HK$'000*	Mainland China *HK$'000*	North America *HK$'000*	Group *HK$'000*
Segment revenues				
Total segment revenue	**3,599,815**	**440,913**	**320,950**	**4,361,678**
Inter-segment revenue *(Note i)*	**(1,536)**	**(70,111)**	**–**	**(71,647)**
Revenue	**3,598,279**	**370,802**	**320,950**	**4,290,031**
Segment result	**461,770**	**43,037**	**(24,132)**	**480,675**
Finance income	**30,140**	**764**	**374**	**31,278**
Share of profit of associates	**2,442**	**–**	**–**	**2,442**
Share of loss of jointly controlled entities	**–**	**(791)**	**–**	**(791)**
Profit before income tax				**513,604**
Income tax expense				**(93,370)**
Profit attributable to the equity holders of the Company				**420,234**

5 SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format – geographical segments *(Continued)*

Other segment items included in the consolidated income statement are as follows:

	Year ended 31st March, 2008			
	Hong Kong	**Mainland China**	**North America**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation *(Note 7)*	**119,373**	**20,482**	**12,820**	**152,675**
Amortisation of intangible assets *(Note 9)*	**2,703**	**–**	**8,810**	**11,513**
Amortisation of leasehold land and land use rights *(Note 6)*	**5,319**	**1,959**	**–**	**7,278**
Impairment of property, plant and equipment *(Note 7)*	**–**	**–**	**1,267**	**1,267**
(Gain)/loss on disposal of property, plant and equipment and leasehold land	**(927)**	**189**	**9,936**	**9,198**

The segment assets and liabilities, based on location of customers, at 31st March, 2008 and capital expenditure for the year then ended are as follows:

	Hong Kong	**Mainland China**	**North America**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**1,764,468**	**372,386**	**312,497**	**2,449,351**
Associated companies	**7,059**	**–**	**–**	**7,059**
Jointly controlled entities	**–**	**33,604**	**–**	**33,604**
	1,771,527	**405,990**	**312,497**	**2,490,014**
Unallocated assets				**444,482**
Total assets				**2,934,496**
Segment liabilities	**338,278**	**60,503**	**49,104**	**447,885**
Unallocated liabilities				**99,223**
Total liabilities				**547,108**
Capital expenditure	**235,760**	**64,535**	**26,376**	**326,671**

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

5 SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format – geographical segments *(Continued)*

The segment results for the year ended 31st March, 2007, based on location of customers, are as follows:

	Hong Kong *HK$'000*	Mainland China *HK$'000*	North America *HK$'000*	Group *HK$'000*
Segment revenues				
Total segment revenue	3,310,270	314,580	320,067	3,944,917
Inter-segment revenue	(1,919)	(57,847)	–	(59,766)
Revenue	3,308,351	256,733	320,067	3,885,151
Segment result	409,131	36,793	(23,613)	422,311
Finance income	33,404	1,224	231	34,859
Finance costs	(3,093)	(583)	–	(3,676)
Share of profit of associates	2,269	–	–	2,269
Share of loss of jointly controlled entities	–	(2,857)	–	(2,857)
Profit before income tax				452,906
Income tax expense				(82,839)
Profit attributable to the equity holders of the Company				370,067

Other segment items included in the consolidated income statement are as follows:

	Year ended 31st March, 2007 Hong Kong *HK$'000*	Mainland China *HK$'000*	North America *HK$'000*	Group *HK$'000*
Depreciation *(Note 7)*	126,148	13,506	12,964	152,618
Amortisation of intangible assets *(Note 9)*	2,703	–	7,656	10,359
Amortisation of leasehold land and land use rights *(Note 6)*	5,016	1,688	–	6,704
Impairment of property, plant and equipment *(Note 7)*	–	–	7,790	7,790
Loss on disposal of property, plant and equipment and leasehold land	2,390	–	5,374	7,764

5 SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format – geographical segments *(Continued)*

The segment assets and liabilities, based on location of customers, at 31st March, 2007 and capital expenditure for the year then ended are as follows:

	Hong Kong *HK$'000*	Mainland China *HK$'000*	North America *HK$'000*	Group *HK$'000*
Segment assets	1,518,550	258,964	283,359	2,060,873
Associated companies	4,357	–	–	4,357
Jointly controlled entities	–	32,195	–	32,195
	1,522,907	291,159	283,359	2,097,425
Unallocated assets				387,602
Total assets				2,485,027
Segment liabilities	321,040	38,472	40,069	399,581
Unallocated liabilities				88,979
Total liabilities				488,560
Capital expenditure	151,123	31,079	6,172	188,374

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.

Capital expenditure comprises additions to leasehold land and land use rights *(Note 6)*, property, plant and equipment *(Note 7)* and investment properties *(Note 8)*.

(b) 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.

6 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Leases of over 50 years	**84,933**	115,004
Leases of between 10 to 50 years	**215,699**	164,948
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**47,328**	28,836
	347,960	308,788

	Group	
	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**308,788**	338,976
Additions	**44,687**	–
Amortisation of leasehold land and land use rights	**(7,278)**	(6,704)
Exchange differences	**858**	285
Fair value gains recognised through reserve	**–**	218
Disposals	**(28,865)**	–
Transfer from/(to) investment properties	**29,770**	(23,987)
End of the year	**347,960**	308,788

Amortisation expense of HK$7,278,000 (2007: HK$6,704,000) has been included in cost of sales.

7 PROPERTY, PLANT AND EQUIPMENT

	Group				
	Freehold land and buildings *(Note b)*	**Leasehold improvements**	**Furniture, restaurant and other equipment**	**Construction-in-progress**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2006					
Cost	109,221	383,203	1,057,274	–	1,549,698
Accumulated depreciation and impairment	(28,766)	(271,366)	(781,170)	–	(1,081,302)
Net book amount	80,455	111,837	276,104	–	468,396
Year ended 31st March, 2007					
Opening net book amount	80,455	111,837	276,104	–	468,396
Additions	187	57,950	130,237	–	188,374
Disposals	–	(2,704)	(6,090)	–	(8,794)
Depreciation	(2,353)	(34,812)	(115,453)	–	(152,618)
Exchange differences	280	2,589	3,054	–	5,923
Transfer to investment properties	(1,513)	–	–	–	(1,513)
Provision for impairment	–	(6,097)	(1,693)	–	(7,790)
Closing net book amount	77,056	128,763	286,159	–	491,978
At 31st March, 2007					
Cost	107,803	432,705	1,143,324	–	1,683,832
Accumulated depreciation and impairment	(30,747)	(303,942)	(857,165)	–	(1,191,854)
Net book amount	77,056	128,763	286,159	–	491,978
Year ended 31st March, 2008					
Opening net book amount	77,056	128,763	286,159	–	491,978
Additions	1,166	118,943	98,837	438	219,384
Disposals	(549)	(4,925)	(8,493)	–	(13,967)
Depreciation	(2,335)	(46,281)	(104,059)	–	(152,675)
Exchange differences	1,101	10,049	6,155	–	17,305
Transfer from investment properties	3,730	–	–	–	3,730
Provision for impairment	–	(965)	(302)	–	(1,267)
Closing net book amount	80,169	205,584	278,297	438	564,488
At 31st March, 2008					
Cost	113,419	528,944	1,144,118	438	1,786,919
Accumulated depreciation and impairment	(33,250)	(323,360)	(865,821)	–	(1,222,431)
Net book amount	80,169	205,584	278,297	438	564,488

(a) Depreciation expenses of HK$144,556,000 (2007: HK$144,884,000) and HK$8,119,000 (2007: HK$7,734,000) have been included in cost of sales and administrative expenses, respectively.

(b) The freehold land of HK$14,811,000 held by the Group was situated outside Hong Kong.

8 INVESTMENT PROPERTIES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**155,200**	122,450
Additions	**62,600**	–
Fair value gains	**18,400**	7,250
Transfer (to)/from property, plant and equipment and leasehold land and land use rights	**(33,500)**	25,500
End of the year	**202,700**	155,200

The investment properties were revalued at 31st March, 2008 by CB Richard Ellis Limited, independent professionally qualified valuers. Valuations were based on current prices in an active market for all properties.

