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 2010 年報


大家樂
CAFÉ DE CORAL
大家樂集團
四十多年驕人佳績
2010 年全國消費者最喜愛香港名牌金獎「五連冠」
2009 年亞太最佳中小企業
2009 年全國消費者最喜愛香港名牌金獎「四連冠」
2009 年資本傑出企業成就獎
2008 年香港驕傲企業品牌
2008 年香港商業獎之傑出企業獎
2008 年國際榮譽大獎
2008 年十大傑出企業家獎
2007 年中國安永企業家獎
2006 年香港區投資者關係傑出獎
2006 年模範企業金獎
2005 年亞洲最佳表現中小型企業
2004 年開明僱主獎
2004 年香港商業奇才大獎
2004 年資訊科技卓越成就獎
2003 年最佳公司管治
2003 年亞洲區投資者關係傑出大獎
2003 年傑出董事獎
2003 年香港最優秀僱主
2002 年紫荊花杯傑出企業家獎
2002 年企業大獎—傑出業務大獎
2002 年全球最佳表現中小型企業
2001 年香港商業獎之傑出管理獎
2000 年全球最佳表現中小型企業
1999 年良好人事管理獎
1999 年亞洲之星
1999 年全球最佳表現中小型企業
1998 年香港十大最佳管理公司
1998 年全球最佳表現中小型企業
1993 年企業管理大獎
1992 年市場管理大獎

Contents

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 Ming Shing, Ian
Mr. Hui Tung Wah, Samuel
Mr. Choi Ngai Min, Michael*
Mr. Li Kwok Sing, Aubrey*
Mr. Kwok Lam Kwong, Larry*
Mr. Look Guy*

* *Independent Non-executive Directors*

COMPANY SECRETARIES

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

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

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
Credit Agricole Corporate and Investment Bank
China Construction Bank Corporation
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Mizuho Corporate Bank, Ltd.
Standard Chartered Bank (Hong Kong) Ltd.

BERMUDA SHARE REGISTRARS

HSBC Bank Bermuda Limited
(previously known as "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,	**2010** *HK$'000*	2009 *HK$'000*	Change %
Revenue	**4,882,668**	4,673,609	4.5
Profit attributable to equity holders of the Company	**513,232**	441,866	16.2
Total assets	**3,502,401**	2,970,949	17.9
Net assets	**2,855,000**	2,377,193	20.1
Basic earnings per share	**92.16 HK cents**	79.77 HK cents	15.5
Interim and final dividends per share	**62 HK cents**	53 HK cents	17.0
Special dividend per share	**–**	15 HK cents	N/A
Net assets per share	**HK$5.11**	HK$4.28	19.4

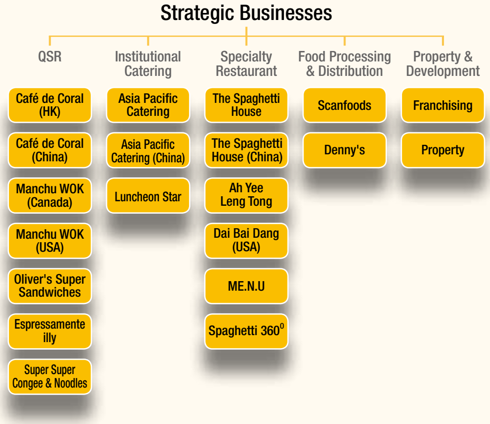
FINANCIAL CALENDAR

Half year results	Announcement on 25th November, 2009
Full year results	Announcement on 29th June, 2010
Annual Report	Despatched to shareholders in late July, 2010
Closure of register of members for the proposed final dividend	16th September, 2010 to 20th September, 2010
Annual General Meeting	20th September, 2010
Dividends	Interim: 17 HK cents per share paid on 29th December, 2009 Final: 45 HK cents per share payable on 29th September, 2010

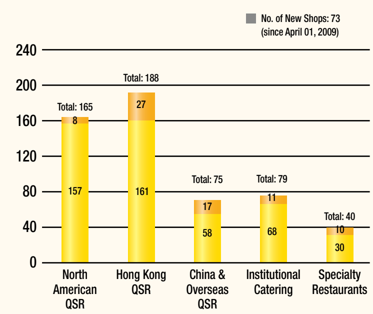
HIGHLIGHTS

- **Group turnover reached historical high at HK$4.88 billion.**
- **Profit increased by 16% exceeding the HK$500 million mark.**
- **Continuous dividend increase for the 12th consecutive years.**
- **Aggressive development pace both in Hong Kong and China with 46 new outlets added during the year.**
- **Sizable platform of 50 units developed in mid-priced western restaurant sector.**
- **Manchu WOK business performance improved substantially after the 3-year consolidation program.**
- **Management succession plan in place to prepare for upcoming 25th Public Listing Anniversary.**

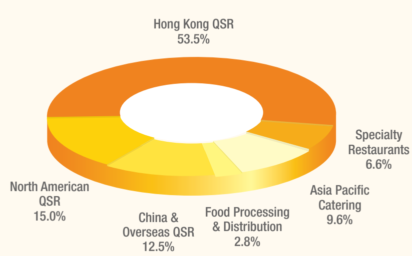
Café de Coral Group
Strategic Businesses



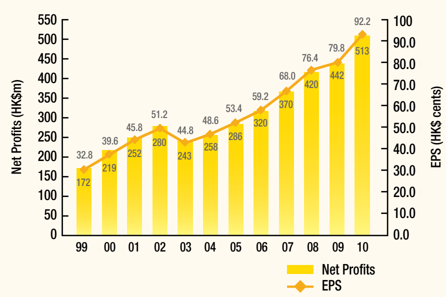
Total No. of Operating Units: 547
(As of June 29, 2010)



Systemwide Sales Distribution



Financial Growth Trends
Group Net Profits & EPS Growth




大家樂

SUSTAINABLE BUSINESS GROWTH

As we witnessed the gradual recovery of the global economy from the financial crisis, I am pleased to present to the Board that the Group has once again been able to deliver another set of rewarding full year results with turnover and profit attributable to shareholders reaching a record high of HK$4.88 billion and HK$513 million respectively.

This encouraging performance was not a stroke of chance but a matter of choice in business strategies. As outlined in my last year report to you, management has effectively pursued the "F.A.C.T.S." strategies at times of uncertainty by first Focusing on executing the "Five-Year Corporate Plan" with good progress during the year. In Anticipating the worst, we have taken business consolidation measures for our Eastern China and North America operations. We also managed to Turn crisis into opportunities with promising results by creating new restaurant brands to cope with the trading down dining behavior at times of the economic downturn. Although we made little progress in Changing the mindset of our landlords for rental reduction, we were able to enhance our own operational efficiencies in terms of staff productivity. At the same time, we also Shape up our businesses infrastructure by constructing the two additional new central food processing plants according to plan.

To enhance the return to our shareholders, I would recommend to the Board to propose a final dividend of 45 HK cents per share. Together with the interim dividend paid earlier, a total dividend of 62 HK cents per share would be repatriated to our shareholders for the whole year, once again lifting the payout ratio to 68% and representing 24 consecutive years of uninterrupted dividend payment since public listing.

HONG KONG BUSINESS PLATFORM

For the year under review, our Hong Kong Chinese fast food business under the brands of "**Café de Coral**" and "**Super Super Congee & Noodles**" have both adopted an aggressive branch development strategy for expanding their market share. A total of 16 new outlets have been added to this store portfolio. With our strong branding power, as evidenced by our Gold Award as "PRC Consumer's Most Favourable Hong Kong Brand" for the 5th consecutive years, these new outlets have all delivered immediate and promising results.

In addition to our fast food business, our institutional catering business was another area of substantial improvements in business performance during the year. With dedicated effort in securing new contracts and renewal of major catering contracts both in the hospital and educational sectors, our **Asia Pacific Catering** has returned to a satisfactory performance level with a meaningful profit contribution to the Group.

Taking into consideration of the consumer trading-down behaviour under the economic setback during the year, we have developed newer brands of lower pricing points in the specialty restaurant sector. For that matter, we have stepped up our development initiative in the branch opening of **Oliver's Super Sandwiches**, **Spaghetti 360°** and

ME.N.U in order to tap on this business potential, together with **The Spaghetti House**, our western restaurant has proudly reached a scalable platform of a total of 50 units as of today.

PRC BUSINESS PLATFORM

In Southern China, our **Café de Coral** continued with its aggressive branch development program in order to take advantage of the industry consolidation in the region to reinforce our leadership position in the market. Since April, 2009, we have added 16 new outlets to our portfolio, successfully building up a sizable business platform of 68 units for this solidly established brand.

On the other front, our food processing and distribution business in China also recorded a substantial enhancement in profit contribution to the Group. Given the correction in meat price from its record high, **Scanfoods** has been able to enjoy substantial margin improvement during the year, sustaining a solid foundation for its continuous business success.

Exploring the institutional catering market in the PRC is another priority on our corporate agenda. Other than the traditional clients from manufacturing base, our **Asia Pacific Catering** in China also actively pursued other non-traditional business opportunities. Our recent tender to operate a staff and student canteen at United International College in Zhuhai, PRC exemplified our commitment to widen our business horizon in this market of great potential.

In Eastern China, after disposing the 25% interests in the restaurant chain of **New Asia Dabao**, our management can now concentrate on their efforts to build up the "**Café de Coral**" brand in the Yangtze River Delta Region. We remain committed to unlock the fullest business potential of **Café de Coral** in this strategically important region. Having said that, however, we are still in the process of fine-tuning our business model in search of a sustainable and scalable growth platform.

NORTH AMERICA BUSINESS PLATFORM

Across the Ocean, I am pleased to report that the business performance of our **Manchu WOK** has substantially improved in the year after our 3-year consolidation program. The critical turning point of this year's result was mainly due to the timely disposal of our stores in California before the global financial slump in 2008, with which **Manchu WOK** were finally able to deal with the loss-making stores in one stroke. We believe the performance is sustainable given the encouraging performance of our new shop design prototype and the continual contribution from our rationalised store portfolio both within the commercial and the institutional venues.

Going forward, our management team at **Manchu WOK** would shift gear from one of consolidation to one of growth. We would be committing more resources to develop our shop portfolio at non-traditional locations such as airports, campuses and military bases, where we have already established a ready presence. We would also leverage on our new shop design to improve on our franchisee business and its associated royalty income. To further enhance our presence in this potential market, we would also step up our initiative to launch our other eatery concept as an additional tool to grow organically.

LOOKING AHEAD

The year 2011 will mark the Group's 25th Public Listing Anniversary. We are now undergoing a management restructuring to better equip ourselves with the management resources to support the growth initiatives in the next five years. We believe a sound management succession planning is critical for us to well prepare for the challenges and opportunities ahead, particularly in our growth platform of Southern China where we anticipate of no less than 200 operating units by 2014.

Year 2011 is also the year where the Group's capital expenditure is expected to be substantially higher as a result of the construction of the two new food processing plants in Guangzhou, PRC and Tai Po Industrial Estate, Hong Kong. These expenditures should enhance our business efficiency and productivity enhancements, particularly in view of the likely introduction of the minimum wage legislation in Hong Kong.

All of the above would be major challenges to face in the years to come. Nonetheless, I remain confident that, with the commitment and dedication of our 15,000 staff force, the Group is well prepared to embrace the challenge undaunted in order to deliver another year of sustainable growth to go hand in hand with the celebration of our upcoming 25th Public Listing Anniversary.

Chan Yue Kwong, Michael
Chairman
Hong Kong, 29th June, 2010


OLIVER'S SUPER
SANDWICHES

OLIVER'S SUPER
SANDWICHES
SUPER
SANDWICHES


INTRODUCTION

That there was a decline in worldwide economic activities last year was perhaps inevitable given the 2008 global financial crisis. With swift responses taken by major developed countries to implement a series of financial stimulus policies, we witnessed a steady return of consumer confidence and improved spending sentiment during the year.

Against this backdrop, our Group once again delivered promising results for the year with a total turnover and profit to shareholders reaching new heights of HK$4.88 billion and HK$513 million, respectively. This remarkable performance speaks to this management team's ability to rise over challenges and is testimonial to its business acumen in recognizing opportunities under varying economic conditions.

HONG KONG OPERATIONS

While local operating environment remained highly competitive, we continued our development pace by implementing a multi-branding strategy to penetrate the market, particularly in the Quick Service Restaurant sector which was more resilient to an economic down-turn.

Quick Service Restaurant

Café de Coral

During the year, **Café de Coral** opened nine new stores, bringing its portfolio count to 147 as of 31st March, 2010. Among these new stores, four of them were located in private residential developments, with the rest situated in public housing estates and shopping arcades. All these outlets contributed positively to the Group's bottom line.

Projecting a fresh store image to our customers continued to be our key focus. During the year, we invested over HK$ 30 million to renovate 13 **Café de Coral** outlets, and ensured that our customers continue to have memorable dining experience.

While our emphasis remained one of offering quality products to our customers at affordable prices, we were innovative in our introduction of new products such as Chicken with Wonton in Pot, South Coast Golden Abalone Dinner Set and Baked Norwegian Salmon Rice, all intended to enhance our customers' dining pleasure during the year.

To increase customer awareness and pique their interest to taste these new products, various marketing and promotional initiatives, including TV commercials emphasizing the uniqueness and freshness of the products, and special discounts to targeted customers, were introduced. These initiatives, coupled with our strong branding power, contributed to the overwhelming success of the new products.

Back in December 2005, we launched our "Club 100" VIP Loyalty Program to provide a platform for close linkage to our customers. To further encourage repeat patronage, we introduced more exciting gifts to the Program for members' redemption. The most recent program launched to attract more customers to our "Club 100" was a Lucky Draw Campaign that offered fabulous gifts to the winners.

Super Super Congee & Noodles

Super Super Congee & Noodles, our brand in specialized Chinese Cuisine, had acquired a loyal customer base since first opening its doors in 1999. During the year, **Super Super Congee & Noodles** launched an aggressive development program and opened seven new outlets - a record breaking number achieved in a single fiscal year for this brand. Subsequent to the year end, we added two more stores at Lok Fu Plaza and Harbour Centre, respectively, bringing the total number of stores to 18 to date. This development pace clearly reflects our confidence in this brand, and our intention to commit more resources to building and obtaining a greater market share in this promising business segment.

Oliver's Super Sandwiches

Oliver's Super Sandwiches, our well-known brand in the sandwich market, delivered an encouraging performance for the year. Four new stores were added to the shop portfolio, taking the total number of outlets to 18 as of 31st March, 2010.

Since acquiring the Brand in 2003, a "leisure" interior design concept was applied to the stores to recreate the environment of this quick service sandwich chain, turning it into a place to enjoy fresh food and a relaxed atmosphere. Our success in combining the two attributes earned us the praise of our customers. Today, **Oliver's Super Sandwiches** has become one of the preferred places for smart casual gatherings and has great potential for further growth in the local market.

Spaghetti 360º & ME.N.U

Spaghetti 360º and **ME.N.U** are our two home-grown brands recently created to fill the market niche in the mid-priced western restaurant sector. With different themed products and restaurant images, they have been able to establish their presence, and have been well received by the market. The management team expects that with the launch of these two brands, the Group's market share, as well as its customer base, will further expand. As of 31st March, 2010, the number of outlets for **Spaghetti 360º** and **ME.N.U** were three and two, respectively.

Espressamente illy

To penetrate the high-end coffee market in Hong Kong, a joint venture was established in November 2007 to operate an exclusive franchise under the brand of "**Espressamente illy**".

On 31st March, 2010, we had three operating units under this famous European coffee brand in Hong Kong. In view of the steady growth for this quality coffee brand, we are now in discussion with the franchisor to accelerate its pace of expansion.