The Group's interests in investment properties at their net book values are analysed as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Leases of over 50 years	**128,500**	87,000
Leases of between 10 to 50 years	**74,200**	68,200
	202,700	155,200

9 INTANGIBLE ASSETS

	Group		
	Goodwill *HK$'000*	Other intangible assets *HK$'000*	Total *HK$'000*
At 1st April, 2006			
Cost	103,551	173,117	276,668
Accumulated amortisation	–	(53,241)	(53,241)
Closing net book amount	103,551	119,876	223,427
Year ended 31st March, 2007			
Opening net book amount	103,551	119,876	223,427
Amortisation expense	–	(10,359)	(10,359)
Closing net book amount	103,551	109,517	213,068
At 31st March, 2007			
Cost	103,551	173,117	276,668
Accumulated amortisation	–	(63,600)	(63,600)
Closing net book amount	103,551	109,517	213,068
Year ended 31st March, 2008			
Opening net book amount	103,551	109,517	213,068
Amortisation expense	–	(11,513)	(11,513)
Exchange differences	17,149	16,208	33,357
Closing net book amount	120,700	114,212	234,912
At 31st March, 2008			
Cost	120,700	191,271	311,971
Accumulated amortisation	–	(77,059)	(77,059)
Closing net book amount	120,700	114,212	234,912

Notes:

(a) Amortisation expense of HK$11,513,000 (2007: HK$10,359,000) has been included in administrative expenses.

(b) Other intangible assets represent trademarks and franchise rights which have definite useful lives of 9 to 20 years.

9 INTANGIBLE ASSETS *(Continued)*

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation.

A segment-level summary of the goodwill allocation is presented below.

	2008 **HK$**	2007 HK$
North America	**119,594**	102,445
Hong Kong and Mainland China *(Note a)*	**6,710**	6,710
	126,304	109,155

Note a: Goodwill relating to a group of CGUs identified in Hong Kong and Mainland China of HK$5,604,000 (2007: HK$5,604,000) was included in investments in jointly controlled entities *(Note 12)*.

The recoverable amounts of CGUs are determined based on fair value less costs to sell calculations. These calculations include estimates of enterprise values of the CGUs by incorporating the market earnings and revenue multiples of comparable companies; and discounted cash flow method. The recoverable amounts of CGUs are then derived from the weighted average values determined by the market and income approaches.

The key assumptions used for fair value less costs to sell calculations for CGUs are as follows:

	North America	**HK and Mainland China**
– Enterprise value ("EV")/ Earnings before interest, tax, depreciation, and amortisation ("EBITDA") multiple	Based on market multiples of comparable companies adjusted by differences in expected growth rate and risk level of CGU	N/A
– EV/Revenue multiple	Based on market multiples of comparable companies adjusted by differences in expected growth rate, risk level and profitability of CGU	Based on market multiples of comparable companies adjusted by differences in expected growth rate, risk level and profitability of CGU

9 INTANGIBLE ASSETS *(Continued)*

	North America	HK and Mainland China
Discount rate	14.5%	10%-11%
Revenue growth rate (five-year period)		
– Corporate revenue	Average growth rate of 2% per annum	Average growth rate of 7-10% per annum
– Franchise revenue	Average growth rate of 17% per annum	N/A
Revenue growth rate (beyond five years)	2%	3%

The Group does not have to recognise an impairment loss as at 31st March, 2008 based on the impairment assessment performed.

Management has performed sensitivity analysis for the goodwill arisen from the North America operation by adjusting:

(i)	Franchise revenue	1% less than based estimate
(ii)	Gross profit margin on corporate stores	1% less than based estimate

Based on the result of the sensitivity analysis, the Directors are of the opinion that the potential impairment loss would not be significant to the Group.

10 INVESTMENTS IN SUBSIDIARIES

	2008 **HK$'000**	2007 HK$'000
Unlisted investments, at cost	**331,802**	331,802
Amounts due from subsidiaries	**460,702**	388,809
	792,504	720,611

Amounts due from subsidiaries represent funding by the Company to the respective subsidiaries and are measured in accordance with the Company's accounting policy for investments in subsidiaries.

The Directors are of the opinion that the underlying values of the subsidiaries were not less than their carrying values as at 31st March, 2008.

10 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following is a list of the principal subsidiaries as at 31st March, 2008:

Name of subsidiary	Country of incorporation/ establishment and operation	Issued/ registered capital	Class of shares held	Percentage of shares held[1]	Principal activities
Ah Yee Leng Tong Restaurants Limited	Hong Kong	HK$600,000	Ordinary	100%	Catering
Amigo Mio Limited	Hong Kong	HK$20	Ordinary	100%	Catering
Ashlone Limited	Hong Kong	HK$1,320,000	Ordinary	100%	Catering
Asia Pacific Catering Corporation Limited	Hong Kong	HK$20	Ordinary	100%	Catering
Bamburgh Limited	Hong Kong	HK$20	Ordinary	100%	Catering
Barneston Limited	Hong Kong	HK$20	Ordinary	100%	Investment holding
Barson Development Limited	Hong Kong	HK$10,000	Ordinary	100%	Property investment
Birgitta Limited	Hong Kong	HK$900,000	Ordinary	100%	Investment holding
Bloomcheer Limited	Hong Kong	HK$500,000	Ordinary	100%	Catering
Bravo le Café Limited	Hong Kong	HK$2	Ordinary	100%	Catering
Brilliantwin Limited	Hong Kong	HK$2	Ordinary	100%	Catering
Café de Coral Assets Limited	British Virgin Islands	US$1	Ordinary	100%	Investment holding
Café de Coral Central Processing Limited	Hong Kong	HK$20	Ordinary	100%	Food processing
Café de Coral (China) Limited	Hong Kong	HK$40,000,000	Ordinary	100%	Investment holding
Café de Coral (Denmark) ApS	Denmark	DKK125,000	Ordinary	100%	Investment holding

10 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Country of incorporation/ establishment and operation	Issued/ registered capital	Class of shares held	Percentage of shares held[1]	Principal activities
Café de Coral Development Limited[1]	British Virgin Islands	US$1	Ordinary	100%	Investment holding
Café de Coral Fast Food Limited	Hong Kong	HK$20	Ordinary	100%	Catering
Café de Coral Group Limited	Hong Kong	HK$44,894,967	Ordinary	100%	Catering
Café de Coral (Guangzhou) Catering Company Limited	The People's of Republic China ("The PRC")	HK$21,000,000	–	100%	Catering
Café de Coral (Macau) Limited	Macau	MOP300,000	Ordinary	70%	Catering
Café de Coral Overseas Limited	British Virgin Islands	US$1	Ordinary	100%	Investment holding
Café de Coral Properties Limited	British Virgin Islands	US$1	Ordinary	100%	Investment holding
Café de Espressamente illy (HK) Limited	Hong Kong	HK$10,000	Ordinary	70%	Catering
Charley's Chicken Limited	Hong Kong	HK$2	Ordinary	100%	Catering
China Inn Restaurants, Inc.	United States of America	US$1,457,287	Common	100%	Operation of restaurants
City Energy Limited	Hong Kong	HK$200,000	Ordinary	100%	Property investment
Dai Lo Foo (Holdings) Limited	Hong Kong	HK$1,340,000	Ordinary	100%	Catering
Diners Court Management Limited	Hong Kong	HK$2	Ordinary	100%	Catering

10 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Country of incorporation/ establishment and operation	Issued/ registered capital	Class of shares held	Percentage of shares held[1]	Principal activities
Dongguan Asia Pacific Catering Company Limited	The PRC	HK$5,400,000	–	100%	Catering
Dongguan Continental Foods Limited	The PRC	RMB17,330,000	–	100%	Food processing
Eldoon Limited	Hong Kong	HK$10,000	Ordinary	100%	Catering
Embark Developments Limited	British Virgin Islands	US$1	Ordinary	100%	Investment holding
Exo Enterprises Limited	Hong Kong	HK$4,000,000	Ordinary	100%	Catering
Fine Regent Hong Kong Limited	Hong Kong	HK$1	Ordinary	100%	Catering
Foshan Café de Coral Catering Company Limited	The PRC	HK$6,000,000	–	100%	Catering
Gateway City Limited	Hong Kong	HK$20	Ordinary	100%	Catering
Goodton Development Limited	Hong Kong	HK$10,000	Ordinary	100%	Investment holding
Grand Regent China Limited	Hong Kong	HK$2	Ordinary	100%	Investment holding
Grand Seasons (Central) Food and Beverages Caterers Company Limited	Hong Kong	HK$10,000	Ordinary	100%	Catering
Greenwise Limited	Hong Kong	HK$2	Ordinary	100%	Investment holding
Guangzhou Asia Catering Management Limited	The PRC	HK$2,000,000	–	100%	Catering consultancy
Guangzhou Asia Pacific Catering Company Limited	The PRC	HK$16,000,000	–	100%	Catering

10 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Country of incorporation/ establishment and operation	Issued/ registered capital	Class of shares held	Percentage of shares held[1]	Principal activities
Guangzhou Café de Coral Foods Limited	The PRC	US$12,000,000	–	100%	Food processing
Interface Consultants Limited	British Virgin Islands	US$1	Ordinary	100%	Provision of consultancy services
Invol Resources Limited	Hong Kong (incorporation)/ The PRC (operation)	HK$6,125,000	Ordinary	100%	Property investment
Jetstar Universal Limited	Hong Kong	HK$1	Ordinary	100%	Catering
Jiangmen Café de Coral Catering Company Limited	The PRC	HK$5,000,000	–	100%	Catering
Kater International Limited	Hong Kong	HK$2	Ordinary	100%	Catering
Kamstar International Limited	Hong Kong	HK$1	Ordinary	100%	Catering
Kolink Enterprises Limited	Hong Kong	HK$2	Ordinary	100%	Leasing of premises space
Luckyview Enterprises Limited	Hong Kong	HK$1	Ordinary	100%	Investment holding
Manchu Wok (Canada) Inc.	Canada	C$5,740,000	Common	100%	Fast food chains
Manchu Wok Enterprises Inc.	Canada (incorporation)/ The United States of America and Canada (operation)	C$2,865,000 C$3,000,000 C$955	Class A[2] Class B[3] Class C[4]	100% 100% 100%	Investment holding
Manchu Wok Enterprises II Inc.	Canada (incorporation)/ The United States of America and Canada (operation)	US$2,100,000 C$100,000	Class B[3] Class C[4]	100% 100%	Investment holding

10 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Country of incorporation/ establishment and operation	Issued/ registered capital	Class of shares held	Percentage of shares held[1]	Principal activities
Manchu Wok (USA), Inc.	The United States of America	US$5,180,100	Common	100%	Fast food chains
Perfect Plan International Limited	British Virgin Islands	US$1	Ordinary	100%	Investment holding
Regal Universal Limited	Hong Kong	HK$1	Ordinary	100%	Catering
Scanfoods Limited	Hong Kong	HK$2,100,000	Ordinary	100%	Food trading
Shenzhen Asia Catering Management Limited	The PRC	HK$2,000,000	–	100%	Catering consultancy
Shenzhen Café de Coral Catering Company Limited	The PRC	HK$12,000,000	–	100%	Catering
Shenzhen Prime Deal Catering Company Ltd	The PRC	HK$7,700,000	–	100%	Catering
Shenzhen Spaghetti House Catering Company Limited	The PRC	HK$6,000,000	–	100%	Catering
Sheriafort Assets Limited	British Virgin Islands	US$1	Ordinary	100%	Investment holding (securities)
Silver Weal Enterprises Limited	Hong Kong	HK$1	Ordinary	100%	Catering
Sparango Limited	Hong Kong	HK$20	Ordinary	100%	Catering
Speedy Chef Limited	Hong Kong	HK$2	Ordinary	100%	Catering
Sturgate Investments Limited	British Virgin Islands	US$1	Ordinary	100%	Investment holding
The Spaghetti House Restaurants Limited	Hong Kong	HK$10,000,000	Ordinary	100%	Investment holding
Uwin Hong Kong Limited	Hong Kong	HK$1	Ordinary	100%	Catering
Very Nice Fast Food Limited	Hong Kong	HK$17,025,000 HK$5,675,000	Class A[5] Class B[5]	100% 100%	Catering

10 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Country of incorporation/ establishment and operation	Issued/ registered capital	Class of shares held	Percentage of shares held[1]	Principal activities
Vogue Asia Limited	Hong Kong	HK$1	Ordinary	100%	Investment holding
Weli Company Limited	Hong Kong	HK$1,000,000	Ordinary	100%	Catering
Winfast Holdings Limited	Hong Kong (incorporation)/ The PRC (operation)	HK$10,000	Ordinary	100%	Property investment
Worldson Enterprises Limited	Hong Kong	HK$2	Ordinary	100%	Catering
Worldway Limited	Macau	MOP300,000	Ordinary	100%	Property investment
Yumi Yumi Caterers Limited	Hong Kong	HK$6,701,560 HK$2,872,100	Class A[6] Class B[7]	100% 100%	Catering
Zhongshan Café de Coral Catering Company Limited	The PRC	HK$1,200,000	–	100%	Catering
Zhuhai Café de Coral Catering Company Limited	The PRC	HK$8,000,000	–	100%	Catering

1 Café de Coral Development Limited is held directly by the Company. All other subsidiaries are held indirectly.

2 These class A shares are non voting and are entitled to receive a cumulative dividend of 8% of the stated capital of Class A shares in preference to dividends paid on Class B and Class C shares.

3 These class B shares are non voting and are entitled to receive a cumulative dividend of 6% of the stated capital of Class B shares, subject to the rights of the Class A shareholders, but in preference to Class C shares.

4 These class C shares are voting participating shares and are subject to the prior rights of the Class A and Class B shares.

5 The right to nominate directors is different between holders of Class A and Class B shares.

6 These class A shares are voting participating shares.

7 These class B shares are non voting shares.

11 INVESTMENTS IN ASSOCIATES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Share of net assets	**4,801**	3,299
Due from associates	**2,258**	1,058
	7,059	4,357

(a) Details of associates as at 31st March, 2008 are as follows:

Name	Place of incorporation and operations	Principal activity	Particulars of issued shares held	Interest held indirectly
Miracle Time Enterprise Limited	Hong Kong	Operation of a restaurant	Ordinary shares of HK$1 each	20%
Skybest International Investment Enterprise Limited	Hong Kong	Operation of restaurants	Ordinary shares of HK$1 each	20%

(b) The amounts due from associates are unsecured, non-interest bearing and are not repayable in the coming twelve months.

(c) The Directors are of the opinion that the underlying values of the associates were not less than their carrying amounts as at 31st March, 2008.

12 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Share of net assets	**28,000**	26,591
Goodwill on acquisition of jointly controlled entities *(Note 9)*	**5,604**	5,604
	33,604	32,195

(a) Details of jointly controlled entities as at 31st March, 2008 are as follows:

Name	**Place of establishment and operations**	**Principal activities**	**Interest held indirectly**
Café de New Asia Group Co., Limited	The PRC	Operation of restaurants	50%
Xian Scanfoods ZhaoLong Foods Company Limited	The PRC	Food manufacturing	60%

(b) The Directors are of the opinion that the underlying values of the jointly controlled entities were not less than their carrying amounts as at 31st March, 2008.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**267,398**	173,106
Additions	**31,941**	135,458
Redemptions/disposals	**(148,974)**	(48,975)
Fair value gains recognised in reserve	**143,414**	7,408
Exchange differences	**(72)**	401
End of the year	**293,707**	267,398

Available-for-sale financial assets include the following:

	2008	2007
	HK$'000	*HK$'000*
– Unlisted debt securities with interest rates ranging from 3% to 9% per annum, and with maturity dates between 3 and 10 years	**50,254**	167,038
– Listed investments *(Note a)*	**242,888**	–
– Unlisted equity securities *(Note a)*	**–**	100,360
– Others	**565**	–
	293,707	267,398
Market value of listed securities	**242,888**	–

Note a:

During the year ended 31st March, 2007, the Group acquired 11.65% interest in Tensel Investment Limited ("Tensel") with a total consideration of HK$100,360,000 from third parties. Tensel and its subsidiaries are primarily engaged in provision of food catering services through a chain of chinese restaurants.

Pursuant to the Share Exchange Agreement entered into between the Group and Tao Heung Holdings Limited ("THHL"), the holding company of Tensel, THHL allotted shares to the Group in exchange for the Group's interest in Tensel. After such arrangement, the Group's interest in THHL group remained unchanged at 11.65%.