Institutional Catering

Asia Pacific Catering

Our institutional catering business produced encouraging business results for the year. With our continuous effort, all major catering contracts were successfully renewed at favourable terms. With years of experience in on-site catering management, we actively explored other business opportunities to enlarge our revenue base. In this regard, we successfully secured three additional catering contracts in the year, providing off-site food preparation and delivery service to our clients who lacked on-site cooking facilities.

Luncheon Star

Over the course of the year, **Luncheon Star** performed to our management team's expectations. Despite the outbreak of human swine flu in May 2009 which resulted in school suspension, we continued to pursue our development plan of production capacity expansion and new technology development to meet the increased demand for on-site school catering.

With international accreditations in the areas of food safety, nutrition and environmental protection, we plan to further upgrade the central kitchen's infrastructure, and the reheating centers for **Luncheon Star**, thereby ensuring the consistency of the high quality food that is served to students.

Specialty Restaurant

The Spaghetti House

The heavily saturated mid-priced restaurant market had remained static in the year; despite that, **The Spaghetti House** delivered a satisfactory performance. As of 31st March, 2010, the total number of restaurants reached 24 units in Hong Kong.

During the year, various promotion and marketing initiatives, paired with special features designed to celebrate **The Spaghetti House**'s 30th Anniversary, were put in place to rekindle brand awareness and to promote the launch of new products. These initiatives successfully projected a high-value perception of our new range of products and enticed our customers into trying them out.

PRC OPERATIONS

During the year, we were confronted with a challenging market environment. Economic activities in the region declined in the aftermath of global financial crisis. At the same time, we witnessed a more cautious spending sentiment after the implementation of austerity measures by local governments seeking to combat increasing inflationary pressure.

That said, we remain confident in the long-term prosperity of the PRC market. The food and beverage industry in particular has become one of the fastest growing sectors due to local government's shift from an export-focused economic model to a domestic consumption-oriented one. To take advantage of this shift in economic focus, we intend to apply more resources into this high potential market, capture all expansion opportunities presented to us, and turn this sector into another growth engine for the Group.

Quick Service Restaurant

In Southern China, **Café de Coral** continued its proactive branch development program. 12 new stores were added to our portfolio in the year, bringing the total number of restaurants to 64 as of 31st March, 2010, including two in Macau.

After years of development, we are proud to report that our presence has already covered the major delta cities, in particular Shenzhen and Guangzhou. With a total of 33 stores in these top-tier cities, we plan to accelerate the store opening process in order to blanket this growing, affluent market.

Further expanding our foothold in the PRC, we have implemented a series of growth strategies. First, a central food processing plant, currently under construction in Guangzhou, will have the production capacity to support the demand of over 200 stores in the region. Secondly, multi-purpose training facilities adjoining the plant will be established in order to provide all-round training to our front-end staff. In addition, more stringent standards and practices will be implemented in the site-selection process in order to improve the success rate for new stores.

In Eastern China, our management team concentrated their efforts on building up the **Café de Coral** brand after disposing of our 25% interests in the **New Asia Dabao** restaurant chain in February 2009. One new **Café de Coral** store was opened this year, making the total number of **Café de Coral** units in Eastern China seven as of 31st March, 2010.

In support of our expansion strategy, we continued to refine our endeavors in the quick service industry by developing business models for individual local markets. With experience and management expertise accumulated over the years, we remain optimistic in our business outlook in Eastern China.

As of 31st March, 2010, the Group held a 25% interest in **New Asia Dabao**, which had a total of 56 outlets in Eastern China.

Institutional Catering

Asia Pacific Catering

Apart from its operation in Hong Kong, this catering unit also actively explored business opportunities in the PRC.

For the year under review, we retained all major contracts with our clients in the traditional manufacturing sector, where we witnessed a steady improvement in business climate after the financial crisis. While continuing to explore new possibilities with potential clients in this sector, we also strengthened our efforts to pursue business opportunities with institutional clients in science parks, modern office complexes, and in the education sector.

We recently reached a management agreement with United International College ("UIC") in Zhuhai to manage and operate a student and staff canteen with a total floor area of 2,740 square meters. A renowned university of international standards, UIC was established jointly by Hong Kong Baptist University and Beijing Normal University in 2005.

Given the increasing demand for quality catering services in China, a special task force assembled early in the year will continue to search for expansion opportunities and a greater market share in this promising business sector. As of today, we have a total of 13 operating units in the PRC.

Specialty Restaurant

The Spaghetti House

The Specialty Restaurant sector is another important market in the PRC. Recognizing the general trend of an ever-growing middle class, we introduced "**The Spaghetti House**" in Southern China several years ago. Since the opening of its first store at "Mix City" in Shenzhen in December 2004, we witnessed an encouraging response to this concept.

Since then, we accelerated our development of **The Spaghetti House** in the top-tier cities in the Pearl River Delta Region. To date, with a total of seven outlets across Shenzhen, Guangzhou, Foshan and Zhuhai, we are confident that this concept is well rooted for further expansion.

Food processing and distribution

Scanfoods

Our flagship operating unit in the food processing and distribution business, **Scanfoods** delivered a remarkable performance for the year. Taking advantage of the correction in meat prices and our accurate forecast of its price trend, **Scanfoods** was able to build up a low cost inventory, thereby outrivaling its competitors in the market.

However, the business of **Scanfoods** is not without challenges. The general shortage and therefore increased cost of labour in the Pearl River Delta Region, coupled with rising raw material costs, posed potential threats to the business. To maintain our competitive edge, plans are underway to upgrade the production and distribution facilities, and streamline transportation logistics. Together with our efforts to explore new distribution platforms, these modifications are expected to improve overall operational efficiencies and profitability.

NORTH AMERICAN OPERATIONS

Manchu WOK

Our **Manchu WOK** concept ended a difficult year with further improved performance over last year.

Notwithstanding the financial crisis which took its toll on global economy in 2008, we witnessed some recovery of market conditions in the year. Having timely disposed of some major under-performing stores in August 2008, our management team focused their efforts to revitalize the **Manchu WOK** brand. In particular, we introduced innovative store design and combined it with improved operational protocol to refresh and revitalize our Brand image. They were well received by the market. During the year, a total of 15 outlets were benefactors of such efforts, bringing the total number of rejuvenated stores in the system to 30. We also continued to pursue our development initiatives in the non-traditional sector with five new units, operated by The Army & Air Force Exchange Service of the United States, added to the portfolio.

We understand that **Manchu WOK**'s performance this past year only represents an initial success for the business. As we celebrate their 30th Anniversary in 2010, there is still a great deal for us to do, including introducing newer concepts to further tap into the lucrative Asian Cuisine market in North America, which we believe could be another growth platform for the Group.

On 31st March, 2010, **Manchu WOK** had a total of 168 restaurants operating primarily in North America.

LOGISTIC SUPPORT

Central Food Processing Plants

As reported earlier, the Group has been actively pursuing the construction of two new central food processing plants located in the Guangzhou Development District, China, and Tai Po Industrial Estate, Hong Kong, respectively.

Completion of the Guangzhou food processing plant is expected to be in the latter half of 2010. The construction of our new central food processing plant in Hong Kong is progressing well and is expected to commence production towards the end of 2011.

Once in full operation, the two new food processing plants will notably improve our competitive edge in terms of food quality, food safety, consistency, as well as production cost. Our production capacity will be greatly increased to support the growth strategy as formulated in our 2009-2014 "Five-Year Corporate Plan".

Information Technology

Information Technology is an indispensable element in the success of our business. We constantly applied various IT solutions in different business units to streamline workflow to an optimal level. During the year, system enhancements were made to our Branch Management System ("BMS"), which was established to increase operational efficiency some years ago. Processes to replicate the BMS application had been made into the systems of our business in the PRC.

In addition, by utilizing today's improved technology in automated food ordering systems, we introduced ATMs to a selected number of our **Café de Coral** outlets in Hong Kong, allowing customers to order their food with a few simple, automated steps. All of the above demonstrates that information technology plays a critical part in enhancing the operation efficiencies of our business. Our Group will ensure that sufficient resources are devoted to support information technology's on-going application.

Human Resources & Training

As of 31st March, 2010, the Group (other than associated companies and jointly-controlled entities) employed approximately 15,000 employees. Remuneration packages are generally structured by reference to market terms as well as individual qualifications and experience. Employees are entitled to participate in the growth of the Group through a unique Share Option Scheme, a profit sharing bonus, and a performance incentive system.

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

In addition, we reviewed our management structure in contemplation of selecting and deploying suitable talents to support our rapid business growth in the future, in particular our PRC business platform. This exercise was an integral part of our management succession plan to ensure sustainable growth of our business.

FINANCIAL REVIEW

The Group's financial position, as at 31st March, 2010, continues to be very strong, with a net cash of close to about HK$969 million and available banking facilities of HK$660 million.

As at 31st March, 2010, the Group did not have any external borrowing (31st March, 2009: Nil) and maintained a healthy gearing (being total borrowings over shareholders' funds) of Nil (31st March, 2009: Nil). There has been no material change in contingent liabilities or charges on assets since 31st March, 2010.

As at 31st March, 2010, the Company has given guarantees approximately HK$660,192,000 (31st March, 2009: HK$662,000,000) 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 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.

CONCLUSION

The new financial year of 2010/2011 is expected to come with another wave of challenges to the Group, including: the introduction of minimum wage legislation in Hong Kong; the introduction of more stringent austerity measures intended to cool down the PRC property market; the unwinding of the quantitative easing policies by most of the developed countries; and the increasing inflationary pressures on raw materials and labour costs. Our management team will have to be mindful of, and if necessary, confront these issues given their potential impact on our business.

To continuously grow our business is of top priority in terms of our corporate commitment. With the experience and execution capabilities accumulated over the past 40 years by our management, we are optimistic that we will overcome these challenges as they surface, and will out-perform our competitors, new or existing, in the market.

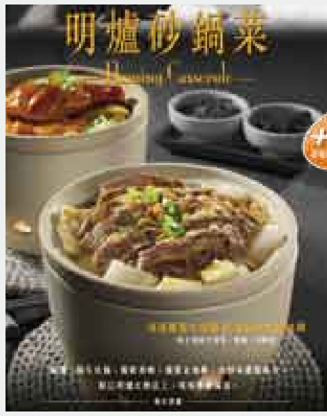
To celebrate our 25th Anniversary as a Publicly Listed Company in 2011, we remain confident to deliver another year of growth. Moving forward, we are well prepared to invest in and challenge the limits of the food service sector in order to uncover the immense opportunities that lay ahead, and to continue the Group's leading position in the catering industry.

Lo Hoi Kwong, Sunny
Managing Director

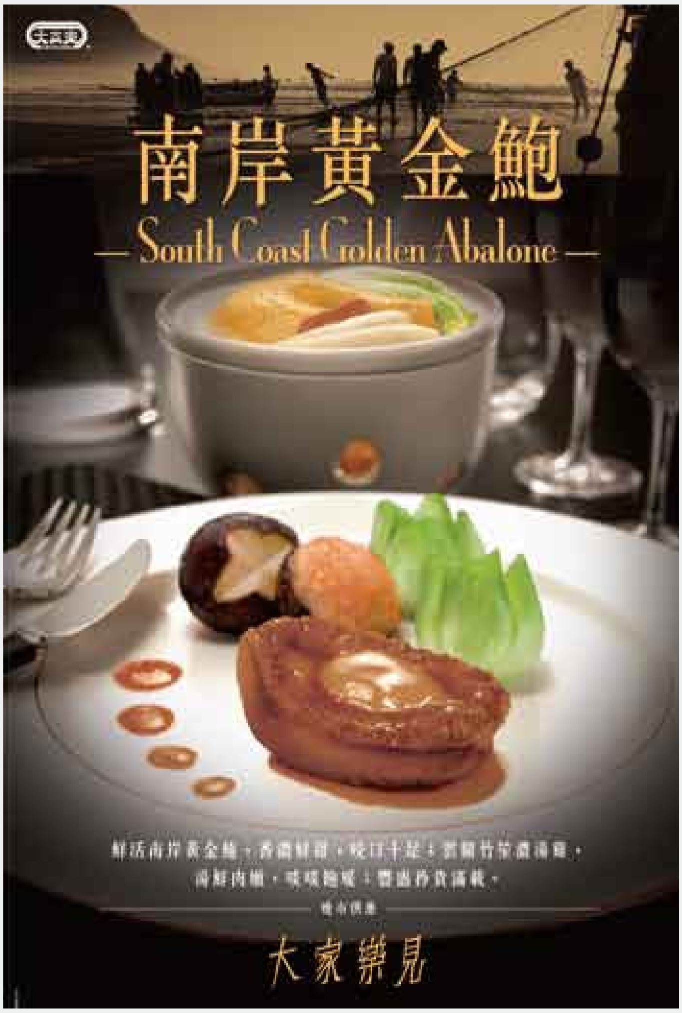
Hong Kong, 29th June, 2010

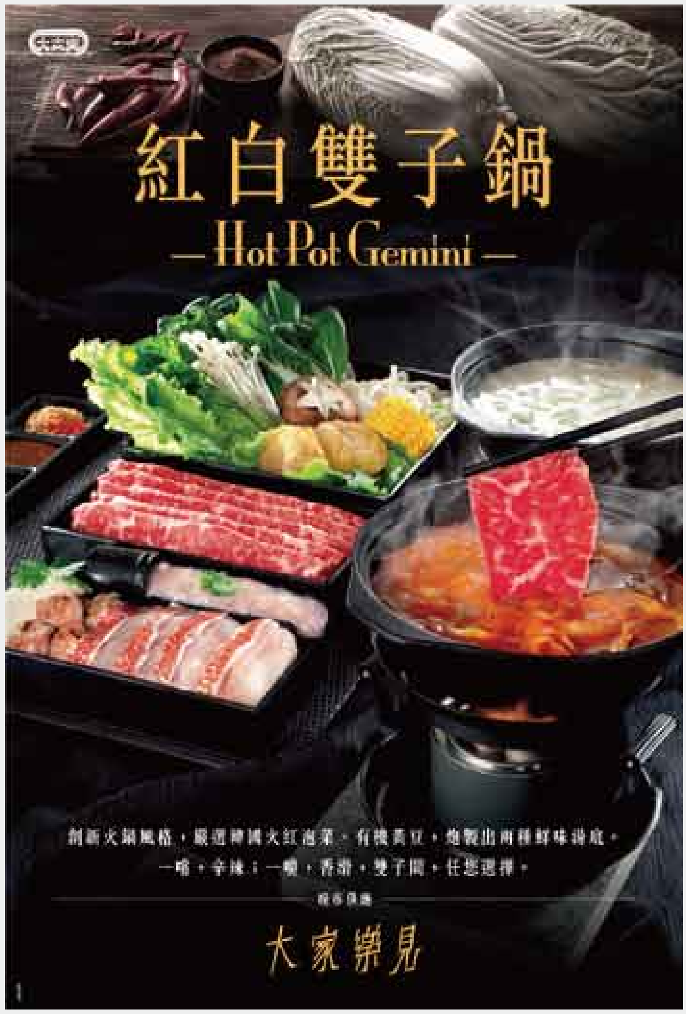

霜花牛板燒飯
Short Ribs Teppanyaki

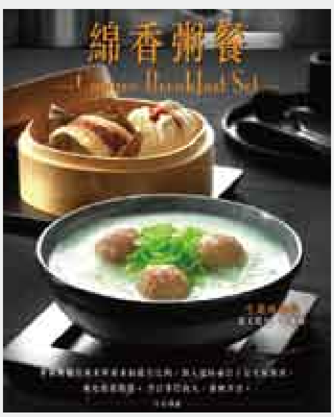

冰活藍貝意粉


明爐砂鍋菜


海南功夫雞


南岸黃金鮑
South Coast Golden Abalone
鮮活南岸黃金鮑，香濃鮮甜，咬口十足；雲腿竹笙濃湯雞，
湯鮮肉嫩，啖啖飽暖；豐盛矜貴滿載。
大家樂見


紅白雙子鍋
Hot Pot Gemini
創新火鍋風格，嚴選韓國大紅泡菜、有機黃豆，炮製出兩種鮮味湯底，
一啖，辛辣；一啖，香滑，雙子鍋，任您選擇。
大家樂見


綿香粥餐


挪威三文海鮮焗飯


醇香酥排菜飯


沙薑走地雞
外賣

CHAIRMAN

Mr. Chan Yue Kwong, Michael, aged 58, 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, an Honorary Doctorate Degree in Business Administration, and an Honorary Fellow from Lingnan University. He is currently an Executive Committee Member of the Hong Kong Retail Management Association, General Committee Member of the Employers' Federation of Hong Kong, Appointed 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 and a Court Member of the Hong Kong University of Science and Technology. Besides, he is also the Honorary President of Hong Kong Foodstuffs Association, the Honorary Chairman of the Hong Kong Institute of Marketing and the Chairman of the Business Enterprise Management Centre of the Hong Kong Management Association as well as being appointed by HKSAR Government as Member of the Hong Kong Tourism Board and a Member of the Provisional Minimum Wage Commission.