On 29th June, 2007, THHL completed its initial public offering ("IPO") on the Stock Exchange of Hong Kong Limited. As a result of the IPO, the Group's interest in THHL of 102,053,076 shares was diluted to approximately 10.06%.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Available-for-sale financial assets are denominated in the following currencies:

	2008 ***HK$'000***	2007 *HK$'000*
– US dollar	**50,819**	167,038
– HK dollar	**242,888**	100,360
	293,707	267,398

The fair values of the unlisted debt securities are based on option pricing model. The fair values of the listed investments are based on their current bid prices in an active market.

The maximum exposure of the Group's available-for-sale financial assets to credit risk at the reporting date is their carrying amounts of unlisted debt securities. The credit quality of these debt securities has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

14 HELD-TO-MATURITY FINANCIAL ASSETS

	2008 ***HK$'000***	2007 *HK$'000*
Beginning of the year	**8,837**	5,466
Additions	**–**	19,492
Redemptions	**(7,819)**	(16,121)
End of the year	**1,018**	8,837

	2008 ***HK$'000***	2007 *HK$'000*
Held-to-maturity financial assets include the following:		
– Listed debt securities at amortised cost	**1,018**	8,837
Market value of listed debt securities	**1,006**	8,791

14 HELD-TO-MATURITY FINANCIAL ASSETS *(Continued)*

Held-to-maturity financial assets are denominated in the following currencies:

	2008 ***HK$'000***	2007 *HK$'000*
– US dollar	**–**	7,819
– HK dollar	**1,018**	1,018
	1,018	8,837

The maximum exposure of the Group's held-to-maturity financial assets to credit risk at the reporting date is their carrying amounts. The credit quality of held-to-maturity financial assets has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

15 NON-CURRENT DEPOSITS

Non-current deposits mainly comprise rental and utility deposits.

Substantially all of the non-current deposits are denominated in HK dollar.

The maximum exposure of the Group's non-current deposits to credit risk at the reporting date are their carrying amounts. The credit quality of these deposits has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

16 INVENTORIES

Inventories mainly comprise food and consumable stores and are stated at lower of cost and net realisable value.

The cost of inventories recognised as expense and included in cost of sales amounted to HK$1,342,008,000 (2007: HK$1,190,962,000).

17 TRADE AND OTHER RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**20,986**	23,991
Less: provision for impairment of receivables	**(589)**	(3,347)
Trade receivables – net	**20,397**	20,644
Other receivables	**26,571**	23,501
	46,968	44,145
Prepayments	**71,849**	72,509
Deposits	**15,157**	15,302
	87,006	87,811
	133,974	131,956

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 aging analysis of trade receivables is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**12,001**	12,010
31 – 60 days	**6,275**	4,705
61 – 90 days	**1,495**	992
Over 90 days	**1,215**	6,284
	20,986	23,991

17 TRADE AND OTHER RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS *(Continued)*

The movement in the provision for impairment of trade receivables is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**3,347**	6,459
Provision for receivable impairment	**3,616**	372
Receivables written off during the year	**(6,163)**	(3,383)
Exchange difference	**(211)**	(101)
End of the year	**589**	3,347

The creation and release of provision for impairment receivables have been included in administrative expense in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The Directors are of the opinion that adequate provision for uncollectible trade receivables has been made in the consolidated financial statements.

Trade receivables that are less than 90 days past due are not considered as impaired. As of 31st March, 2008, trade receivables of HK$3,144,000 (2007: HK$3,756,000) were past due but not impaired. Substantially all of these trade receivables were aged less than 120 days. These relates to a number of independent customers for whom there is no recent history of default.

There is no concentration of credit risk with respect to trade and other receivables and deposits as the Group has a large number of counterparties.

The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables and deposits stated above. The Group did not hold any collateral as security.

The credit quality of trade and other receivables and deposits that are neither past due nor impaired has been assessed by reference to historical information about counterparty default rates. The existing counterparties do not have significant defaults in the past.

The carrying amounts of trade and other receivables, deposits and other current assets approximate their fair values due to their short term maturities.

17 TRADE AND OTHER RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS *(Continued)*

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	Group	
	2008	2007
	HK$'000	*HK$'000*
HK dollar	**25,688**	24,132
RMB	**17,495**	14,671
US dollar	**3,088**	4,377
Canadian dollar	**697**	965
	46,968	44,145

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong	**5,341**	412
Unlisted investment funds	**111,512**	98,308
Unlisted debt securities	**11,761**	–
Others	**5,528**	–
	134,142	98,720
Market value of listed securities	**5,341**	412

Financial assets at fair value through profit or loss are denominated in the following currencies:

	Group	
	2008	2007
	HK$'000	*HK$'000*
– US dollar	**126,947**	98,308
– HK dollar	**7,195**	412
	134,142	98,720

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Changes in fair values of financial assets at fair value through profit or loss are recorded in other gains, net, in the consolidated income statement *(Note 26)*.

The fair value of equity securities is based on their current bid prices in an active market. The fair values of unlisted investment funds are based on their current bid prices in an active market, option pricing model and net asset value model. The fair value of unlisted debt securities is based on option pricing model or current bid prices in an active market.

The maximum exposure to credit risk at the reporting date is the carrying amount of unlisted investment fund and debt securities stated above. The credit quality of these investments has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

19 CASH AND CASH EQUIVALENTS

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Cash at bank and on hand	**275,735**	261,452	**519**	252
Short-term bank deposits	**457,563**	285,203	**–**	–
	733,298	546,655	**519**	252
Maximum exposure to credit risk	**716,727**	521,793	**519**	252

The effective interest rate on short-term bank deposits was 3.50% (2007: 4.78%) per annum. These deposits have an average maturity of 30 days (2007: 30 days).

The credit quality of the deposits and bank balances has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

19 CASH AND CASH EQUIVALENTS *(Continued)*

Cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
HK dollar	**272,294**	211,301	**519**	252
RMB	**93,785**	77,841	**–**	–
US dollar	**360,419**	247,635	**–**	–
Canadian dollar	**2,598**	9,688	**–**	–
Others	**4,202**	190	**–**	–
	733,298	546,655	**519**	252

The Group's cash and bank balances denominated in RMB were deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

20 RETIREMENT BENEFIT ASSETS/LIABILITIES AND PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2008 HK$'000	2007 HK$'000
Retirement benefit assets/(liabilities)		
Defined contribution schemes *(Note (a))*	**(5,581)**	(5,584)
Defined benefit scheme *(Note (b))*	**14,104**	31,736
Provision for long service payments *(Note (c))*	**(6,311)**	(4,377)

The provision for defined contribution scheme is included in other creditors and accrued liabilities.

20 RETIREMENT BENEFIT ASSETS/LIABILITIES AND PROVISION FOR LONG SERVICE PAYMENTS *(Continued)*

(a) Defined contribution schemes

The Group operates the Mandatory Provident Fund Scheme ("MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The scheme is administered by an independent trustee.

Under the MPF scheme, each of the Group and the eligible employees make monthly mandatory contributions to the scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance. The mandatory contributions by each party are subject to a maximum of HK$1,000 per month. Contributions to the scheme vest immediately upon the completion of service in the relevant service period.

The Group also operates defined contribution schemes for its employees in the Mainland China, Canada and the United States of America. The Group is required to make contributions to the schemes at various applicable rates of monthly salary that are in accordance with the local practice and regulations.

(b) Defined benefit scheme

The Group operates a defined benefit scheme for its employees in Hong Kong. The benefit entitlement under the scheme is calculated based on the final salary of the staff and the length of service with the Group. The scheme assets are held independently of the Group's assets in separate trustee-administered funds.

The scheme is funded by contributions from the Group and the employees in accordance with qualified independent actuary's recommendation from time to time on the basis of periodic valuations.

Such defined benefit scheme obligation was valued by Watson Wyatt Limited, an independent qualified actuary, using the projected unit credit method.