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 "Directors of the Year Award", the Honoree, Beta Gamma Sigma of the Hong Kong University of Science and Technology and Ernst & Young Entrepreneur of the Year. 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 Tak Shing, Peter and Mr. Lo Ming Shing, Ian, all of whom are Directors of the Company.

Mr. Chan has a service contract with the Company for a term of two years expiring on 31st March, 2012.

MANAGING DIRECTOR

Mr. Lo Hoi Kwong, Sunny, aged 54, 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 Tak Shing, Peter and Mr. Lo Ming Shing, Ian, all of whom are Directors of the Company.

Mr. Lo has a service contract with the Company for a term of two years expiring on 31st March, 2012.

EXECUTIVE DIRECTOR

Ms. Lo Pik Ling, Anita, aged 57, 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 Tak Shing, Peter and Mr. Lo Ming Shing, Ian, all of whom are Directors of the Company.

Mr. Lo Tak Shing, Peter, aged 48, is the Director of Group Production Logistics. He joined the Company in 1996 and has been an Executive Director of the Company since 1998. He is responsible for the daily management of the food processing centre in Hong Kong and PRC and the purchasing function of the food processing plant in the Southern China. 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. Chan Yue Kwong, Michael, Mr. Lo Hoi Kwong, Sunny, Ms. Lo Pik Ling, Anita and Mr. Lo Ming Shing, Ian, 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 DIRECTOR

Mr. Lo Tang Seong, Victor, aged 95, 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 Tak Shing, Peter and Mr. Lo Ming Shing, Ian, both of whom are Directors of the Company.

Mr. Lo Ming Shing, Ian, aged 36, was appointed as a Non-executive Director of the Company in April, 2010. He is currently a director of Property Exchange Services Limited ("PES"). Prior to joining PES, he served as Advisor (Special Projects) and Manager (Food Manufacturing) of the Group during the period from November, 2003 to June, 2009. Mr. Lo holds a Bachelor's degree of Arts, major in Economics from University of Toronto.

Mr. Lo is the son of Mr. Lo Hoi Chun who is a substantial shareholder of the Company. He is also 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.

NON-EXECUTIVE DIRECTOR

(Continued)

Mr. Hui Tung Wah, Samuel, aged 56, 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 in the United Kingdom.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Choi Ngai Min, Michael, J.P., aged 52, was appointed as an Independent Non-executive Director of the Company in 1994 and is Chairman of Remuneration Committee and a member of Audit and Nomination Committees. He is the chairman of Land Power International Holdings Limited. Mr. Choi has been in the real estate industry for over 29 years with extensive knowledge and experience in the real estate markets in Hong Kong and Mainland China. Currently, he is a member of the Hong Kong Housing Authority, a Vice President of the Hong Kong Association For The Advancement of Real Estate and Construction Technology, Chairman of the Public Relations Committee of the Hong Kong Institute of Real Estate Administrator, a member of the Real Estate and Infrastructure Committee of the Hong Kong General Chamber of Commerce, Chairman of the Incorporated Owners' of Tregunter, a member of the Advisory Board on Business Studies of the Lingnan University and an Advisor of the Business Management Society of Hong Kong Baptist University. 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. Li Kwok Sing, Aubrey, aged 60, was appointed as an Independent Non-executive Director of the Company in 1994 and is Chairman of Nomination Committee and a member of the Audit and Remuneration Committees. He is Chairman of MCL Partners Limited, a Hong Kong-based financial advisory and investment firm, and has extensive experience in the fields of investment banking, merchant banking and capital markets. He is a director of The Bank of East Asia, Limited, China Everbright International Limited, Kunlun Energy Company Limited (formerly "CNPC (Hong Kong) Limited"), Kowloon Development Company Limited, Pokfulam Development Company Limited and AFFIN Bank Berhad. He was the Chairman of Atlantis Asian Recovery Fund Plc. (listed in Ireland), and a director of ABC Communications (Holdings) Limited and Value Partners China Greenchip Fund Limited. Mr. Li has a Master Degree of Business Administration from Columbia University and a Bachelor Degree of Science in Civil Engineering from Brown University.

INDEPENDENT NON-EXECUTIVE DIRECTOR

(Continued)

Mr. Kwok Lam Kwong, Larry, B.B.S., J.P., aged 54, 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 currently the Managing Partner, Mainland China and Hong Kong of Mallesons Stephen Jaques. Mr. Kwok is also qualified to practise as a solicitor in Australia, England and Wales and Singapore. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. He is also a member of The Institute of Chartered Accountants in England and Wales. Mr. Kwok graduated from the University of Sydney, Australia with a Bachelor's degree in economics and laws respectively, and a Master's Degree in laws. He also graduated from the Advanced Management Program of the Harvard Business School. Mr. Kwok is currently Chairman of the Traffic Accident Victims Assistance Advisory Committee, Chairman of the Finance Committee of Kwai Chung Hospital/Princess Margaret Hospital, a member of the Hospital Governing Committee of Kwai Chung Hospital/ Princess Margaret Hospital, a member of the Hong Kong Tourism Board and a member of the Insurance Claims Complaints Panel in Hong Kong. He is also a member of the Political Consultative Committee of Guangxi in the People's Republic of China.

Mr. Look Guy, aged 53, was appointed as an Independent Non-executive Director of the Company in April, 2009 and is Chairman of Audit Committee. Mr. Look has over twenty-eight years of experience in local and overseas financial and general management. He is currently the executive director and chief financial officer of Sa Sa International Holdings Limited. He holds a Bachelor's degree in Commerce from the University of Birmingham, England. He is an associate member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). He is also a member of the Professional Accountants in Business Leadership Panel of HKICPA. Mr. Look acts as the Vice Chairman of the Hong Kong Retail Management Association and is a member of the Departmental Advisory Committee for the Department of Management Sciences of the City University of Hong Kong. Mr. Look is also a member of the Statistics Advisory Board of the Government of the Hong Kong Special Administrative Region.

COMPANY SECRETARY

Dr. Li Oi Chun, Helen, aged 51, joined the Group in 1981. Dr. Li is currently the Group's 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.

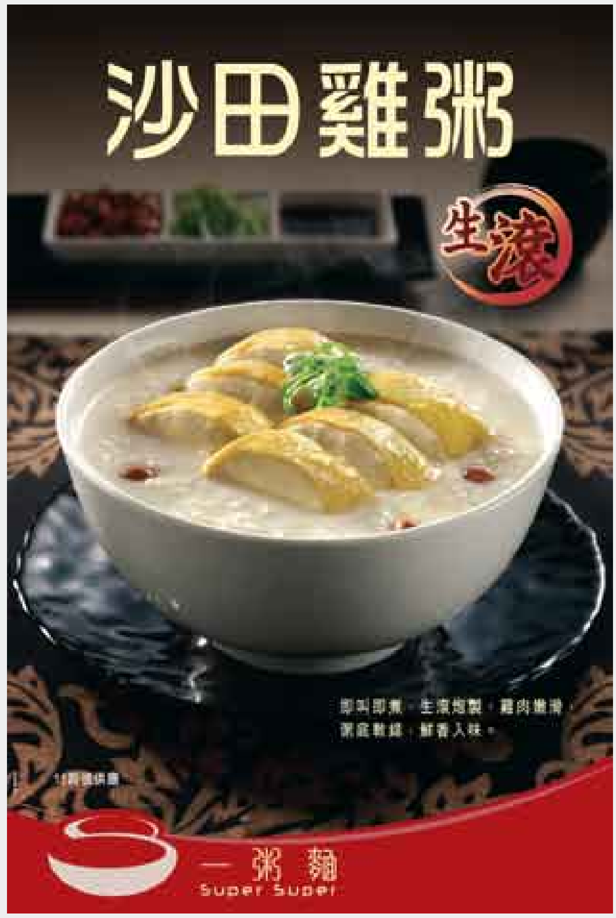
Dr. Li holds a Doctorate Degree in Business Administration from The Hong Kong Polytechnic University, a Master Degree in Business Administration from the University of Surrey in UK and a Master Degree in Marketing Management from the Macquarie University in Australia. Dr. Li also possesses professional 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.

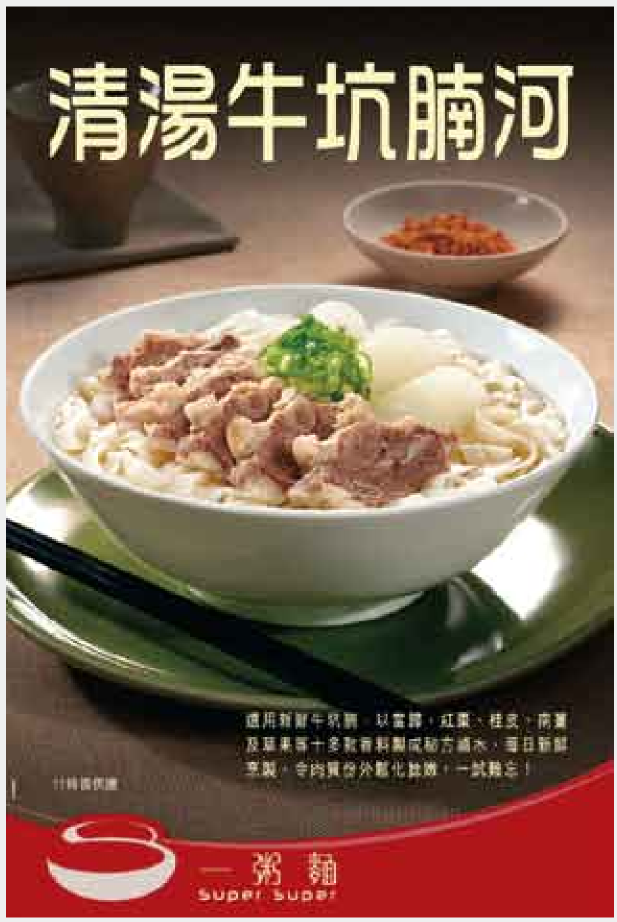
SENIOR MANAGEMENT

Ms. Lau Lee Fong, Rosa, aged 55, 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 54, 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 54, joined the Group in 1983 and is currently the General Manager of Shanghai Arena Catering Management Limited. He is responsible for development and management of 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.


沙田雞粥
生滾
一粥麵
Super Super


清湯牛坑腩河
一粥麵
Super Super

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 creating more value to shareholders. The Board will continuously review and be committed to improving the Group's corporate governance practices and maintaining 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 2010 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 four independent non-executive directors in the Board which constitute a 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. Save and except Mr. Lo Ming Shing, Ian, who was appointed as non-executive director of the Company with effect from 1st April, 2010, the Company, having made specific inquiries with all directors of the Company, has ensured that all directors have confirmed their compliance with the required standard set out in the Model Code during the year ended 31st March 2010.

BOARD OF DIRECTORS

RESPONSIBILITIES OF THE BOARD

The primary responsibilities of the Board are to establish long term strategies and financial policies for the Group and to regularly review the Group's performance. The Board comprises eleven members, including four executive directors, three non-executive directors and four 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 Ming Shing, Ian
Mr. Hui Tung Wah, Samuel

Independent non-executive directors

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

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 four 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 four 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, the independent non-executive directors make various contributions to the effective direction and strategic decision-making of the Group.

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 be fully aware of his responsibilities under the relevant applicable legal and regulatory requirements. The senior management and the Company Secretary will conduct such briefings 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 the obligation to supply the Board and the Board committees with adequate information in a timely manner to enable them 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 inquiries and 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 meetings, reasonable notice will be given.

Directors are given opportunity to include matters in the agenda for regular Board meetings. 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 (other than Mr. Lo Ming Shing, Ian, who is appointed for the term until the forthcoming general meeting of the Company and is eligible for re-election) 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 aspects of its management and administration functions to management, clear directions are given as to the limits of the authority delegated to 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 has established a Nomination Committee. The committee is currently chaired by Mr. Li Kwok Sing, Aubrey with Mr. Chan Yue Kwong, Michael, Mr. Lo Hoi Kwong, Sunny (appointed on 1st April, 2010), Mr. Lo Tak Shing, Peter and Mr. Choi Ngai Min, Michael 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 makes recommendations to the Board regarding any proposed changes.

Proposals for the appointment of a 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 their relevant strategic business areas and whose appointments would result in the constitution of a strong and diverse Board.

Two meetings of the Nomination Committee were held during the financial year ended 31st March, 2010 (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, assess the independence of the independent non-executive directors and make recommendations on the re-election of Mr. Chan Yue Kwong, Michael, Ms. Lo Pik Ling, Anita, Mr. Lo Tak Shing, Peter, Mr. Kwok Lam Kwong, Larry and Mr. Look Guy as Directors of the Company to be proposed for shareholders' approval at the last Annual General Meeting held on 15th September, 2009 as well as make recommendations to the Board to consider the appointment of Mr. Lo Ming Shing, Ian as non-executive director of the Company.

REMUNERATION COMMITTEE

The Company has 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. Choi Ngai Min, Michael, Mr. Li Kwok Sing, Aubrey and Mr. Kwok Lam Kwong, Larry and is chaired by Mr. Choi Ngai Min, Michael.

During the financial year ended 31st March, 2010, one meeting of Remuneration Committee was held to consider 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.

AUDIT COMMITTEE

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

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

During the financial year ended 31st March, 2010, four meetings of Audit Committee were held. The following is a summary of the works performed by the Audit Committee during the year ended 31st March, 2010:-

1. review of the Group's annual and interim results statements and the related result announcement and documents and other matters or issues raised by external auditors;

2. review of the findings from external auditors and internal control consultants;

3. review the independence of the external auditors and engagement of external auditors for annual audit;

4. review the audit plans, internal control plan, the development in accounting standards and its effects on the Group, goodwill assessment, connected transactions, financial reporting matters and risk management;

5. review on the adequacy of resources, qualifications, experience of staff of the Group's accounting and financial reporting function as well as their training programmes and budget;

6. review and approve on the Group's financial investment policy, deposit policy and corporate treasury policy;

7. approve on the current year external audit plan, review and monitor internal control performance as well as the effectiveness of the internal control system; and

8. review on corporate governance compliance.

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 Meeting (NCM) and Annual General Meeting (AGM) held for the year ended 31st March 2010 are set out below:

	Number of meetings attended/held For the year ended 31st March 2010				
	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	5/6	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 Ming Shing, Ian (appointed with effect from 1st April, 2010)	N/A	N/A	N/A	N/A	N/A
Mr. Hui Tung Wah, Samuel	6/6	N/A	N/A	N/A	1/1
Mr. Lo Hoi Chun (resigned with effect from 1st April, 2010)	6/6	N/A	1/1	2/2	1/1
Independent Non-executive Directors					
Mr. Choi Ngai Min, Michael	6/6	4/4	1/1	2/2	1/1
Mr. Li Kwok Sing, Aubrey	6/6	4/4	1/1	2/2	1/1
Mr. Kwok Lam Kwong, Larry	6/6	4/4	1/1	N/A	0/1
Mr. Look Guy (appointed with effect from 1st April, 2009)	6/6	4/4	N/A	N/A	1/1

* *Appointed with effect from 1st April, 2010*

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 flow 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 51 to 52.