20 RETIREMENT BENEFIT ASSETS/LIABILITIES AND PROVISION FOR LONG SERVICE PAYMENTS *(Continued)*

(b) Defined benefit scheme *(Continued)*

The net assets/(liabilities) recognised in the consolidated balance sheet is determined as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Present value of funded obligations	**(144,985)**	(115,371)
Fair value of plan assets	**159,089**	147,107
Net assets in the consolidated balance sheet	**14,104**	31,736
Experience adjustment losses/(gains) on plan liabilities	**176**	(11,604)
Experience adjustment gains on plan assets	**(633)**	(6,369)

The movement in the defined benefit obligation is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**(115,371)**	(118,508)
Current service cost	**(4,112)**	(3,901)
Interest cost	**(4,856)**	(5,355)
Employee contributions	**(1,465)**	(1,484)
Actuarial (loss)/gain	**(23,747)**	8,717
Benefits paid	**4,566**	5,160
End of the year	**(144,985)**	(115,371)

20 RETIREMENT BENEFIT ASSETS/LIABILITIES AND PROVISION FOR LONG SERVICE PAYMENTS *(Continued)*

(b) Defined benefit scheme *(Continued)*

The movement in the fair value of plan assets is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**147,107**	130,751
Expected return on plan assets	**10,063**	9,211
Actuarial gain	**633**	6,369
Employee contributions	**1,465**	1,484
Employer contributions	**4,387**	4,452
Benefits paid	**(4,566)**	(5,160)
End of the year	**159,089**	147,107

Amounts recognised in the consolidated income statement are as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Current service cost	**4,112**	3,901
Interest cost	**4,856**	5,355
Expected return on plan assets	**(10,063)**	(9,211)
Total, included in employee benefit expense *(Note 33)*	**(1,095)**	45

Of the total (credit)/charge, approximately HK$608,000 (2007: HK$25,000) and HK$487,000 (2007: HK$20,000) have been included in cost of sales and administrative expenses, respectively.

The actual return on plan assets was a gain of approximately HK$10,696,000 (2007: HK$15,580,000).

20 RETIREMENT BENEFIT ASSETS/LIABILITIES AND PROVISION FOR LONG SERVICE PAYMENTS *(Continued)*

(b) Defined benefit scheme *(Continued)*

The principal actuarial assumptions used are as follows:

	2008	2007
Discount rate	**2.5% p.a.**	4.25% p.a.
Expected rate of return on plan assets	**6.75% p.a.**	6.75% p.a.
Expected rate of future salary increases	**3.5% p.a.**	3.5% p.a.

The actuarial loss recognised in the consolidated statement of recognised income and expense was HK$23,114,000 (2007: a gain of HK$15,086,000).

The cumulative actuarial gains recognised in the consolidated statement of recognised income and expense was HK$14,221,000 (2007: HK$37,335,000).

	2008	2007
The major categories of plan assets as a percentage of total plan assets are as follows:		
Equity instruments	**53.3%**	59.0%
Debt instruments	**35.8%**	32.2%
Other assets	**10.9%**	8.8%

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Expected contributions to the benefit plans for the year ending 31st March, 2009 are approximately HK$4,414,000.

20 RETIREMENT BENEFIT ASSETS/LIABILITIES AND PROVISION FOR LONG SERVICE PAYMENTS *(Continued)*

(c) Provision for long service payments

The Group provides long service payments for its employees in respect of long service payments on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance.

Such provision for long service payment obligation was valued by Watson Wyatt Limited, an independent qualified actuary, using the projected unit credit method.

The net liability recognised in the consolidated balance sheet is determined as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Net liability in the consolidated balance sheet	**6,311**	4,377
Experience adjustment gains on plan liabilities	**(1,162)**	(561)

Movement in the liability recognised in the consolidated balance sheet is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**4,377**	4,102
Current service cost	**192**	108
Interest cost	**180**	177
Benefits paid	**(266)**	(608)
Actuarial loss on obligation	**1,828**	598
End of the year	**6,311**	4,377

20 RETIREMENT BENEFIT ASSETS/LIABILITIES AND PROVISION FOR LONG SERVICE PAYMENTS *(Continued)*

(c) Provision for long service payments *(Continued)*

Amounts recognised in the consolidated income statement are as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Current service cost	**192**	108
Interest cost	**180**	177
Total, included in employee benefit expense *(Note 33)*	**372**	285

Of the total charge, approximately HK$232,000 (2007: HK$178,000) and HK$140,000 (2007: HK$107,000) have been included in cost of sales and administrative expenses, respectively.

The principal actuarial assumptions used are as follows:

	2008	2007
Discount rate	**2.5% p.a.**	4.25% p.a.
Expected rate of future salary increases	**3.5% p.a.**	3.5% p.a.

The actuarial loss recognised in the consolidated statement of recognised income and expense was HK$1,828,000 (2007: HK$598,000).

The cumulative actuarial gains recognised in the consolidated statement of recognised income and expense was HK$833,000 (2007: HK$2,661,000).

21 DEFERRED INCOME TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Deferred tax assets to be recovered after 12 months	**15,615**	12,647
Deferred tax liabilities to be settled after 12 months	**(64,884)**	(65,121)
	(49,269)	(52,474)

Movements in net deferred tax liabilities are as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Beginning of the year	**52,474**	50,934
Deferred taxation credited to the consolidated income statement *(Note 29)*	**(4,097)**	(1,033)
Deferred taxation (credited)/charged to equity	**(4,365)**	2,573
Exchange differences	**5,257**	–
End of the year	**49,269**	52,474

21 DEFERRED INCOME TAX *(Continued)*

The movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax assets:

	Group							
	Provisions		Tax losses		Others		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of the year	**6,436**	4,256	**6,211**	8,077	**-**	891	**12,647**	13,224
Credited/(charged) to the consolidated income statement	**1,300**	2,180	**1,668**	(1,866)	**-**	(891)	**2,968**	(577)
End of the year	**7,736**	6,436	**7,879**	6,211	**-**	–	**15,615**	12,647

Deferred tax liabilities:

	Group											
	Accelerated tax depreciation		Intangible assets		Fair value gains on investment properties		Actuarial gains of retirement benefit obligation		Others		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of the year	**16,181**	15,156	**38,164**	42,068	**3,338**	2,031	**7,002**	4,467	**436**	436	**65,121**	64,158
Charged/(credited) to the consolidated income statement	**849**	1,025	**(5,198)**	(3,904)	**3,220**	1,269	**-**	–	**-**	–	**(1,129)**	(1,610)
Charged/(credited) to equity	**-**	–	**-**	–	**-**	38	**(4,365)**	2,535	**-**	–	**(4,365)**	2,573
Exchange differences	**-**	–	**5,257**	–	**-**	–	**-**	–	**-**	–	**5,257**	–
End of the year	**17,030**	16,181	**38,223**	38,164	**6,558**	3,338	**2,637**	7,002	**436**	436	**64,884**	65,121

Deferred income tax assets are recognised for tax losses carrying forwards to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31st March, 2008, the Group has unrecognised tax losses of approximately HK$104,337,000 (2007: HK$84,058,000). Tax losses amounting to approximately HK$98,328,000 (2007: HK$79,396,000) will be expired up to year 2028, while the remaining balance can be carried forward indefinitely.

22 TRADE PAYABLES

The aging analysis of trade payables is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**105,634**	83,489
31 – 60 days	**1,594**	4,441
61 – 90 days	**70**	1,810
Over 90 days	**5,468**	5,001
	112,766	94,741

The carrying amounts of trade payables are denominated in the following currencies:

	Group	
	2008	2007
	HK$'000	*HK$'000*
HK dollar	**66,946**	69,406
RMB	**27,922**	16,274
US dollar	**9,871**	4,426
Canadian dollar	**8,027**	4,635
	112,766	94,741

The carrying amounts of trade payables approximate their fair values due to their short term maturities.