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	3,470
Non-audit services	173
Total:	3,643

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and the Group's 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, 2010.

Management recognizes the benefits from an internal control review conducted by external consultant – Deloitte Touche Tohmatsu and the Group's Internal Audit function under a co-sourcing arrangement in the last financial year. In current financial year, the co-sourcing project team has continued to be retained to review the Group's internal control system, working systems and workflows, as well as 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. 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. In addition to the internal control review, the co-sourcing project team assisted the Group in conducting control self-assessment exercise with selected business units outside Hong Kong to enhance internal control system of these business units.

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 Group 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' RIGHTS

At the annual general meeting held on 15th September, 2009, the Chairman demanded a poll on all resolutions. 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 developments 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 web site 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 Group is conscious of its role as being a responsible business entity and ensuring to make a positive contribution to the communities where it operates. The Group has performed certain social activities during the year which have gained recognition from the community.

HEALTH & SAFETY

The Group takes health and safety commitment towards our employees, customers and communities. Our 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 in different environment. Since 2004, we have also developed a continual annual plan to deal with possible outbreak of influenza.

General Health and Safety

Taking full account of our health and safety obligations towards our stakeholders, the Group has set up a Health and Safety Committee and 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, meetings review, inspection of all the safety and health measures 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 Group has implemented a comprehensive safety management system for our central food manufacturing plant and Group's head office that will be audited by external safety auditor since 2002 to assess, evaluate and improve our health and safety at work continuously. We have also implemented a work-station ergonometric assessment in order to evaluate possible office work-related illnesses.

Branches

A board 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 cited in alerting different types of hazards have been posted at kitchen and staff rest room at branch.

Awards

It is honor to report that the Group has won different prizes in "Catering Industry Safety Award Scheme (2009/10)"(勞工處飲食業安全獎勵計劃)organized by Labour Department of Hong Kong. The Group has won the Silver(銀), Bronze(銅獎)and Meritorious Prizes(優異獎)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 Western food(西式快餐店), Fast Food Shops serving Chinese and general categories of food(中式及一般快餐店)and Restaurants (Non-Chinese)(非中式餐館). The award goes to ***Oliver's Super Sandwiches, Café de Coral Fast Food and The Spaghetti House Restaurants***. Moreover, our employee has also won the "Supervisor Awards"(管理人員組).

Staff from Café de Coral Fast Food and The Spaghetti House have also won the Meritorious Prizes(優異獎)in the Supervisor Award(管理層組)and Safe Worker Award(前線員工組) respectively in the 1st Best OSH Employees Award Scheme 2009(第一屆全港傑出職安健員工嘉許計劃)jointly organized by the Occupational Safety and Health Council(職業安全健康局), the Labour Department(勞工處), legislative councilors from the labor sector(立法會勞工界議員)and the Labour Advisory Board employee members(勞顧會僱員代表).

WORK-LIFE BALANCE

The Group'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 suitable career paths and opportunities within the Group. 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 views with the management and obtain feedback from staff. The compensation and benefits policies are reviewed annually to meet relevant needs and enhance a sense of belonging.

Part of the Group's underlying principle in setting up human resources and welfare related policies is to balance the demands of employee work and family life and to keep on improving the working condition of our employees in every aspect. Besides, the Group will organize various kinds of get-together functions to the employees during festive seasons such as Christmas and Lunar New Year and promote different kinds of recreational activities for our employees through the staff wellness club (大家樂融融會) which was formed in 2006.

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, 2010.

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 98 to 104.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 56.

The details of dividends for the year ended 31st March, 2010 are set out in Note 30 to the consolidated financial statements. An interim dividend of 17 HK cents per share, totaling approximately HK$94,789,000 was paid on 29th December, 2009. The directors recommended the payment of a final dividend of 45 HK cents per share, totaling approximately HK$252,419,000.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 23 to the consolidated financial statements.

Distributable reserves of the Company as at 31st March, 2010 amounted to approximately HK$573,557,000.

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 143.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$21,000.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 22 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 144 to 146.

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, 2010. 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.

SHARE OPTION SCHEMES *(Continued)*

On 24th September, 2003, the Scheme was terminated upon the passing of a shareholders' resolution for adoption of a new share option scheme (the "New Scheme"). Pursuant to the New Scheme, the Company may grant options to executive and non-executive directors, employees, suppliers and customers of the Group and consultants, advisors, managers, officers and corporations that provided research, development or other technical support to the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. The Company granted options to certain employees of the Group (including executive directors of the Company) pursuant to the New Scheme.

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	42,552,403 ordinary shares representing 7.59% of the issued share capital as at 29th June, 2010
Maximum entitlement of each participant	In any 12-month period shall not exceed 1% of the shares in issue

SHARE OPTION SCHEMES *(Continued)*

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
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

SHARE OPTION SCHEMES *(Continued)*

Outstanding Options Granted Under the Previous Scheme and the New Scheme

Details of the share options outstanding as at 31st March, 2010 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, 2009	Granted during the year	Options exercised during the year	Options lapsed on expiry	Options cancelled upon termination of employment	Options outstanding at 31st March, 2010
Executive Directors							
Mr. Chan Yue Kwong, Michael	01/11/2005[b]	1,200,000	–	–	–	–	1,200,000
	02/10/2007[b]	1,500,000	–	–	–	–	1,500,000
Mr. Lo Hoi Kwong, Sunny	01/11/2005[b]	1,600,000	–	–	–	–	1,600,000
	02/10/2007[b]	1,500,000	–	–	–	–	1,500,000
Ms. Lo Pik Ling, Anita	04/11/1999[a]	240,000	–	(80,000)	–	–	160,000
	02/10/2007[b]	450,000	–	–	–	–	450,000
Mr. Lo Tak Shing, Peter	02/10/2007[b]	200,000	–	–	–	–	200,000
Continuous contract employees	04/11/1999[a]	84,000	–	(48,000)	–	–	36,000
	01/11/2005[b]	5,834,000	–	(1,298,000)	–	(100,000)	4,436,000
	02/10/2007[b]	17,272,000	–	(1,859,000)	–	(660,000)	14,753,000
		29,880,000	–	(3,285,000)	–	(760,000)	25,835,000

Note:

(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$17.24 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 HK15.77.

(d) Under the New Scheme and 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$17.61.

SHARE OPTION SCHEMES *(Continued)*

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	(resigned on 1st April, 2010)
Mr. Lo Ming Shing, Ian	(appointed on 1st April, 2010)
Mr. Hui Tung Wah, Samuel	

Independent Non-executive Directors

Mr. Choi Ngai Min, Michael	
Mr. Li Kwok Sing, Aubrey	
Mr. Kwok Lam Kwong, Larry	
Mr. Look Guy	(appointed on 1st April, 2009)

Other than Mr. Lo Ming Shing, Ian, 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. Lo Ming Shing, Ian is appointed for a term until the forthcoming general meeting and be eligible for re-election pursuant to 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-laws 109(A) and 100 of the Company's Bye-laws, Mr. Lo Hoi Kwong, Sunny, Mr. Lo Tang Seong, Victor, Mr. Hui Tung Wah, Samuel, Mr. Li Kwok Sing, Aubrey and Mr. Lo Ming Shing, Ian 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, Mr. Kwok Lam Kwong, Larry and Mr. Look Guy, 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 TRANSACTIONS

(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 ("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 and Ms. Lo Pik Ling, Anita, all being directors of the Company, as defined under the Listing Rules. Accordingly, the execution of the 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.

After expiration of the Tenancy Agreement on 11th April, 2009, Weli entered into another tenancy agreement with Tinway in respect of the Premises for a term of three years from 12th April, 2009 to 11th April, 2012. Such transaction is subject to the de minimis provision under the Listing Rules and is exempted from the disclosure requirement under the Listing Rules.

(ii) On 14th November, 2007, Café de Espressamente illy (HK) Limited ("Café de Espressamente illy"), an indirectly 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.

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

Café de Espressamente illy is a company owned by Vogue Asia Limited, being a wholly-owned subsidiary of the Company, and illy Bar Concept SpA ("illy Bar Concept") in the proportion of 70% and 30% respectively. illy Bar Concept acquired its shareholding in Café de Espressamente illy from its related company, illycaffe Asia Pacific Limited ("illycaffe Asia Pacific") in October, 2009 (the "Transfer"). illy Bar Concept becomes a substantial shareholder of Café de Espressamente illy after the Transfer. illy is an associate (as defined under the Listing Rules) of each of illycaffe Asia Pacific and illy Bar Concept at the time before and after the Transfer respectively. 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.

During the year ended 31st March, 2010, 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.

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

The Company has engaged the auditors to perform certain agreed-upon procedures in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed – Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants 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 transaction; 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, 2010, 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)*	17,832,000	–	–	37,383,394	3,100,000	58,315,394	10.43%
Mr. Lo Tak Shing, Peter	*(b)*	210,000	–	–	89,308,213	200,000	89,718,213	16.05%
Mr. Lo Hoi Chun (resigned on 1st April, 2010)	*(c)*	132,000	–	–	67,880,834	–	68,012,834	12.17%
Ms. Lo Pik Ling, Anita		13,964,339	–	–	–	610,000	14,574,339	2.61%
Mr. Chan Yue Kwong, Michael	*(d)*	5,421,407	4,096,000	–	–	2,700,000	12,217,407	2.19%
Mr. Li Kwok Sing, Aubrey	*(e)*	55,000	–	–	–	–	55,000	0.01%
Mr. Hui Tung Wah, Samuel		25,837	–	–	–	–	25,837	0.01%
Mr. Lo Tang Seong, Victor	*(f)*	–	–	5,060,000	–	–	5,060,000	0.91%
Mr. Lo Ming Shing, Ian (appointed on 1st April, 2010)		N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Choi Ngai Min, Michael		–	–	–	–	–	–	–
Mr. Kwok Lam Kwong, Larry		–	–	–	–	–	–	–
Mr. Look Guy (appointed on 1st April, 2009)		–	–	–	–	–	–	–

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

Notes:

(a) 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.

(b) 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.

(c) Mr. Lo Hoi Chun was deemed to be interested in 67,880,834 shares which were held, as to 35,969,133 shares, by LBK Holding Corporation ("LBK") and, as to 31,911,701 shares, by MMW Holding Corporation ("MMW"). Both of LBK and MMW were wholly-owned by Mr. Lo Hoi Chun.

(d) Mr. Chan Yue Kwong, Michael was deemed to be interested in 4,096,000 shares through interests of his spouse.

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

(f) Mr. Lo Tang Seong, Victor was deemed to be interested in 5,060,000 shares held by Team Gain International Inc which was wholly-owned by him.

(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, 2010, 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**
Wandels Investment Limited	*(a)*	–	–	–	89,308,213	89,308,213	15.98%
Sky Bright International Limited	*(a)*	–	–	–	89,308,213	89,308,213	15.98%
Verdant Success Holdings Limited	*(a)*	–	–	–	89,308,213	89,308,213	15.98%
RBC Trustees (CI) Limited (formerly "Royal Bank of Canada Trustees Limited")	*(a)*	–	–	–	89,308,213	89,308,213	15.98%
Ms. Tso Po Ping	*(b)*	–	58,315,394	–	–	58,315,394	10.43%
Ardley Enterprises Limited	*(c)*	–	–	–	37,383,394	37,383,394	6.69%
Ms. Man Bo King	*(d)*	–	68,012,834	–	–	68,012,834	12.17%
LBK Holding Corporation	*(e)*	35,969,133	–	–	–	35,969,133	6.44%
MMW Holding Corporation	*(f)*	31,911,701	–	–	–	31,911,701	5.71%
Commonwealth Bank of Australia	*(g)*	50,998,000	–	–	–	50,998,000	9.13%
Matthews International Capital Management, LLC	*(h)*	33,951,200	–	–	–	33,951,200	6.07%

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Continued)*

Notes:

(a) 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.

(b) Ms. Tso Po Ping was deemed to be interested in these shares through the interests of her spouse, Mr. Lo Hoi Kwong, Sunny (of which 3,100,000 shares were interests in underlying shares).

(c) 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.

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

(e) These interests were held by LBK Holding Corporation which is wholly-owned by Mr. Lo Hoi Chun.

(f) These interests were held by MMW Holding Corporation which is wholly-owned by Mr. Lo Hoi Chun.

(g) These interests were interests of corporations controlled by Commonwealth Bank of Australia.

(h) 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, 2010, the Directors are not aware of any other persons (other than a Director or Chief Executive of the Company) who have interests or short positions in the shares, underlying shares of equity derivatives of the Company which would be required to be disclosed to the Company pursuant to Part XV of the SFO.

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, 2010, 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.

AUDITORS

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, 29th June, 2010

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 53 to 142, which comprise the consolidated and the company statements of financial position as at 31st March, 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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.

AUDITOR'S RESPONSIBILITY *(Continued)*

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.

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, 2010 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, 29th June, 2010

As at 31st March, 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	6	**334,292**	340,921
Property, plant and equipment	7	**768,636**	633,301
Investment properties	8	**266,100**	230,800
Intangible assets	9	**190,848**	166,053
Investments in associates	11	**20,578**	6,239
Investments in jointly controlled entities	12	**4,118**	34,521
Deferred income tax assets	20	**6,832**	19,974
Retirement benefit assets	19	**20,412**	–
Available-for-sale financial assets	13	**351,695**	199,590
Non-current prepayments and deposits	14	**197,791**	152,218
Financial assets at fair value through profit or loss	17	**30,294**	–
		2,191,596	1,783,617
Current assets			
Inventories	15	**110,370**	100,295
Trade and other receivables	16	**56,149**	58,823
Prepayments and deposits	16	**105,773**	96,822
Financial assets at fair value through profit or loss	17	**69,954**	37,023
Cash and cash equivalents	18	**968,559**	894,369
		1,310,805	1,187,332
Total assets		**3,502,401**	2,970,949
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	22	**55,887**	55,558
Other reserves	23	**775,767**	541,940
Retained earnings	23		
– Proposed dividends		**252,419**	211,241
– Others		**1,769,332**	1,566,356
		2,853,405	2,375,095
Minority interests		**1,595**	2,098
Total equity		**2,855,000**	2,377,193

Consolidated Statement of Financial Position

As at 31st March, 2010

	Note	2010 HK$'000	2009 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*20*	**56,303**	57,752
Provision for long service payments	*19*	**8,255**	15,512
Retirement benefit liabilities	*19*	**–**	20,176
		64,558	93,440
Current liabilities			
Trade payables	*21*	**147,969**	117,601
Other creditors and accrued liabilities		**399,603**	348,738
Current income tax liabilities		**35,271**	33,977
		582,843	500,316
Total liabilities		**647,401**	593,756
Total equity and liabilities		**3,502,401**	2,970,949
Net current assets		**727,962**	687,016
Total assets less current liabilities		**2,919,558**	2,470,633

Approved by the Board of Directors on 29th June, 2010 and signed on behalf of the Board by

CHAN YUE KWONG, MICHAEL
Chairman

LO HOI KWONG, SUNNY
Managing Director

The notes on pages 61 to 142 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31st March, 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	*10*	**1,018,661**	875,328
Current assets			
Prepayments, deposits and other current assets		**1,466**	459
Cash and cash equivalents	*18*	**1,432**	100
		2,898	559
Total assets		**1,021,559**	875,887
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	*22*	**55,887**	55,558
Other reserves	*23*	**486,571**	432,309
Retained earnings	*23*		
– Proposed dividends		**252,419**	211,241
– Others		**226,671**	176,725
Total equity		**1,021,548**	875,833
LIABILITIES			
Current liabilities			
Other creditors and accrued liabilities		**11**	54
Total equity and liabilities		**1,021,559**	875,887
Net current assets		**2,887**	505
Total assets less current liabilities		**1,021,548**	875,833

Approved by the Board of Directors on 29th June, 2010 and signed on behalf of the Board by

CHAN YUE KWONG, MICHAEL
Chairman

LO HOI KWONG, SUNNY
Managing Director

The notes on pages 61 to 142 are an integral part of these financial statements.

Consolidated Income Statement

– By Function of Expense

For the year ended 31st March, 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue	24	**4,882,668**	4,673,609
Cost of sales	26	**(4,050,776)**	(3,916,966)
Gross profit		**831,892**	756,643
Other gains, net	25	**49,428**	21,929
Administrative expenses	26	**(274,725)**	(256,896)
Operating profit		**606,595**	521,676
Finance income	27	**8,262**	18,425
Share of profit of associates		**2,330**	2,262
Share of profit/(loss) of jointly controlled entities		**311**	(256)
Profit before income tax		**617,498**	542,107
Income tax expense	28	**(104,769)**	(100,529)
Profit for the year	29	**512,729**	441,578
Allocated as:			
Loss attributable to minority interests		**(503)**	(288)
Profit attributable to equity holders of the Company		**513,232**	441,866
Dividends	30	**347,208**	377,547
Earnings per share for profit attributable to the equity holders of the Company during the year			
– Basic	31	**92.16 HK cents**	79.77 HK cents
– Diluted	31	**91.33 HK cents**	79.25 HK cents

The notes on pages 61 to 142 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2010

	2010 *HK$'000*	2009 *HK$'000*
Profit for the year	**512,729**	441,578
Other comprehensive income/(loss):		
Exchange differences arising from translation of foreign subsidiaries, associates and jointly controlled entities	**35,354**	(27,606)
Actuarial gains/(losses) on retirement benefit obligation recognised in reserve	**44,489**	(49,561)
Deferred income tax effect on actuarial (gains)/losses of retirement benefit obligation recognised in reserve	**(7,341)**	8,177
Fair value gains/(losses) on available-for-sale financial assets	**144,211**	(67,956)
Total comprehensive income for the year	**729,442**	304,632
Attributable to:		
– Equity holders of the Company	**729,945**	304,920
– Minority interests	**(503)**	(288)
	729,442	304,632

The notes on pages 61 to 142 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31st March, 2010

	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1st April, 2008	55,257	590,087	1,739,658	2,385,002	2,386	2,387,388
Profit/(loss) for the year	–	–	441,866	441,866	(288)	441,578
Other comprehensive income/(loss):						
Exchange differences arising from translation of foreign subsidiaries and jointly controlled entities	–	(27,606)	–	(27,606)	–	(27,606)
Actuarial losses on retirement benefit obligation recognised in reserve	–	–	(49,561)	(49,561)	–	(49,561)
Deferred income tax effect on actuarial losses of retirement benefit obligation recognised in reserve	–	–	8,177	8,177	–	8,177
Fair value losses on available-for-sale financial assets	–	(67,956)	–	(67,956)	–	(67,956)
Total comprehensive (loss)/income	–	(95,562)	400,482	304,920	(288)	304,632
Proceeds from shares issued	301	24,372	–	24,673	–	24,673
Released of investment reserve upon disposal/redemption of available-for-sale financial assets	–	209	–	209	–	209
Employee share option scheme-value of employee services	–	22,834	–	22,834	–	22,834
Dividends	–	–	(362,788)	(362,788)	–	(362,788)
Unclaimed dividends write back	–	–	245	245	–	245
At 31st March, 2009	55,558	541,940	1,777,597	2,375,095	2,098	2,377,193

Consolidated Statement of Changes In Equity

For the year ended 31st March, 2010

	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1st April, 2009	55,558	541,940	1,777,597	2,375,095	2,098	2,377,193
Profit/(loss) for the year	–	–	513,232	513,232	(503)	512,729
Other comprehensive income/(loss):						
Exchange differences arising from translation of foreign subsidiaries, associates and jointly controlled entities	–	35,354	–	35,354	–	35,354
Actuarial gains on retirement benefit obligation recognised in reserve	–	–	44,489	44,489	–	44,489
Deferred income tax effect on actuarial gains of retirement benefit obligation recognised in reserve	–	–	(7,341)	(7,341)	–	(7,341)
Fair value gains on available-for-sale financial assets	–	144,211	–	144,211	–	144,211
Total comprehensive income/(loss)	–	179,565	550,380	729,945	(503)	729,442
Proceeds from shares issued	329	38,823	–	39,152	–	39,152
Employee share option scheme-value of employee services	–	15,439	–	15,439	–	15,439
Dividends	–	–	(306,226)	(306,226)	–	(306,226)
At 31st March, 2010	55,887	775,767	2,021,751	2,853,405	1,595	2,855,000

The notes on pages 61 to 142 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st March, 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Net cash generated from operations	*33(a)*	**793,298**	750,644
Hong Kong profits tax paid		**(91,661)**	(86,500)
Overseas taxation paid		**(13,641)**	(12,103)
Net cash generated from operating activities		**687,996**	652,041
Cash flows from investing activities			
Purchase of property, plant and equipment		**(307,348)**	(242,456)
Proceeds from disposal of property, plant and equipment	*33(b)*	**250**	14,463
Repayment from associates		**200**	942
Dividend received from associates		**3,240**	2,140
Dividend received from listed investments		**12,838**	11,379
Purchase of financial assets		**(82,678)**	(12,563)
Proceeds from disposal of partial interests in a subsidiary and a jointly controlled entity		**18,022**	-
Proceeds from redemption/disposal of available-for-sale financial assets		**-**	42,987
Proceeds from redemption of held-to-maturity financial assets		**-**	1,018
Interest received		**5,908**	18,425
Net cash used in investing activities		**(349,568)**	(163,665)
Cash flows from financing activities			
Net proceeds from issue of shares upon exercise of share options		**39,152**	24,673
Distribution to a minority shareholder		**-**	(2,548)
Dividends paid		**(306,226)**	(360,240)
Net cash used in financing activities		**(267,074)**	(338,115)
Net increase in cash and cash equivalents		**71,354**	150,261
Cash and cash equivalents at beginning of the year		**894,369**	733,298
Effect of foreign exchange rate changes		**2,836**	10,810
Cash and cash equivalents at end of the year	*18*	**968,559**	894,369

The notes on pages 61 to 142 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 HM12, 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's shares are listed 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 29th June, 2010.

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 at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated 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)*

The following new standards and amendments to standards are effective for the financial year ended 31st March, 2010 and are relevant to the Group.

- HKAS 1 (revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that are "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. These consolidated financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to chief operating decision-maker. Adoption of this standard did not have any effect on the Group's results of operations or financial position.

  Goodwill is allocated by management to groups of cash-generating units on a segment level. The adoption of HKFRS 8 has not resulted in any changes in reportable segment or additional goodwill impairment. There has been no impact on the measurement of the Group's assets and liabilities.

- Amendment to HKFRS 7, "Financial instruments: disclosures". The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for derivative financial liabilities where the information is needed to understand the nature and context of liquidity risk.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

- HKFRS 2 (Amendment), "Share-based payment vesting conditions and cancellations". It 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.

Other new standards, amendments to standards and interpretations, which are mandatory for the first time for the financial year beginning 1st April, 2009, are not currently relevant to the Group or do not have material impact on the Group for the year ended 31st March, 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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

New or revised standards, interpretations and amendments		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related Party Disclosures	1st January, 2011
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July, 2009
HKAS 32 (Amendment)	Classification of Right Issues	1st February, 2010
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1st July, 2010
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards	1st July, 2009
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters	1st January, 2010
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions	1st January, 2010
HKFRS 3 (Revised)	Business Combinations	1st July, 2009
HKFRS 9	Financial Instruments	1st January, 2013
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement	1st January, 2011
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	1st July, 2009
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1st July, 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 statement of financial position, 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 dividends received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding 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 consolidated 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 interests 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)*

(d) 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 consolidated 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 interests 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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Executive Chairman who makes strategic decisions.

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 the Group's 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 financial assets 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 the 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

(c) Group companies *(Continued)*

(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.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations 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 leases.

2.6 Property, plant and equipment

The property, plant and equipment, except for freehold land and includes construction in progress *(Note 2.7)*, are stated at historical cost less accumulated depreciation and impairment losses. Freehold land is stated at historical cost less accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment *(Continued)*

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 the end of the reporting period.

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. They 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors and are reviewed annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 or jointly controlled entity or associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of jointly controlled entities or associates is included in investments in jointly controlled entities or associates 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.

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

Assets that have an indefinite useful life are not subject to amortisation, but 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 were impaired are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 non-current and 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 those with maturities greater than 12 months after the end of the reporting date, which are classified as non-current assets. Trade and other receivables are classified as loans and receivables in the statement of financial position *(Note 2.13)*.

(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 of less than 12 months from the end of reporting date, which 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 end of reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

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 (losses)/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 when the Group's right to receive payments is established.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

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 end of each reporting 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*.

2.12 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 selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 and other short-term highly liquid investments with original maturities of three months or less.

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 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting 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 recognised, 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 reporting 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 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.

2.19 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.

(i) Sales of food and beverages

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Revenue recognition *(Continued)*

(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 terms of the relevant agreements.

(iv) Management and service fee income

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

(v) Interest income

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

(vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.20 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 reporting 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)*

2.20 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 statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting 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 comprehensive income.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Employee benefits *(Continued)*

(iii) Pension obligations *(Continued)*

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.

(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 the reporting 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 comprehensive income.

(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 reporting 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Employee benefits *(Continued)*

(v) ***Share-based compensation*** *(Continued)*

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.

2.21 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 leases.

2.22 Dividend distribution

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

2.23 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 reporting 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

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.

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 of its profits 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.

Interest rate risk mainly arises from bank deposits and debt securities at variable interest rate which are subject to cash flow interest rate risk. The directors are of the opinion that any reasonable changes in interest rates would not result in a significant change in the Group's results. Accordingly, no sensitivity analysis is presented for interest rate risk.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Price risk

The Group is exposed to securities price risk because investments held by the Group are classified on the consolidated statement of financial position 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 reporting date.

As at 31st March, 2010, if the price of the listed securities has increased/decreased by 10% with all other variables held constant, the Group's other gains, net would have increased/decreased by HK$1,223,000 (2009: HK$226,000) arising from the financial assets at fair value through profit or loss and investment reserve would have increased/decreased by HK$34,364,000 (2009: HK$22,788,000) arising from the available-for-sale financial assets.

(d) Credit risk

Credit risk is managed on a group basis. Credit risk mainly arises from bank balances and deposits, rental deposits, debt securities and trade and other receivables. The carrying amount of these balances in the statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

Majority of the Group's bank balances and, deposits and derivative financial instruments are placed in those banks and financial institutions which are independently rated with a high credit rating. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

The credit quality of the landlords and debtors is assessed based on its financial position, past experience and other factors. The Group has policies in place to ensure rental deposits are placed to landlords with appropriate credit histories and credit terms are granted to reliable debtors. The Group's historical experience in collection of deposits and receivables falls within recorded allowance and the directors are of the opinion that adequate provision for uncollectible receivable has been made.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Credit risk *(Continued)*

There is no concentration of credit risk as the Group's bank balances and deposits were mainly deposited in over ten financial institutions, and the Group has large number of counterparties for rental deposits, trade and other receivables. Management does not expect any losses from non-performance by these financial institutions and counterparties.

(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.

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, 2010, all of the Group's financial liabilities were due within 12 months and equal their carrying amounts as the impact of discounting is not significant.

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 equity holders 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, 2009 and 31st March, 2010.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

Effective 1st April, 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (level 3).

The following table presents the Group's assets that are measured at fair value at 31st March, 2010.

	Level 1	**Level 2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Available-for-sale financial assets			
– Listed investments	343,643	–	343,643
– Others	8,052	–	8,052
Financial assets at fair value through profit or loss			
Derivative financial instruments	–	50,457	50,457
Investment portfolio			
– Debt investments	–	19,509	19,509
– Equity securities	12,229	–	12,229
– Others	–	428	428
Unlisted funds	17,625	–	17,625
Total financial assets measured at fair value	381,549	70,394	451,943

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The carrying values less impairment provision of trade and other receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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 in accordance with the accounting policy stated in *Note 2.9*. The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell calculations. These calculations require the use of estimates *(Note 9)*.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(Continued)

(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.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(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.

The Group also has significant tax losses carried forward not recognised as deferred income tax assets. Deferred income tax assets in respect of tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

No deferred income tax assets are recognised when it is uncertain whether there are sufficient future taxable profits available before such tax losses expire where the final outcome of these uncertainties are different from the estimation, such differences will impact the carrying amount of deferred tax assets in the period in which such determination is made.

(e) Fair values of financial assets

The fair values of financial assets that are traded in an active market are determined by the quoted market prices.

For fair values of financial assets not traded in an active market, the methodologies, models, assumptions used in determining the fair value of financial assets not traded in an active market and derivative financial instruments require judgement, which are mainly based on market conditions existing at each reporting date.

5 SEGMENT INFORMATION

The Executive Chairman of the Group reviews the Group's internal reporting in order to allocate resources and to assess the business principally from a geographic perspective including Hong Kong, Mainland China and North America. The Executive Chairman assesses the performance of the operating segments based on a measure of profit/loss before income tax.

5 SEGMENT INFORMATION *(Continued)*

The Group is principally engaged in the operation of quick service restaurants, fast casual dining, institutional catering and specialty restaurant chains, and the food processing and distribution business.

The segment information for the reportable segments for the year ended 31st March, 2010 is as follows:

	Hong Kong HK$'000	**Mainland China** HK$'000	**North America** HK$'000	**Group** HK$'000
Year ended 31st March, 2010				
Total segment revenue	**4,070,864**	**714,229**	**200,239**	**4,985,332**
Inter-segment revenue *(Note i)*	**(2,486)**	**(100,178)**	**–**	**(102,664)**
Revenue (from external revenue) *(Note ii)*	**4,068,378**	**614,051**	**200,239**	**4,882,668**
Profit before income tax	**558,560**	**58,759**	**179**	**617,498**
Depreciation and amortisation	**135,573**	**38,984**	**14,283**	**188,840**
Finance income	**6,938**	**798**	**526**	**8,262**
Share of profit of associates	**1,769**	**561**	**–**	**2,330**
Share of profit of a jointly controlled entity	**–**	**311**	**–**	**311**
Income tax expense/(credit)	**92,570**	**14,369**	**(2,170)**	**104,769**

	Hong Kong HK$'000	**Mainland China** HK$'000	**North America** HK$'000	**Group** HK$'000
Year ended 31st March, 2009				
Total segment revenue	3,934,209	588,041	248,245	4,770,495
Inter-segment revenue *(Note i)*	(2,702)	(94,184)	-	(96,886)
Revenue (from external revenue) *(Note ii)*	3,931,507	493,857	248,245	4,673,609
Profit/(loss) before income tax	520,281	39,601	(17,775)	542,107
Depreciation and amortisation	127,013	26,966	16,877	170,856
Finance income	16,954	948	523	18,425
Share of profit of associates	2,262	–	–	2,262
Share of loss of jointly controlled entities	–	(256)	–	(256)
Income tax expense/(credit)	91,571	9,430	(472)	100,529

5 SEGMENT INFORMATION *(Continued)*

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

(ii) The Group has a large number of customers. For the year ended 31st March, 2010, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.