23 SHARE CAPITAL

	Group and Company			
	2008		2007	
	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 year	**1,000,000**	**100,000**	1,000,000	100,000
Issued and fully paid:				
Beginning of the year	**545,934**	**54,593**	540,810	54,081
Shares issued under share option scheme *(Note 35)*	**6,642**	**664**	5,124	512
End of the year	**552,576**	**55,257**	545,934	54,593

24 RESERVES

(a) The Group

	Share premium	Capital redemption reserve	Exchange translation reserve	Capital reserve	Investment reserve	Share-based compensation reserve	Contributed surplus	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*
At 1st April, 2007	79,243	152,034	8,195	21,079	(1,467)	9,547	85,197	180	1,587,866	1,941,874
Proceeds from shares issued	29,777	–	–	–	–	–	–	–	–	29,777
Changes in fair value for available-for-sale financial assets	–	–	–	–	143,414	–	–	–	–	143,414
Actuarial losses of retirement benefit obligation	–	–	–	–	–	–	–	–	(24,942)	(24,942)
Deferred income tax effect on actuarial losses of retirement benefit obligation	–	–	–	–	–	–	–	–	4,365	4,365
Employee share option scheme – value of employee services	–	–	–	–	–	20,035	–	–	–	20,035
Release of share-based compensation reserve to share premium upon exercise of share options	5,113	–	–	–	–	(5,113)	–	–	–	–
Exchange differences arising on consolidation	–	–	42,853	–	–	–	–	–	–	42,853
Profit attributable to equity holders of the Company	–	–	–	–	–	–	–	–	420,234	420,234
Dividends	–	–	–	–	–	–	–	–	(247,865)	(247,865)
At 31st March, 2008	**114,133**	**152,034**	**51,048**	**21,079**	**141,947**	**24,469**	**85,197**	**180**	**1,739,658**	**2,329,745**

24 RESERVES *(Continued)*

(a) The Group *(Continued)*

	Share premium HK$'000	Capital redemption reserve HK$'000	Exchange translation reserve HK$'000	Capital reserve HK$'000	Investment reserve HK$'000	Share-based compensation reserve HK$'000	Contributed surplus HK$'000	Revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st April, 2006	57,505	152,034	2,432	21,079	(8,875)	3,449	85,197	–	1,516,491	1,829,312
Proceeds from shares issued	20,321	–	–	–	–	–	–	–	–	20,321
Changes in fair value for available-for-sale financial assets	–	–	–	–	7,408	–	–	–	–	7,408
Actuarial gains of retirement benefit obligation	–	–	–	–	–	–	–	–	14,488	14,488
Deferred income tax effect on actuarial gains of retirement benefit obligation	–	–	–	–	–	–	–	–	(2,535)	(2,535)
Employee share option scheme – value of employee services	–	–	–	–	–	7,515	–	–	–	7,515
Release of share-based compensation reserve to share premium upon exercise of share options	1,417	–	–	–	–	(1,417)	–	–	–	–
Exchange differences arising on consolidation	–	–	5,763	–	–	–	–	–	–	5,763
Changes in fair value for transfer of leasehold land and land use rights to investment properties, net of tax	–	–	–	–	–	–	–	180	–	180
Profit attributable to equity holders of the Company	–	–	–	–	–	–	–	–	370,067	370,067
Dividends	–	–	–	–	–	–	–	–	(310,645)	(310,645)
At 31st March, 2007	79,243	152,034	8,195	21,079	(1,467)	9,547	85,197	180	1,587,866	1,941,874

24 RESERVES *(Continued)*

(b) The Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Share-based compensation reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st April, 2007	79,243	152,034	9,547	94,467	330,972	666,263
Proceeds from shares issued	29,777	–	–	–	–	29,777
Employee share option scheme – value of employee services	–	–	20,035	–	–	20,035
Release of share-based compensation reserve to share premium upon exercise of share options	5,113	–	(5,113)	–	–	–
Profit attributable to equity holders of the Company	–	–	–	–	269,090	269,090
Dividends	–	–	–	–	(247,865)	(247,865)
At 31st March, 2008	**114,133**	**152,034**	**24,469**	**94,467**	**352,197**	**737,300**
At 1st April, 2006	57,505	152,034	3,449	94,467	341,616	649,071
Proceeds from shares issued	20,321	–	–	–	–	20,321
Employee share option scheme – value of employee services	–	–	7,515	–	–	7,515
Release of share-based compensation reserve to share premium upon exercise of share options	1,417	–	(1,417)	–	–	–
Profit attributable to equity holders of the Company	–	–	–	–	300,001	300,001
Dividends	–	–	–	–	(310,645)	(310,645)
At 31st March, 2007	79,243	152,034	9,547	94,467	330,972	666,263

Under the Companies Act of Bermuda, contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

25 REVENUE

	2008 *HK$'000*	2007 *HK$'000*
Sales of food and beverages	**4,168,547**	3,774,598
Rental income	**36,123**	30,729
Royalty income	**45,580**	43,081
Management and service fee income	**4,608**	3,459
Franchise income	**4,024**	3,745
Sundry income	**31,149**	29,539
	4,290,031	3,885,151

26 OTHER GAINS, NET

	2008 *HK$'000*	2007 *HK$'000*
Fair value (losses)/gains on financial assets at fair value through profit or loss	**(2,121)**	1,990
Gain on disposal of financial assets at fair value through profit or loss	**631**	1,145
Fair value gains on investment properties	**18,400**	7,250
	16,910	10,385

27 EXPENSES BY NATURE

Expenses included in cost of sales and administrative expenses are analysed as follows:

	2008 HK$'000	2007 HK$'000
Cost of raw materials and consumables used	**1,342,008**	1,190,962
Amortisation of leasehold land and land use rights	**7,278**	6,704
Amortisation of intangible assets	**11,513**	10,359
Depreciation of property, plant and equipment	**152,675**	152,618
Net loss on disposal of property, plant and equipment and leasehold land	**9,198**	7,764
Provision for impairment of property, plant and equipment	**1,267**	7,790
Operating lease rentals in respect of rented premises (including contingent rentals of HK$35,623,000 (2007: HK$31,315,000))	**479,214**	429,092
Exchange gains, net	**(5,370)**	(7,484)
Employee benefit expense *(Note 33)*	**1,062,532**	974,129
Auditor's remuneration	**3,818**	3,534
Electricity, water and gas	**282,987**	263,235
Advertising and promotion expenses	**62,491**	56,253
Provision for impairment of trade receivables	**3,616**	372
Other expenses	**413,039**	377,897
	3,826,266	3,473,225
Representing:		
Cost of sales	**3,585,428**	3,234,421
Administrative expenses	**240,838**	238,804
	3,826,266	3,473,225

28 FINANCE INCOME AND COSTS

	2008 *HK$'000*	2007 *HK$'000*
Finance income – interest income	**31,278**	34,859
Finance costs – interest expenses on bank loans and overdrafts	**–**	(3,676)
Net finance income	**31,278**	31,183

29 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 17.5% (2007: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	2008 *HK$'000*	2007 *HK$'000*
Current income tax:		
– Hong Kong profits tax	**82,619**	71,961
– Overseas taxation	**11,439**	12,557
Deferred income tax relating to the origination and reversal of temporary differences *(Note 21)*	**(4,097)**	(1,033)
Under/(over)-provision in prior years	**3,409**	(646)
	93,370	82,839

29 INCOME TAX EXPENSE *(Continued)*

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2008 HK$'000	2007 HK$'000
Profit before income tax	**513,604**	452,906
Calculated at a taxation rate of 17.5% (2007: 17.5%)	**89,880**	79,258
Effect of different taxation rates in other countries	**(208)**	(816)
Income not subject to taxation	**(15,446)**	(10,781)
Expenses not deductible for taxation purposes	**9,652**	8,447
Utilisation of previously unrecognised tax losses	**(4)**	(11)
Tax effect of share of results of associates and jointly controlled entities	**518**	314
Tax losses not recognised	**7,289**	7,074
Under/(over)-provision in prior years	**3,409**	(646)
Others	**(1,720)**	–
Tax charge	**93,370**	82,839

30 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$269,090,000 (2007: HK$300,001,000).

31 DIVIDENDS

	2008 HK$'000	2007 HK$'000
Interim, paid, of HK15 cents (2007: HK12 cents) per ordinary share	**82,622**	65,390
Final, proposed, HK35 cents (2007: HK30 cents) per ordinary share	**193,643**	164,791
	276,265	230,181

A final dividend of HK35 cents per ordinary share in respect of the year ended 31st March, 2008, amounting to a total final dividend of approximately HK$193,643,000, was proposed. Such final dividend is to be approved by the shareholders at the upcoming annual general meeting. These financial statements do not reflect this dividend payable.

32 EARNINGS PER SHARE

(a) 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 year.

	2008	2007
Profit attributable to equity holders of the Company *(HK$'000)*	**420,234**	370,067
Weighted average number of ordinary shares in issue *('000)*	**550,340**	544,640
Basic earnings per share *(HK cents per share)*	**76.36 HK cents**	67.95 HK cents

(b) Diluted

Diluted earnings 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.