	Hong Kong *HK$'000*	**Mainland China** *HK$'000*	**North America** *HK$'000*	**Group** *HK$'000*
As at 31st March, 2010				
Segments assets	**2,125,149**	**624,156**	**273,909**	**3,023,214**
Segment assets include:				
Investments in associates	**4,568**	**16,010**	**–**	**20,578**
Investment in a jointly controlled entity	**–**	**4,118**	**–**	**4,118**
Additions to non-current assets (other than financial instruments, deferred tax assets and retirement benefit assets)	**202,214**	**114,922**	**7,246**	**324,382**
As at 31st March, 2009				
Segment assets	1,950,860	479,498	284,004	2,714,362
Segments assets include:				
Investments in associates	6,239	–	–	6,239
Investments in jointly controlled entities	–	34,521	–	34,521
Additions to non-current assets (other than financial instruments, deferred tax assets and retirement benefit assets)	153,048	99,681	6,506	259,235

As at 31st March, 2010, the total non-current assets (other than financial instruments, deferred tax assets and retirement benefit assets) located in Hong Kong is HK$1,192,614,000 (As at 31st March, 2009: HK$1,081,295,000), in Mainland China is HK$360,829,000 (As at 31st March, 2009: HK$299,706,000) and in North America is HK$228,920,000 (As at 31st March, 2009: HK$183,052,000).

5 SEGMENT INFORMATION *(Continued)*

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Total segment assets	**3,023,214**	2,714,362
Deferred income tax assets	**6,832**	19,974
Available-for-sale financial assets	**351,695**	199,590
Financial assets at fair value through profit or loss	**100,248**	37,023
Retirement benefit assets	**20,412**	-
Total assets	**3,502,401**	2,970,949

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	
	2010	2009
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Leases of over 50 years	**23,826**	83,726
Leases of between 10 to 50 years	**265,011**	211,008
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**45,455**	46,187
	334,292	340,921

	Group	
	2010	2009
	HK$'000	*HK$'000*
Beginning of the year	**340,921**	347,960
Amortisation of leasehold land and land use rights	**(6,761)**	(7,421)
Exchange differences	**132**	382
End of the year	**334,292**	340,921

Amortisation expense of HK$6,761,000 (2009: HK$7,421,000) 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, 2008					
Cost	113,419	528,944	1,144,118	438	1,786,919
Accumulated depreciation and impairment losses	(33,250)	(323,360)	(865,821)	–	(1,222,431)
Net book amount	80,169	205,584	278,297	438	564,488
Year ended 31st March, 2009					
Opening net book amount	80,169	205,584	278,297	438	564,488
Additions	613	102,733	109,215	29,895	242,456
Disposals	–	(7,597)	(4,568)	–	(12,165)
Depreciation	(3,049)	(57,219)	(92,065)	–	(152,333)
Exchange differences	206	(4,892)	(4,463)	4	(9,145)
Closing net book amount	77,939	238,609	286,416	30,337	633,301
At 31st March, 2009					
Cost	114,363	563,846	1,152,838	30,337	1,861,384
Accumulated depreciation and impairment losses	(36,424)	(325,237)	(866,422)	–	(1,228,083)
Net book amount	77,939	238,609	286,416	30,337	633,301
Year ended 31st March, 2010					
Opening net book amount	77,939	238,609	286,416	30,337	633,301
Additions	–	113,806	105,259	88,283	307,348
Disposals	(6)	(730)	(3,000)	–	(3,736)
Depreciation	(2,420)	(72,979)	(95,706)	–	(171,105)
Impairment loss	–	(1,066)	(283)	–	(1,349)
Exchange differences	66	2,694	1,282	135	4,177
Closing net book amount	75,579	280,334	293,968	118,755	768,636
At 31st March, 2010					
Cost	114,481	657,089	1,194,863	118,755	2,085,188
Accumulated depreciation and impairment losses	(38,902)	(376,755)	(900,895)	–	(1,316,552)
Net book amount	75,579	280,334	293,968	118,755	768,636

7 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Depreciation expenses of HK$161,609,000 (2009: HK$141,631,000) and HK$9,496,000 (2009: HK$10,702,000) have been included in cost of sales and administrative expenses, respectively.

(b) As at 31st March, 2010, the Group's freehold land with book value of HK$14,811,000 (2009: HK$14,811,000) was located outside Hong Kong.

8 INVESTMENT PROPERTIES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Beginning of the year	**230,800**	202,700
Fair value gains	**35,300**	28,100
End of the year	**266,100**	230,800

The investment properties were revalued at 31st March, 2010 by CB Richard Ellis Limited, an independent professionally qualified valuer. Valuations were based on open market basis for all properties.

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Leases of over 50 years	**77,000**	137,400
Leases of between 10 to 50 years	**189,100**	93,400
	266,100	230,800

9 INTANGIBLE ASSETS

	Group		
	Goodwill *HK$'000*	Other intangible assets *HK$'000*	Total *HK$'000*
At 1st April, 2008			
Cost	120,700	191,271	311,971
Accumulated amortisation	–	(77,059)	(77,059)
Closing net book amount	120,700	114,212	234,912
Year ended 31st March, 2009			
Opening net book amount	120,700	114,212	234,912
Amortisation expense	–	(11,102)	(11,102)
Disposal	(2,973)	–	(2,973)
Provision for impairment	(14,138)	–	(14,138)
Exchange differences	(22,024)	(18,622)	(40,646)
Closing net book amount	81,565	84,488	166,053
At 31st March, 2009			
Cost	95,703	167,438	263,141
Accumulated amortisation and impairment losses	(14,138)	(82,950)	(97,088)
Closing net book amount	81,565	84,488	166,053
Year ended 31st March, 2010			
Opening net book amount	81,565	84,488	166,053
Amortisation expense	–	(10,974)	(10,974)
Exchange differences	18,229	17,540	35,769
Closing net book amount	99,794	91,054	190,848
At 31st March, 2010			
Cost	117,236	191,452	308,688
Accumulated amortisation and impairment losses	(17,442)	(100,398)	(117,840)
Closing net book amount	99,794	91,054	190,848

9 INTANGIBLE ASSETS *(Continued)*

(a) Amortisation expense of HK$10,974,000 (2009: HK$11,102,000) and goodwill impairment charge of Nil (2009: HK$14,138,000) have been included in administrative expenses.

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

(c) Impairment tests for goodwill

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

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

	2010 *HK$'000*	2009 *HK$'000*
North America	**98,690**	80,459
Hong Kong and Mainland China *(Note a)*	**3,906**	6,710
	102,596	87,169

Note a: Goodwill relating to an associate in Mainland China of HK$2,802,000 was included in investments in associates *(Note 11)*. As at 31st March, 2009, the goodwill relating to this associate of 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. The calculations of the recoverable amounts of the CGUs in Hong Kong and Mainland China were compiled using cash flow projections based on financial budgets approved by management covering a five-year period. The calculations of the recoverable amounts of the North America CGU were derived from an estimate of the enterprise value of the CGU by (i) making reference to the market earnings and revenue multiples of comparable companies; and (ii) discounted cash flow method using the cash flow projections based on financial budgets approved by management covering a five-year period. The recoverable amount of the CGU is derived from the weighted average values determined by the market and income approaches.

9 INTANGIBLE ASSETS *(Continued)*

(c) Impairment tests for goodwill *(Continued)*

The key assumptions used for fair value less costs to sell calculations for the CGU in North America are as follows:

– 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 the CGU
– EV/Revenue multiple	Based on market multiples of comparable companies adjusted by differences in expected growth rate, risk level and profitability of the CGU

– Budgeted revenue growth rate (five-year period)	
– Corporate store revenue	Average growth rate of 3% per annum
– Franchise store revenue	Average growth rate of 10% per annum
– Revenue growth rate (beyond five years)	2%
– Discount rate	16%

Management determined budgeted revenue growth rate based on past performance and its expectation for the market development. The growth rates used to extrapolate cash flows beyond the budget period do not exceed the long-term average growth rate for the businesses in which the CGUs operate.

Management has performed sensitivity analysis for the goodwill arisen from the North America operation by adjusting the revenue growth rate as follows:

(i)	Over a five year period	1% less than based estimate
(ii)	Beyond five years	1% less than based estimate

Based on the analysis as mentioned above, the Directors are of the opinion that no impairment loss is required to be recorded by the Group during the year (2009: impairment loss of HK$14,138,000 was provided).

10 INVESTMENTS IN SUBSIDIARIES – COMPANY

	2010 HK$'000	2009 HK$'000
Unlisted investments, at cost	**331,802**	331,802
Amounts due from subsidiaries	**686,859**	543,526
	1,018,661	875,328

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 book values as at 31st March, 2010.

The following is a list of the principal subsidiaries as at 31st March, 2010:

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

10 INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

The following is a list of the principal subsidiaries as at 31st March, 2010: *(Continued)*

Name of subsidiary	Country of incorporation/ establishment and operation	Issued/ registered capital	Class of shares held	Percentage of shares held[1]	Principal activities
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
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 Republic of 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

10 INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

The following is a list of the principal subsidiaries as at 31st March, 2010: *(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 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.	The 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
Dai Bai Dang Restaurants Inc.	The United States of America	US$1,000	Common	51%	Catering
Diners Court Management Limited	Hong Kong	HK$2	Ordinary	100%	Catering
Dongguan Asia Pacific Catering Company Limited	The PRC	HK$7,400,000	–	100%	Catering
Dongguan Continental Foods Limited	The PRC	RMB27,330,000	–	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

10 INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

The following is a list of the principal subsidiaries as at 31st March, 2010: *(Continued)*

Name of subsidiary	Country of incorporation/ establishment and operation	Issued/ registered capital	Class of shares held	Percentage of shares held[1]	Principal activities
Foshan Fortunate Spaghetti House Catering Company Limited	The PRC	HK$3,200,000	–	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
Guangzhou Café de Coral Foods Limited	The PRC	US$17,000,000	–	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

10 INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

The following is a list of the principal subsidiaries as at 31st March, 2010: *(Continued)*

Name of subsidiary	Country of incorporation/ establishment and operation	Issued/ registered capital	Class of shares held	Percentage of shares held[1]	Principal activities
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
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
Shanghai Arena Catering Management Limited	The PRC	HK$25,000,000	–	100%	Catering

10 INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

The following is a list of the principal subsidiaries as at 31st March, 2010: *(Continued)*

Name of subsidiary	Country of incorporation/ establishment and operation	Issued/ registered capital	Class of shares held	Percentage of shares held[1]	Principal activities
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 Limited	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
Vogue Asia Limited	Hong Kong	HK$1	Ordinary	100%	Investment holding

10 INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

The following is a list of the principal subsidiaries as at 31st March, 2010: *(Continued)*

Name of subsidiary	Country of incorporation/ establishment and operation	Issued/ registered capital	Class of shares held	Percentage of shares held[1]	Principal activities
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 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 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 2010 HK$'000	Group 2009 HK$'000
Share of net assets	**16,660**	4,923
Goodwill transferred from investments in jointly controlled entities *(Notes 9 and 12(c))*	**2,802**	–
Due from associates *(Note b)*	**1,116**	1,316
	20,578	6,239

(a) Details of associates as at 31st March, 2010 are as follows:

Name	Place of establishment/ incorporation and operations	Principal activity	Particulars of issued shares held	Interest held indirectly
Café de New Asia Group Co., Limited *(Note 12(c))*	The PRC	Operation of restaurants	–	25%
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 next twelve months.

(c) The directors are of the opinion that the underlying value of the associates were not less than their book values as at 31st March, 2010.

12 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Share of net assets	**4,118**	28,917
Goodwill on acquisition of jointly controlled entities *(Note 9)*	**–**	5,604
	4,118	34,521

(a) Details of the jointly controlled entity as at 31st March, 2010 are as follows:

Name	**Place of establishment and operations**	**Principal activities**	**Interest held indirectly**
Xian Scanfoods Zhaolong Foods Company Limited	The PRC	In liquidation	60%

(b) The Directors are of the opinion that the underlying value of the jointly controlled entity was not less than its book value as at 31st March, 2010.

(c) During the year, the Group disposed of its 25% interests in Café de New Asia Group Co., Limited ("CNAG") to the joint venture partner at a consideration of approximately RMB15 million. Following this transaction, the Group's interest in CNAG has reduced from 50% to 25%. As the Group has significant influence over CNAG, CNAG becomes an associate of the Group *(Note 11)*.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Beginning of the year	**199,590**	293,707
Additions	**21,834**	17,217
Reclassified to non-current and current deposits	**(13,940)**	–
Redemptions/disposals	**–**	(43,378)
Fair value gains/(losses) recognised in reserve	**144,211**	(67,956)
End of the year	**351,695**	199,590

Available-for-sale financial assets include the following:

	Group	
	2010	2009
	HK$'000	*HK$'000*
– Listed investments	**343,643**	189,902
– Others	**8,052**	–
– Unlisted debt securities with interest rates ranging from 4% to 5% per annum, and with maturity dates between 2 and 10 years	**–**	9,688
	351,695	199,590
Market value of listed securities	**343,643**	189,902

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
– US dollar	**8,052**	9,688
– HK dollar	**343,643**	189,902
	351,695	199,590

The fair values of the listed investments are based on their current bid prices in an active market.

14 NON-CURRENT PREPAYMENTS AND DEPOSITS

Non-current prepayments and deposits mainly comprise rental and utility deposits and prepayments for property, plant and equipment.

Substantially all of the non-current prepayments and deposits were aged within five years and are denominated in HK dollar. These relates to a number of independent counterparties for whom there is no recent history of default. The existing counterparties do not have significant defaults in the past.

15 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$1,519,915,000 (2009: HK$1,508,711,000).

16 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**22,864**	19,137
Less: provision for impairment of receivables	**(992)**	(891)
Trade receivables – net	**21,872**	18,246
Other receivables	**34,277**	40,577
	56,149	58,823
Prepayments	**98,140**	88,414
Deposits	**7,633**	8,408
	105,773	96,822
	161,922	155,645

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.

16 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(Continued)*

The ageing analysis of trade receivables is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**17,749**	15,079
31 – 60 days	**2,045**	3,219
61 – 90 days	**1,273**	99
Over 90 days	**1,797**	740
	22,864	19,137

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Beginning of the year	**891**	589
Provision for impairment	**119**	498
Receivables written off during the year	**(30)**	(191)
Exchange differences	**12**	(5)
End of the year	**992**	891

The creation and release of provision for impairment receivables have been included in administrative expenses 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, 2010, trade receivables of HK$1,797,000 (2009: HK$740,000) 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. The Group did not hold any collateral as security.

16 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(Continued)*

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 and deposits approximate their fair values due to their short term maturities.

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
HK dollar	**47,031**	40,945
RMB	**14,003**	14,430
US dollar	**2,000**	11,325
Canadian dollar	**748**	531
	63,782	67,231

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Non-current financial assets at fair value through profit or loss:		
Derivative financial instruments *(Note a)*	**30,294**	–
Current financial assets at fair value through profit or loss:		
Investment portfolio *(Note b)*	**32,166**	29,514
Derivative financial instruments:		
– Credit-linked note *(Note c)*	**15,528**	–
– Others	**4,635**	4,302
Unlisted funds	**17,625**	831
Equity securities listed in Hong Kong	**–**	1,532
Others	**–**	844
	69,954	37,023
Total	**100,248**	37,023
Market value of listed securities	**12,229**	2,263

(a) These derivative financial instruments include three guaranteed deposit notes with maturity dates ranging from three to five years. These notes are unsecured and bear interests at fixed or variable interest rates during the terms of the notes. Two of the guaranteed deposit notes bear interest at approximately 4% with the Note Issuers having the right to switch the interest coupon to floating rate of 3-month LIBOR plus 1% or 2% per annum. The remaining note bears interest at 3-month LIBOR plus 0.75% per annum with an interest cap of 7% and interest floor ranging from 2.5% to 3.5%.

(b) As at 31st March, 2010, investment portfolio mainly comprised debt securities of HK$19 million (2009: HK$22 million), equity securities of HK$12 million (2009: HK$1 million) and cash and term deposits of Nil (2009: HK$4 million).

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

(c) This note has a maturity of one year with floating interest coupon and is linked to occurrence of credit events of a bond issued by the government of the People's Republic of China. The Group will not receive interest coupon if any of the specified credit event occurred. Upon maturity, the Group is guaranteed to receive at least the initial investment of USD1 million.

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
– US dollar	**100,248**	34,647
– HK dollar	**–**	2,376
	100,248	37,023

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 25)*.

The fair values of the above investments are based on option pricing model or current bid prices in an active market.

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at banks and on hand	**504,805**	418,871	**1,432**	100
Short-term bank deposits	**463,754**	475,498	**–**	–
	968,559	894,369	**1,432**	100
Maximum exposure to credit risk	**949,592**	878,231	**1,432**	100

The effective interest rate on short-term bank deposits was 1.1% (2009: 1.14%) per annum. These deposits have an average maturity of 79 days (2009: 70 days).

18 CASH AND CASH EQUIVALENTS *(Continued)*

Cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK dollar	**331,069**	253,703	**1,432**	100
RMB	**178,406**	109,527	**–**	–
US dollar	**439,943**	518,789	**–**	–
Canadian dollar	**10,559**	4,600	**–**	–
Others	**8,582**	7,750	**–**	–
	968,559	894,369	**1,432**	100

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.

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Retirement benefit assets/(liabilities)		
Defined contribution schemes *(Note (a))*	**(6,525)**	(6,262)
Defined benefit scheme *(Note (b))*	**20,412**	(20,176)
Provision for long service payments *(Note (c))*	**(8,255)**	(15,512)

(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.

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

(a) Defined contribution schemes *(Continued)*

Under the MPF scheme, each of the Group and the eligible employees makes 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.

As at 31st March, 2010, the Group has defined contribution scheme payable of HK$6,525,000 (2009: HK$6,262,000), which were recorded in other creditors and accrued liabilities.

(b) Defined benefit scheme

The Group also 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 HSBC Life (International) Limited, an independent qualified actuary, using the projected unit credit method.

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

(b) Defined benefit scheme *(Continued)*

The net (liabilities)/assets recognised in the consolidated statement of financial position is determined as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Present value of funded obligations	**(135,423)**	(141,337)
Fair value of plan assets	**155,835**	121,161
Net assets/(liabilities) in the consolidated statement of financial position	**20,412**	(20,176)
Experience adjustment gains on plan liabilities	**4,360**	6,681
Experience adjustment (gain)/loss on plan assets	**(25,971)**	49,759

The movements in the defined benefit obligation are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Beginning of the year	**(141,337)**	(144,985)
Current service cost	**(5,192)**	(5,272)
Interest cost	**(2,793)**	(3,603)
Employee contributions	**(1,392)**	(1,445)
Actuarial gain	**11,089**	9,140
Benefits paid	**4,202**	4,828
End of the year	**(135,423)**	(141,337)

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

(b) Defined benefit scheme *(Continued)*

The movements in the fair value of plan assets are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Beginning of the year	**121,161**	159,089
Expected return on plan assets	**7,338**	10,878
Actuarial gain/(loss)	**25,971**	(49,759)
Employee contributions	**1,392**	1,445
Employer contributions	**4,175**	4,336
Benefits paid	**(4,202)**	(4,828)
End of the year	**155,835**	121,161

Amounts recognised in the consolidated income statement are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Current service cost	**5,192**	5,272
Interest cost	**2,793**	3,603
Expected return on plan assets	**(7,338)**	(10,878)
Total, included in employee benefit expenses *(Note 32)*	**647**	(2,003)

Of the total charge, approximately HK$359,000 (2009: credit of HK$1,112,000) and HK$288,000 (2009: credit of HK$891,000) have been included in cost of sales and administrative expenses, respectively.

The actual return on plan assets was a gain of approximately HK$33,309,000 (2009: a loss of HK$38,881,000).

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

(b) Defined benefit scheme *(Continued)*

The principal actuarial assumptions used are as follows:

	2010	2009
Discount rate	**2.7% p.a.**	2% p.a.
Expected rate of return on plan assets	**6% p.a.**	6% p.a.
Expected rate of future salary increases	**3% p.a.**	2-3% p.a.

The actuarial gains recognised in the consolidated statement of comprehensive income was HK$37,060,000 (2009: loss of HK$40,619,000).

The cumulative actuarial gains recognised in the consolidated statement of comprehensive income was HK$10,662,000 (2009: losses of HK$26,398,000).

	2010	2009
The major categories of plan assets as a percentage of total plan assets are as follows:		
Equity instruments	**53.2%**	45.5%
Debt instruments	**40.0%**	49.6%
Other assets	**6.8%**	4.9%

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 end of the reporting 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 by the Group for the year ending 31st March, 2011 are approximately HK$4,107,000.

19 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 HSBC Life (International) Limited, an independent qualified actuary, using the projected unit credit method.

The liability recognised in the consolidated statement of financial position is determined as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Liability in the consolidated statement of financial position	**8,255**	15,512
Experience adjustment (gain)/loss on plan liabilities	**(9,639)**	14,823

Movements in the liability recognised in the consolidated statement of financial position are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Beginning of the year	**15,512**	6,311
Current service cost	**375**	581
Interest cost	**310**	185
Benefits paid	**(513)**	(507)
Actuarial (gain)/loss on obligation	**(7,429)**	8,942
End of the year	**8,255**	15,512

19 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	
	2010	2009
	HK$'000	*HK$'000*
Current service cost	**375**	581
Interest cost	**310**	185
Total, included in employee benefit expenses *(Note 32)*	**685**	766

Of the total charge, approximately HK$427,000 (2009: HK$478,000) and HK$258,000 (2009: HK$288,000) have been included in cost of sales and administrative expenses, respectively.

The principal actuarial assumptions used are as follows:

	2010	2009
Discount rate	**2.4% p.a.**	2% p.a.
Expected rate of future salary increases	**3% p.a.**	2-3% p.a.

The actuarial gain recognised in the consolidated statement of comprehensive income was HK$7,429,000 (2009: loss of HK$8,942,000).

The cumulative actuarial losses recognised in the consolidated statement of comprehensive income was HK$680,000 (2009: HK$8,109,000).

20 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 on the consolidated statement of financial position:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Deferred tax assets to be recovered after 12 months	**6,832**	19,974
Deferred tax liabilities to be settled after 12 months	**(56,303)**	(57,752)
	(49,471)	(37,778)

Movements in net deferred tax liabilities are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Beginning of the year	**37,778**	49,269
Deferred taxation (credited)/charged to the consolidated income statement *(Note 28)*	**(1,827)**	2,288
Deferred taxation charged/(credited) to equity	**7,341**	(8,177)
Exchange differences	**6,179**	(5,602)
End of the year	**49,471**	37,778

20 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 income tax assets:

	Group							
	Provisions		Tax losses		Actuarial losses of retirement benefit obligation		Total	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Beginning of the year	**6,125**	7,736	**8,309**	7,879	**5,540**	–	**19,974**	15,615
Credited/(charged) to the consolidated income statement	**533**	(1,611)	**(436)**	430	**–**	–	**97**	(1,181)
(Charged)/credited to equity	**–**	–	**–**	–	**(5,540)**	5,540	**(5,540)**	5,540
End of the year	**6,658**	6,125	**7,873**	8,309	**–**	5,540	**14,531**	19,974

Deferred income tax liabilities:

	Group											
	Accelerated tax depreciation		Intangible assets		Fair value gains on investment properties		Actuarial gains of retirement benefit obligation		Others		Total	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Beginning of the year	**19,125**	17,030	**27,433**	38,223	**11,194**	6,558	**–**	2,637	**–**	436	**57,752**	64,884
(Credited)/charged to the consolidated income statement	**(4,241)**	2,095	**(3,314)**	(5,188)	**5,825**	4,636	**–**	–	**–**	(436)	**(1,730)**	1,107
Charged/(credited) to equity	**–**	–	**–**	–	**–**	–	**1,801**	(2,637)	**–**	–	**1,801**	(2,637)
Exchange differences	**–**	–	**6,179**	(5,602)	**–**	–	**–**	–	**–**	–	**6,179**	(5,602)
End of the year	**14,884**	19,125	**30,298**	27,433	**17,019**	11,194	**1,801**	–	**–**	–	**64,002**	57,752

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, 2010, the Group has unrecognised tax losses of approximately HK$136,321,000 (2009: HK$113,211,000). Tax losses amounting to approximately HK$117,938,000 (2009: HK$105,782,000) will be expired up to year 2030, while the remaining balance can be carried forward indefinitely.

20 DEFERRED INCOME TAX *(Continued)*

Deferred income tax liabilities have not been recognised for the withholding tax that would be payable on the distributable retained profits amounted to HK$68,709,000 (2009: HK$35,827,000) of the Company's subsidiaries in the Mainland China earned in year 2008 and 2009. Such amounts are not currently intended to be distributed to the subsidiaries incorporated outside the Mainland China.

21 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**123,958**	108,604
31 – 60 days	**10,796**	3,356
61 – 90 days	**4,623**	677
Over 90 days	**8,592**	4,964
	147,969	117,601

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
HK dollar	**98,939**	85,633
RMB	**43,427**	26,328
US dollar	**–**	1,773
Canadian dollar	**5,603**	3,867
	147,969	117,601

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

22 SHARE CAPITAL

	Group and Company			
	2010		2009	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'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	**555,584**	**55,558**	552,576	55,257
Shares issued under share option scheme *(Note 34)*	**3,285**	**329**	3,008	301
End of the year	**558,869**	**55,887**	555,584	55,558

During the year, 3,285,000 shares (2009: 3,008,000 shares) of HK$0.10 each were issued at average exercise price of approximately HK$11.92 (2009: HK$8.20). Total proceed less expenses amounting to HK$39,152,000 (2009: HK$24,673,000) was used to provide the Company with working capital.

23 RESERVES

(a) The Group

	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 *(note i)* HK$'000	Revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st April, 2009	142,467	152,034	23,442	21,079	74,200	43,341	85,197	180	1,777,597	2,319,537
Proceeds from shares issued	38,823	–	–	–	–	–	–	–	–	38,823
Changes in fair value of available-for-sale financial assets	–	–	–	–	144,211	–	–	–	–	144,211
Actuarial gains of retirement benefit obligation	–	–	–	–	–	–	–	–	44,489	44,489
Deferred income tax effect on actuarial gains of retirement benefit obligation	–	–	–	–	–	–	–	–	(7,341)	(7,341)
Employee share option scheme – value of employee services	–	–	–	–	–	15,439	–	–	–	15,439
Release of share-based compensation reserve to share premium upon exercise of share options	7,303	–	–	–	–	(7,303)	–	–	–	–
Exchange differences arising from translation of foreign subsidiaries, associates and jointly controlled entities	–	–	35,354	–	–	–	–	–	–	35,354
Profit attributable to equity holders of the Company	–	–	–	–	–	–	–	–	513,232	513,232
Dividends	–	–	–	–	–	–	–	–	(306,226)	(306,226)
At 31st March, 2010	**188,593**	**152,034**	**58,796**	**21,079**	**218,411**	**51,477**	**85,197**	**180**	**2,021,751**	**2,797,518**

23 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 *(note i)* HK$'000	Revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st April, 2008	114,133	152,034	51,048	21,079	141,947	24,469	85,197	180	1,739,658	2,329,745
Proceeds from shares issued	24,372	–	–	–	–	–	–	–	–	24,372
Changes in fair value of available-for-sale financial assets	–	–	–	–	(67,956)	–	–	–	–	(67,956)
Release of investment reserve upon disposal/redemption of available-for-sale financial assets	–	–	–	–	209	–	–	–	–	209
Actuarial losses of retirement benefit obligation	–	–	–	–	–	–	–	–	(49,561)	(49,561)
Deferred income tax effect on actuarial losses of retirement benefit obligation	–	–	–	–	–	–	–	–	8,177	8,177
Employee share option scheme – value of employee services	–	–	–	–	–	22,834	–	–	–	22,834
Release of share-based compensation reserve to share premium upon exercise of share options	3,962	–	–	–	–	(3,962)	–	–	–	–
Exchange differences arising from translation of foreign subsidiaries and jointly controlled entities	–	–	(27,606)	–	–	–	–	–	–	(27,606)
Profit attributable to equity holders of the Company	–	–	–	–	–	–	–	–	441,866	441,866
Dividends	–	–	–	–	–	–	–	–	(362,788)	(362,788)
Unclaimed dividends write back	–	–	–	–	–	–	–	–	245	245
At 31st March, 2009	142,467	152,034	23,442	21,079	74,200	43,341	85,197	180	1,777,597	2,319,537

(i) Contributed surplus mainly arose from the group reorganisation made in prior year.

23 RESERVES *(Continued)*

(b) The Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Share-based compensation reserve HK$'000	Contributed surplus *(note i)* HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st April, 2009	142,467	152,034	43,341	94,467	387,966	820,275
Proceeds from shares issued	38,823	–	–	–	–	38,823
Employee share option scheme – value of employee services	–	–	15,439	–	–	15,439
Release of share-based compensation reserve to share premium upon exercise of share options	7,303	–	(7,303)	–	–	–
Profit attributable to equity holders of the Company	–	–	–	–	397,350	397,350
Dividends	–	–	–	–	(306,226)	(306,226)
At 31st March, 2010	**188,593**	**152,034**	**51,477**	**94,467**	**479,090**	**965,661**
At 1st April, 2008	114,133	152,034	24,469	94,467	352,197	737,300
Proceeds from shares issued	24,372	–	–	–	–	24,372
Employee share option scheme – value of employee services	–	–	22,834	–	–	22,834
Release of share-based compensation reserve to share premium upon exercise of share options	3,962	–	(3,962)	–	–	–
Profit attributable to equity holders of the Company	–	–	–	–	395,764	395,764
Dividends	–	–	–	–	(360,240)	(360,240)
Unclaimed dividend write back	–	–	–	–	245	245
At 31st March, 2009	142,467	152,034	43,341	94,467	387,966	820,275

(i) Contributed surplus mainly arose from the group reorganisation made in prior year and represented the difference between the value of investment in a subsidiary acquired by the Company and the nominal value of the Company's shares issued in exchange thereon. 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.