	2008	2007
Profit attributable to equity holders of the Company *(HK$'000)*	**420,234**	370,067
Weighted average number of ordinary shares in issue *('000)*	**550,340**	544,640
Adjustment for share options *('000)*	**5,185**	8,113
	555,525	552,753
Diluted earnings per share *(HK cents per share)*	**75.65 HK cents**	66.95 HK cents

33 EMPLOYEE BENEFIT EXPENSE

(a) Employee benefit expenses during the year are as follows:

	2008 *HK$'000*	2007 *HK$'000*
Wages, salaries and allowances	**978,821**	904,175
Discretionary bonuses	**30,472**	27,392
Pension costs		
– Defined contribution plans	**33,927**	34,717
– Defined benefit plan *(Note 20)*	**(1,095)**	45
– Long service payments *(Note 20)*	**372**	285
Share-based compensation expenses	**20,035**	7,515
	1,062,532	974,129

(b) Directors' emoluments

The remuneration of each Director for the year ended 31st March, 2008 is set out below:

Name of Director	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Employer's contribution to pension scheme *HK$'000*	Share-based compensation expense *HK$'000*	Total *HK$'000*
Executive Directors						
Mr. Chan Yue Kwong, Michael	50	2,771	3,982	220	1,732	8,755
Mr. Lo Hoi Kwong, Sunny	50	1,794	6,260	144	1,732	9,980
Ms. Lo Pik Ling, Anita	50	459	1,089	54	314	1,966
Mr. Lo Tak Shing, Peter	50	603	315	12	140	1,120
Non-executive Directors						
Mr. Lo Tang Seong, Victor	50	–	–	–	–	50
Mr. Lo Hoi Chun	50	–	–	–	–	50
Mr. Hui Tung Wah, Samuel	50	–	–	–	–	50
Independent non-executive Directors						
Mr. Choi Ngai Min, Michael	100	–	–	–	–	100
Mr. Li Kwok Sing, Aubrey	100	–	–	–	–	100
Mr. Kwok Lam Kwong, Larry	100	–	–	–	–	100

33 EMPLOYEE BENEFIT EXPENSE *(Continued)*

(b) Directors' emoluments *(Continued)*

The remuneration of each Director for the year ended 31st March, 2007 is set out below:

Name of Director	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Employer's contribution to pension scheme	Share-based compensation expense	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors						
Mr. Chan Yue Kwong, Michael	50	2,771	3,172	216	1,089	7,298
Mr. Lo Hoi Kwong, Sunny	50	1,756	5,086	141	1,089	8,122
Ms. Lo Pik Ling, Anita	50	446	1,529	52	–	2,077
Mr. Lo Tak Shing, Peter	50	563	63	12	–	688
Non-executive Directors						
Mr. Lo Tang Seong, Victor	50	–	–	–	–	50
Mr. Lo Hoi Chun	50	–	–	–	–	50
Mr. Hui Tung Wah, Samuel	50	–	–	–	–	50
Independent non-executive Directors						
Mr. Choi Ngai Min, Michael	100	–	–	–	–	100
Mr. Li Kwok Sing, Aubrey	100	–	–	–	–	100
Mr. Kwok Lam Kwong, Larry	100	–	–	–	–	100

No director waived any emolument during the year.

33 EMPLOYEE BENEFIT EXPENSE *(Continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2007: three) directors whose emoluments are reflected in the analysis presented in *Note 33(b)*. The emoluments payable to the remaining one (2007: two) individuals during the year are as follows:

	2008 ***HK$'000***	2007 *HK$'000*
Basic salaries, gratuities and other allowances	**445**	702
Discretionary bonuses	**718**	1,014
Contributions to pension schemes	**52**	82
	1,215	1,798

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Nil to HK$1,000,000	**–**	1
HK$1,000,000 to HK$2,000,000	**1**	1

(d) No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director or the five highest paid individuals during the year.

34 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before income tax to net cash generated from operations

	2008 *HK$'000*	2007 *HK$'000*
Profit before income tax	**513,604**	452,906
Adjustments for:		
– Finance costs	**–**	3,676
– Finance income	**(31,278)**	(34,859)
– Depreciation of property, plant and equipment	**152,675**	152,618
– Amortisation of leasehold land and land use rights	**7,278**	6,704
– Amortisation of intangible assets	**11,513**	10,359
– Fair value gains on investment properties	**(18,400)**	(7,250)
– Fair value losses/(gains) on financial assets at fair value through profit or loss	**2,121**	(1,990)
– Gain on disposal of financial assets at fair value through profit or loss	**(631)**	(1,145)
– Net loss on disposal of property, plant and equipment and leasehold land	**9,198**	7,764
– Share-based compensation expenses	**20,035**	7,515
– Provision for impairment of property, plant and equipment	**1,267**	7,790
– Share of profit of associates	**(2,442)**	(2,269)
– Share of loss of jointly controlled entities	**791**	2,857
Operating profit before working capital changes	**665,731**	604,676
Changes in working capital:		
– Inventories	**(20,468)**	(5,405)
– Prepayments, deposits and other current assets	**805**	(35,598)
– Trade and other receivables	**(2,823)**	3,965
– Financial assets at fair value through profit or loss	**(36,912)**	(2,574)
– Trade payables	**18,025**	15,764
– Other creditors and accrued liabilities	**28,345**	42,427
– Non-current deposits	**(15,955)**	(7,356)
– Retirement benefit assets	**(5,482)**	(4,407)
– Provision for long service payments	**106**	(323)
Net cash generated from operations	**631,372**	611,169

34 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(Continued)

(b) In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment and leasehold land comprise:

	2008 *HK$'000*	2007 *HK$'000*
Net book amounts *(Notes 6 and 7)*	**42,832**	8,794
Net loss on disposal of property, plant and equipment and leasehold land *(Note 27)*	**(9,198)**	(7,764)
Proceeds from disposal of property, plant and equipment and leasehold land	**33,634**	1,030

35 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 further options could be granted under the Previous Scheme since then. 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.

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.

35 SHARE OPTIONS *(Continued)*

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 The Stock Exchange of Hong Kong Limited (the "Stock Exchange") daily quotations sheet for the five business days immediately preceding the date of offer of the option. 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.

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.

(a) Movements in share options

Grant date	Exercise period	Exercise price	Beginning of the year	Granted *(Note b)*	Exercised	Cancelled	End of the year
		HK$	*'000*	*'000*	*'000*	*'000*	*'000*
4th November, 1999	1st April, 2003 to 31st March, 2013	2.950	5,666	–	(4,740)	(40)	886
1st November, 2005	1st January, 2007 to 31st October, 2015	8.800	4,000	–	(500)	–	3,500
1st November, 2005	1st January, 2007 to 31st October, 2015	8.750	8,814	–	(1,402)	–	7,412
2nd October, 2007	30th March, 2008 to 29th March, 2017	14.268	–	3,450	–	–	3,450
2nd October, 2007	30th March, 2008 to 1st October, 2017	14.748	–	18,480	–	–	18,480
			18,480	21,930	(6,642)	(40)	33,728

Out of the 33,728,000 outstanding options (2007: 18,480,000), 4,539,000 options (2007: 2,070,000) were exercisable. The related weighted average share price at the time of exercise was HK$15.25 (2007: HK$13.39) per share.

35 SHARE OPTIONS *(Continued)*

(b) Fair value of share options granted

The fair values of share options granted on 2nd October, 2007 are determined using the Binomial Option Pricing Model (the "Model"). Key assumptions of the Model are:

	Grant I	Grant II	Grant III
Weighted average fair value of options	HK$3.369	HK$3.292	HK$3.232
Exercise price	HK$14.268	HK$14.748	HK$14.748
Expected dividend yield	5% per annum	5% per annum	5% per annum
Expected volatility of the historical market price of the Company's shares	30% per annum	30% per annum	30% per annum
Employee turnover rate	4% per annum	4% per annum	4% per annum
Risk-free interest rates	4.18% per annum	4.23% per annum	4.23% per annum
Expected life of options	6.5 years	7.5 years	10 years
Share price on the grant date	HK$14.64 per share	HK$14.64 per share	HK$14.64 per share

36 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Operating lease commitments

At 31st March, 2008, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2008 **HK$'000**	2007 *HK$'000*
Land and buildings		
– Not later than one year	**468,229**	444,202
– Later than one year and not later than five years	**769,913**	786,010
– Later than five years	**135,315**	139,895
	1,373,457	1,370,107

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

The Company did not have any operating lease commitment at 31st March, 2008 and 31st March, 2007.