24 REVENUE

	2010 HK$'000	2009 HK$'000
Sales of food and beverages	**4,754,302**	4,542,533
Rental income	**37,004**	35,338
Royalty income	**41,471**	44,654
Management and service fee income	**8,031**	7,370
Franchise income	**3,904**	3,257
Sundry income	**37,956**	40,457
	4,882,668	4,673,609

25 OTHER GAINS, NET

	2010 HK$'000	2009 HK$'000
Fair value gain/(loss) on financial assets at fair value through profit or loss	**2,436**	(386)
Loss on disposal of financial assets at fair value through profit or loss	**(55)**	(17,164)
Dividend income from listed investments	**12,838**	11,379
Fair value gains on investment properties	**35,300**	28,100
Others	**(1,091)**	–
	49,428	21,929

26 EXPENSES BY NATURE

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

	2010 HK$'000	2009 HK$'000
Cost of raw materials and consumables used	**1,519,915**	1,508,711
Amortisation of leasehold land and land use rights	**6,761**	7,421
Amortisation of intangible assets	**10,974**	11,102
Depreciation of property, plant and equipment	**171,105**	152,333
Net gain on disposal of restaurants (including release of goodwill amounting to HK$2,973,000)	**–**	(2,521)
Provision for impairment of property, plant and equipment	**1,349**	–
Provision for impairment of goodwill	**–**	14,138
Operating lease rentals in respect of rented premises (including contingent rentals of HK$34,008,000 (2009: HK$38,723,000))	**545,798**	510,616
Exchange losses, net	**897**	998
Employee benefit expenses *(Note 32)*	**1,186,422**	1,142,535
Auditor's remuneration	**4,054**	3,895
Electricity, water and gas	**302,334**	297,183
Advertising and promotion expenses	**70,490**	70,551
Provision for impairment of trade receivables	**119**	498
Other expenses	**505,283**	456,402
	4,325,501	4,173,862
Representing:		
Cost of sales	**4,050,776**	3,916,966
Administrative expenses	**274,725**	256,896
	4,325,501	4,173,862

27 FINANCE INCOME

	2010 HK$'000	2009 HK$'000
Interest income	**8,262**	18,425

28 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided for at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the 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/(credited) to the consolidated income statement represents:

	2010 HK$'000	2009 HK$'000
Current income tax:		
– Hong Kong profits tax	**94,121**	85,541
– Overseas taxation	**15,176**	11,982
Deferred income tax relating to the origination and reversal of temporary differences *(Note 20)*	**(1,827)**	2,288
(Over)/under-provision in prior years	**(2,701)**	718
	104,769	100,529

28 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:

	2010 HK$'000	2009 HK$'000
Profit before income tax	**617,498**	542,107
Calculated at a taxation rate of 16.5% (2009: 16.5%)	**101,887**	89,448
Effect of different taxation rates in other countries	**4,614**	(112)
Income not subject to taxation	**(5,460)**	(6,214)
Expenses not deductible for taxation purposes	**10,037**	12,146
Recognition of previously unrecognised temporary difference	**(4,873)**	2,878
Tax losses not recognised	**1,333**	3,037
(Over)/under-provision in prior years	**(2,701)**	718
Remeasurement of deferred tax – change in Hong Kong tax rate	**–**	(825)
Others	**(68)**	(547)
Taxation charge	**104,769**	100,529

29 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$397,350,000 (2009: HK$395,764,000).

30 DIVIDENDS

	2010 HK$'000	2009 HK$'000
Interim dividend, paid, of HK17 cents (2009: HK15 cents) per ordinary share	**94,789**	83,153
Special dividend, paid, of Nil (2009: HK15 cents) per ordinary share	**–**	83,153
Final dividend, proposed, HK45 cents (2009: HK38 cents) per ordinary share	**252,419**	211,241
	347,208	377,547

A final dividend of HK45 cents per ordinary share in respect of the year ended 31st March, 2010, amounting to a total final dividend of approximately HK$252,419,000, 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.

31 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.

	2010	2009
Profit attributable to equity holders of the Company *(HK$'000)*	**513,232**	441,866
Weighted average number of ordinary shares in issue *('000)*	**556,871**	553,920
Basic earnings per share *(HK cents per share)*	**92.16 HK cents**	79.77 HK cents

31 EARNINGS PER SHARE *(Continued)*

(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.

	2010	2009
Profit attributable to equity holders of the Company *(HK$'000)*	**513,232**	441,866
Weighted average number of ordinary shares in issue *('000)*	**556,871**	553,920
Adjustment for share options *('000)*	**5,095**	3,635
	561,966	557,555
Diluted earnings per share *(HK cents per share)*	**91.33 HK cents**	79.25 HK cents

32 EMPLOYEE BENEFIT EXPENSES

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

	2010 *HK$'000*	2009 *HK$'000*
Wages, salaries and allowances	**1,087,957**	1,048,315
Discretionary bonuses	**39,051**	31,794
Pension costs		
– Defined contribution plans	**42,643**	40,829
– Defined benefit plan *(Note 19)*	**647**	(2,003)
– Long service payments *(Note 19)*	**685**	766
Share-based compensation expenses	**15,439**	22,834
	1,186,422	1,142,535

32 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) Directors' emoluments

The remuneration of each director for the year ended 31st March, 2010 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	2,887	5,649	227	1,178	9,991
Mr. Lo Hoi Kwong, Sunny	50	1,860	7,426	148	1,178	10,662
Ms. Lo Pik Ling, Anita	50	468	1,533	56	292	2,399
Mr. Lo Tak Shing, Peter	50	496	453	12	128	1,139
Non-executive directors						
Mr. Lo Tang Seong, Victor	80	–	–	–	–	80
Mr. Lo Hoi Chun	80	–	–	–	–	80
Mr. Hui Tung Wah, Samuel	80	–	–	–	–	80
Independent non-executive directors						
Mr. Choi Ngai Min, Michael	200	–	–	–	–	200
Mr. Li Kwok Sing, Aubrey	200	–	–	–	–	200
Mr. Kwok Lam Kwong, Larry	200	–	–	–	–	200
Mr. Look Guy (Appointed on 1st April, 2009)	200	–	–	–	–	200

32 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) Directors' emoluments *(Continued)*

The remuneration of each director for the year ended 31st March, 2009 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	2,888	4,475	227	2,055	9,695
Mr. Lo Hoi Kwong, Sunny	50	1,857	6,270	148	2,480	10,805
Ms. Lo Pik Ling, Anita	50	468	1,625	56	1,011	3,210
Mr. Lo Tak Shing, Peter	50	497	322	12	846	1,727
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.

32 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2009: three) directors whose emoluments are reflected in the analysis presented in *Note 32(b)*. The emoluments payable to the remaining one (2009: two) individual during the year are as follows:

	2010	2009
	HK$'000	*HK$'000*
Basic salaries, gratuities and other allowances	**453**	736
Discretionary bonuses	**647**	1,203
Contributions to pension schemes	**54**	87
	1,154	2,026

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
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.

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2010 HK$'000	2009 HK$'000
Profit before income tax	**617,498**	542,107
Adjustments for:		
– Finance income	**(8,262)**	(18,425)
– Depreciation of property, plant and equipment	**171,105**	152,333
– Amortisation of leasehold land and land use rights	**6,761**	7,421
– Amortisation of intangible assets	**10,974**	11,102
– Fair value gain on investment properties	**(35,300)**	(28,100)
– Fair value (gains)/losses on financial assets at fair value through profit or loss	**(2,436)**	386
– Loss on disposal of financial assets at fair value through profit or loss	**55**	17,164
– Net loss on disposal of property, plant and equipment	**3,486**	3,196
– Gain on disposal of interests in a subsidiary and a jointly controlled entity	**(4,138)**	–
– Gain on disposal of restaurants (including release of goodwill amounting to HK$2,973,000))	**–**	(2,521)
– Share-based compensation expenses	**15,439**	22,834
– Provision for impairment of property, plant and equipment	**1,349**	–
– Impairment of goodwill	**–**	14,138
– Dividend income from listed investments	**(12,838)**	(11,379)
– Share of profit of associates	**(2,330)**	(2,262)
– Share of (profit)/loss of jointly controlled entities	**(311)**	256
Operating profit before working capital changes	**761,052**	708,250
Changes in working capital:		
– Inventories	**(10,075)**	(5,414)
– Prepayments and deposits – current	**(1,318)**	(9,816)
– Trade and other receivables	**2,674**	(11,855)
– Financial assets at fair value through profit or loss	**–**	79,978
– Trade payables	**30,368**	4,835
– Other creditors and accrued liabilities	**50,865**	19,930
– Non-current prepayments and deposits	**(36,912)**	(29,184)
– Retirement benefit obligation and provision for long service payments	**(3,356)**	(6,080)
Net cash generated from operations	**793,298**	750,644

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2010	2009
	HK$'000	*HK$'000*
Net book amounts *(Note 7)*	**3,736**	12,165
Net loss on disposal of property, plant and equipment	**(3,486)**	(3,196)
Gain on disposal of restaurants (excluding release of goodwill amounting to HK$2,973,000)	**–**	5,494
Proceeds from disposal of property, plant and equipment	**250**	14,463

34 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.

34 SHARE OPTIONS *(Continued)*

On 24th September, 2003, the Scheme was terminated upon the passing of a shareholders' resolution for adoption of a new share option scheme (the "New Scheme"). Pursuant to the New Scheme, the Company may grant options to executive and non-executive directors, employees, suppliers and customers of the Group and consultants, advisors, managers, officers and corporations that provided research, development or other technical support to the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. The Company granted options to certain employees of the Group (including executive directors of the Company) pursuant to the New Scheme.

For options granted under the Previous Scheme, the exercise price in relation to each option was determined by the board of directors of the Company, but in any event would be the higher of (i) the nominal value of the shares of the Company or (ii) an amount which is not less than 80% nor more than 100% of the average of the closing price of the shares as stated in the 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.

34 SHARE OPTIONS *(Continued)*

The movements in share options are as follows:

Grant date	Exercise period	Exercise price	Beginning of the year	Exercised	Cancelled	End of the year
		HK$	*'000*	*'000*	*'000*	*'000*
4th November, 1999	1st April, 2003 to 31st March, 2013	2.950	324	(128)	–	196
1st November, 2005	1st January, 2007 to 31st October, 2015	8.800	2,800	–	–	2,800
1st November, 2005	1st January, 2007 to 31st October, 2015	8.750	5,834	(1,298)	(100)	4,436
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	17,472	(1,859)	(660)	14,953
			29,880	(3,285)	(760)	25,835

Out of the 25,835,000 outstanding options (2009: 29,880,000), 10,978,500 options (2009: 7,659,500) were exercisable as at 31st March, 2010. The related weighted average share price at the time of exercise of the options during the year was HK$16.80 (2009: HK$14.65) per share.

No option was granted during the year.

35 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Operating lease commitments

At 31st March, 2010, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Land and buildings		
– Not later than one year	**431,395**	464,095
– Later than one year and not later than five years	**629,416**	725,574
– Later than five years	**94,732**	116,584
	1,155,543	1,306,253

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, 2010 and 31st March, 2009.

(b) Capital commitments

As at 31st March, 2010, the Group had the following capital commitments:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Acquisition of property, plant and equipment		
Authorised and contracted for	**49,689**	73,594
Authorised but not contracted for	**328,181**	330,675
	377,870	404,269

The Company did not have any capital commitment at 31st March, 2010 and 31st March, 2009.

36 FINANCIAL GUARANTEES

As at 31st March, 2010, the Company has given guarantees totalling approximately HK$660,192,000 (2009: HK$662,000,000) to financial institutions in connection with the banking facilities granted to its subsidiaries.

37 FUTURE OPERATING LEASE ARRANGEMENTS

As at 31st March, 2010, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Not later than one year	**31,547**	25,187
Later than one year and not later than five years	**54,930**	16,128
Later than five years	**3,060**	18
	89,537	41,333

The Company did not have any future operating lease receipts as at 31st March, 2010 and 31st March, 2009.

38 RELATED PARTY TRANSACTIONS

(a) The Group has the following significant transactions with related parties during the year:

	2010 HK$'000	2009 HK$'000
Operating lease rentals paid to a related party:		
– Tinway Investments Limited *(Note i)*	**1,920**	2,112
Franchise and development fees paid to a related party:		
– illycaffe SpA *(Note ii)*	**331**	345
Consultancy fee income received from a jointly controlled entity:		
– CNAG	**–**	2,084

(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 (as defined under the Listing Rules) of a minority shareholder of 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

	2010 HK$'000	2009 HK$'000
Salaries and allowances	**7,521**	7,537
Directors' fees	**200**	200
Discretionary bonuses	**16,241**	13,603
Contributions to pension schemes	**633**	645
Share-based compensation expense	**3,333**	6,477
	27,928	28,462

Description	Lot number	Type	Lease term
Portion A & C of Shop No. N95 on the 1 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 1 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, 2010

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000 (As restated)
Revenue	**4,882,668**	4,673,609	4,283,586	3,885,151	3,440,493
Cost of sales	**(4,050,776)**	(3,916,966)	(3,585,428)	(3,234,421)	(2,903,642)
Gross profit	**831,892**	756,643	698,158	650,730	536,851
Other gains, net	**49,428**	21,929	23,355	10,385	14,254
Administrative expenses	**(274,725)**	(256,896)	(240,838)	(238,804)	(160,021)
Operating profit	**606,595**	521,676	480,675	422,311	391,084
Finance income	**8,262**	18,425	31,278	34,859	31,695
Finance costs	**–**	–	–	(3,676)	(4,695)
Share of profit of associates	**2,330**	2,262	2,442	2,269	2,663
Share of profit/(loss) of jointly controlled entities	**311**	(256)	(791)	(2,857)	(27,863)
Profit before income tax	**617,498**	542,107	513,604	452,906	392,884
Income tax expense	**(104,769)**	(100,529)	(93,370)	(82,839)	(73,031)
Profit for the year	**512,729**	441,578	420,234	370,067	319,853
Allocated as:					
Loss attributable to minority interests	**(503)**	(288)	–	–	–
Profit attributable to equity holders of the Company	**513,232**	441,866	420,234	370,067	319,853
Dividends	**347,208**	377,547	276,265	230,181	298,926
Basic earnings per share	**92.16 HK cents**	79.77 HK cents	76.36 HK cents	67.95 HK cents	59.24 HK cents
Diluted earnings per share	**91.33 HK cents**	79.25 HK cents	75.65 HK cents	66.95 HK cents	58.47 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000 (As restated)
ASSETS					
Non-current assets					
Leasehold land and land use rights	**334,292**	340,921	347,960	308,788	338,976
Property, plant and equipment	**768,636**	633,301	564,488	491,978	468,396
Investment properties	**266,100**	230,800	202,700	155,200	122,450
Intangible assets	**190,848**	166,053	234,912	213,068	223,427
Investments in associates	**20,578**	6,239	7,059	4,357	4,188
Investments in jointly controlled entities	**4,118**	34,521	33,604	32,195	30,260
Deferred income tax assets	**6,832**	19,974	15,615	12,647	13,224
Retirement benefit assets	**20,412**	–	14,104	31,736	12,243
Available-for-sale financial assets	**351,695**	199,590	293,707	267,398	173,106
Non-current prepayments and deposits	**197,791**	152,218	123,034	107,079	99,723
Financial assets at fair value through profit or loss	**30,294**	–	–	–	–
Held-to-maturity financial assets	**–**	–	1,018	8,837	5,466
	2,191,596	1,783,617	1,838,201	1,633,283	1,491,459
Current assets					
Inventories	**110,370**	100,295	94,881	74,413	69,008
Trade and other receivables	**56,149**	58,823	46,968	44,145	48,110
Prepayments and deposits	**105,773**	96,822	87,006	87,811	52,213
Financial assets at fair value through profit or loss	**69,954**	37,023	134,142	98,720	93,011
Cash and cash equivalents	**968,559**	894,369	733,298	546,655	559,506
	1,310,805	1,187,332	1,096,295	851,744	821,848
Total assets	**3,502,401**	2,970,949	2,934,496	2,485,027	2,313,307

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 31st March

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000 (As restated)
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	**56,303**	57,752	64,884	65,121	64,158
Provision for long service payments	**8,255**	15,512	6,311	4,377	4,102
Retirement benefit liabilities	**–**	20,176	–	–	–
	64,558	93,440	71,195	69,498	68,260
Current liabilities					
Trade payables	**147,969**	117,601	112,766	94,741	78,977
Other creditors and accrued liabilities	**399,603**	348,738	328,808	300,463	258,036
Current income tax liabilities	**35,271**	33,977	34,339	23,858	24,641
	582,843	500,316	475,913	419,062	361,654
Total liabilities	**647,401**	593,756	547,108	488,560	429,914
EQUITY					
Capital and reserves attributable to the equity holders of the Company					
Share capital	**55,887**	55,558	55,257	54,593	54,081
Other reserves	**775,767**	541,940	590,087	354,008	312,821
Retained earnings	**2,021,751**	1,777,597	1,739,658	1,587,866	1,516,491
	2,853,405	2,375,095	2,385,002	1,996,467	1,883,393
Minority interests	**1,595**	2,098	2,386	–	–
Total equity	**2,855,000**	2,377,193	2,387,388	1,996,467	1,883,393
Total equity and liabilities	**3,502,401**	2,970,949	2,934,496	2,485,027	2,313,307

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.

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Café 大家樂
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