36 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(b) Capital commitments

As at 31st March, 2008, the Group had the following capital commitments:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Acquisition of property, plant and equipment		
Authorised and contracted for	**18,716**	12,858
Authorised but not contracted for	**188,709**	118,942
	207,425	131,800

The Company did not have any capital commitment at 31st March, 2008 and 31st March, 2007.

37 FINANCIAL GUARANTEES

As at 31st March, 2008, the Company has given guarantees totalling approximately HK$636,000,000 (2007: HK$836,000,000) to financial institutions in connection with the banking facilities granted to its subsidiaries.

38 FUTURE OPERATING LEASE ARRANGEMENTS

As at 31st March, 2008, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Not later than one year	**33,667**	31,946
Later than one year and not later than five years	**23,833**	25,294
	57,500	57,240

The Company did not have any future operating lease receipts as at 31st March, 2008 and 31st March, 2007.

39 RELATED PARTY TRANSACTIONS

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

	2008 HK$'000	2007 HK$'000
Operating lease rentals paid to a related party:		
– Tinway Investments Limited *(Note i)*	**2,112**	2,112
Franchise fees paid to a related party:		
– illycaffe SpA *(Note ii)*	**253**	–

(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) illycaffe SpA is an associate of illycaffe 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

	2008 HK$'000	2007 HK$'000
Salaries and allowances	**7,205**	7,172
Directors' fees	**200**	200
Discretionary bonuses	**12,761**	10,728
Contributions to pension schemes	**615**	607
Share-based compensation expense	**4,853**	2,178
	25,634	20,885

Principal Properties held for Investment Purposes

Description	Lot number	Type	Lease term
Portion A & C of Shop No. N95 on the 1st Floor, Nos. 1-17 Mount Sterling Mall and Nos. 10-16 Lai Wan Road, Mei Foo Sun Chuen, Lai Chi Kok, Kowloon	New Kowloon Inland Lot No. 5086	Shop	Medium-term
Shop F14 on the 1st Floor, Saddle Ridge Garden, No. 6 Kam Ying Road, Ma On Shan, Shatin, New Territories	Sha Tin Town Lot No. 352	Shop	Medium-term
Flat D on the Ground Floor and Flats B, C and D on the Mezzanine Floor, San Loong House, Nos. 25-37 Tung Yan Street and Nos. 55-57 Hip Wo Street, Kwun Tong, Kowloon	Kwun Tong Inland Lot No. 336	Shop	Medium-term
Rear Portion of Shop No. 3 on the Ground Floor, Cheong Yiu Building, Nos. 167, 171 and 173 Castle Peak Road and Nos. 47-51 Shiu Wo Street, Tsuen Wan, New Territories	Tsuen Wan Town Lot No. 223	Shop	Medium-term
Shop C of Portion B on the Basement, Argyle Centre, Phase 1, No. 688 Nathan Road and No. 65 Argyle Street, Mongkok, Kowloon.	Kowloon Inland Lot No. 1262	Shop	Long-term
Shop A on the Ground Floor, Admiralty Centre, No. 18 Harcourt Road, Hong Kong	Inland Lot No. 5423	Shop	Long-term

CONSOLIDATED INCOME STATEMENTS

For the five years ended 31st March, 2008

	2008 HK$'000	2007 HK$'000	2006 HK$'000 (As restated)	2005 HK$'000	2004 HK$'000
Revenue/Turnover	**4,290,031**	3,885,151	3,440,493	3,038,498	2,723,295
Cost of sales	**(3,585,428)**	(3,234,421)	(2,903,642)	(2,568,071)	(2,302,148)
Gross profit	**704,603**	650,730	536,851	470,427	421,147
Other gains/income, net	**16,910**	10,385	14,254	20,699	18,860
Administrative expenses	**(240,838)**	(238,804)	(160,021)	(135,440)	(117,319)
Operating profit	**480,675**	422,311	391,084	355,686	322,688
Finance income	**31,278**	34,859	31,695	19,449	13,075
Finance costs	**–**	(3,676)	(4,695)	(1,061)	(237)
Share of profit of associates	**2,442**	2,269	2,663	2,645	1,471
Share of loss of jointly controlled entities	**(791)**	(2,857)	(27,863)	(25,205)	(23,628)
Profit before income tax	**513,604**	452,906	392,884	351,514	313,369
Income tax expense	**(93,370)**	(82,839)	(73,031)	(65,793)	(55,295)
Profit attributable to equity holders of the Company	**420,234**	370,067	319,853	285,721	258,074
Dividends	**276,265**	230,181	298,926	148,141	199,284
Basic earnings per share	**76.36 HK cents**	67.95 HK cents	59.24 HK cents	53.38 HK cents	48.62 HK cents
Diluted earnings per share	**75.65 HK cents**	66.95 HK cents	58.47 HK cents	52.45 HK cents	47.66 HK cents

CONSOLIDATED BALANCE SHEETS

As at 31st March

	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(As restated)		
ASSETS					
Non-current assets					
Leasehold land and land use rights	**347,960**	308,788	338,976	345,929	–
Property, plant and equipment	**564,488**	491,978	468,396	414,057	769,637
Investment properties	**202,700**	155,200	122,450	110,400	106,700
Intangible assets	**234,912**	213,068	223,427	18,452	21,289
Investments in associates	**7,059**	4,357	4,188	2,205	1,180
Investments in jointly controlled entities	**33,604**	32,195	30,260	65,873	63,597
Available-for-sale financial assets	**293,707**	267,398	173,106	216,183	170,557
Held-to-maturity financial assets	**1,018**	8,837	5,466	–	–
Deferred income tax assets	**15,615**	12,647	13,224	5,580	5,358
Non-current deposits	**123,034**	107,079	99,723	1,178	1,657
Retirement benefit assets	**14,104**	31,736	12,243	–	–
	1,838,201	1,633,283	1,491,459	1,179,857	1,139,975
Current assets					
Inventories	**94,881**	74,413	69,008	64,728	50,994
Trade and other receivables	**46,968**	44,145	48,110	36,116	29,541
Prepayments, deposits and other current assets	**87,006**	87,811	52,213	111,786	113,459
Short-term investments	**–**	–	–	87,488	24,722
Financial assets at fair value through profit or loss	**134,142**	98,720	93,011	–	–
Cash and cash equivalents	**733,298**	546,655	559,506	524,989	473,243
	1,096,295	851,744	821,848	825,107	691,959
Total assets	**2,934,496**	2,485,027	2,313,307	2,004,964	1,831,934

CONSOLIDATED BALANCE SHEETS *(Continued)*

As at 31st March

	2008 HK$'000	2007 HK$'000	2006 HK$'000 (As restated)	2005 HK$'000	2004 HK$'000
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	**64,884**	65,121	64,158	17,153	15,435
Provision for long service payments	**6,311**	4,377	4,102	–	–
	71,195	69,498	68,260	17,153	15,435
Current liabilities					
Short-term borrowings	**–**	–	–	–	10,000
Trade payables	**112,766**	94,741	78,977	73,399	62,087
Other creditors and accrued liabilities	**328,808**	300,463	258,036	215,230	183,953
Current income tax liabilities	**34,339**	23,858	24,641	22,324	12,126
	475,913	419,062	361,654	310,953	268,166
Total liabilities	**547,108**	488,560	429,914	328,106	283,601
EQUITY					
Capital and reserves attributable to the equity holders of the Company					
Share capital	**55,257**	54,593	54,081	53,576	53,119
Other reserves	**590,087**	354,008	312,821	284,749	273,655
Retained earnings	**1,739,658**	1,587,866	1,516,491	1,338,533	1,221,559
	2,385,002	1,996,467	1,883,393	1,676,858	1,548,333
Minority interest	**2,386**	–	–	–	–
Total equity	**2,387,388**	1,996,467	1,883,393	1,676,858	1,548,333
Total equity and liabilities	**2,934,496**	2,485,027	2,313,307	2,004,964	1,831,934

Note: The Group adopted HKAS19 Amendment for the year ended 31st March, 2007. Figures as at and for the year ended 31st March, 2006 have been restated as required. Figures as at and for each of years ended 31st March, 2004 & 2005 have not been adjusted and it is not practicable to restate earlier years for comparison purposes.

Café de Coral 大家樂

大家樂見