# CAFÉ DE CORAL HOLDINGS LIMITED

# 大家樂集團有限公司

*(Incorporated in Bermuda with Limited Liability)*

Website http://**www.cafedecoral.com**

(Stock Code: 341)

## 2009/2010 FINAL REPORT TO SHAREHOLDERS

## 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.**

# CHAIRMAN’S STATEMENT

## ***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 **F**ocusing on executing the “Five-Year Corporate Plan” with good progress during the year. In **A**nticipating the worst, we have taken business consolidation measures for our Eastern China and North America operations. We also managed to **T**urn 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 **C**hanging 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 **S**hape 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, The Spaghetti 360$^{o}$** 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 $25^{th}$ 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

## RESULTS

The board of directors is pleased to announce the audited consolidated results of Café de Coral Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st March, 2010, together with the comparative figures for the previous year, as follows:

### CONSOLIDATED INCOME STATEMENT
### FOR THE YEAR ENDED 31ST MARCH, 2010

| | *Note* | **2010** **HK$'000** | 2009 HK$'000 |
|---|---|---|---|
| **Revenue** | *4* | **4,882,668** | **4,673,609** |
| Cost of sales | *6* | (4,050,776) | (3,916,966) |
| Gross profit | | 831,892 | 756,643 |
| Other gains, net | *5* | 49,428 | 21,929 |
| Administrative expenses | *6* | (274,725) | (256,896) |
| **Operating profit** | | **606,595** | **521,676** |
| Finance income | *7* | 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 | *8* | (104,769) | (100,529) |
| Profit for the year | | 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 | *9* | 347,208 | 377,547 |
| Earnings per share for profit attributable to the equity holders of the Company during the year | | | |
| **- Basic** | *10* | **92.16 HK cents** | **79.77 HK cents** |
| - Diluted | *10* | 91.33 HK cents | 79.25 HK cents |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31ST MARCH, 2010**

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'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 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31ST MARCH, 2010

| | *Note* | **2010** *HK$'000* | 2009 *HK$'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Leasehold land and land use rights | | 334,292 | 340,921 |
| Property, plant and equipment | | 768,636 | 633,301 |
| Investment properties | | 266,100 | 230,800 |
| Intangible assets | | 190,848 | 166,053 |
| Investments in associates | | 20,578 | 6,239 |
| Investments in jointly controlled entities | | 4,118 | 34,521 |
| Deferred income tax assets | | 6,832 | 19,974 |
| Retirement benefit assets | | 20,412 | - |
| Available-for-sale financial assets | | 351,695 | 199,590 |
| Non-current prepayments and deposits | | 197,791 | 152,218 |
| Financial assets at fair value through profit or loss | | 30,294 | - |
| | | 2,191,596 | 1,783,617 |
| **Current assets** | | | |
| Inventories | | 110,370 | 100,295 |
| Trade and other receivables | *11* | 56,149 | 58,823 |
| Prepayments and deposits | | 105,773 | 96,822 |
| Financial assets at fair value through profit or loss | | 69,954 | 37,023 |
| Cash and cash equivalents | | 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 | | 55,887 | 55,558 |
| Other reserves | | 775,767 | 541,940 |
| Retained earnings | | | |
| - 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 (CONTINUED)**
**AS AT 31ST MARCH, 2010**

| | *Note* | **2010** *HK$'000* | 2009 *HK$'000* |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | | 56,303 | 57,752 |
| Provision for long service payments | | 8,255 | 15,512 |
| Retirement benefit liabilities | | - | 20,176 |
| | | 64,558 | 93,440 |
| **Current liabilities** | | | |
| Trade payables | *12* | 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 |

*Notes:-*

## 1 BASIS OF PREPARATION

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

The preparation of 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.

## 2 ACCOUNTING POLICIES

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 is "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. These has been no further impact on the measurement of the Group's assets and liabilities.

## 2 ACCOUNTING POLICIES (CONTINUED)

- 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.

- 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.

## 2 ACCOUNTING POLICIES (CONTINUED)

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 for the Group or do not have material impact on the Group for the year ended 31st March, 2010.

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

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| New or revised standards, interpretations and amendments | | |
| HKAS 24 (Revised) | Related Party Disclosures | 1st January, 2011 |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements | 1st July, 2009 |
| HKAS 32 (Amendment) | Classified 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 18 | Transfer of Assets from Customers | 1st July, 2009 |
| HK(IFRIC)-Int 19 | Extinguishing Financial Liabilities with Equity Instruments | 1st July, 2010 |

## 3 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.

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 |

## 3 SEGMENT INFORMATION (CONTINUED)

| | **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 |

(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.

## 3 SEGMENT INFORMATION (CONTINUED)

| | Hong Kong<br>*HK$'000* | Mainland China<br>*HK$'000* | North America<br>*HK$'000* | Group<br>*HK$'000* |
|---|---|---|---|---|
| **Year ended 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 |
| Investments 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).

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

| | **31st March, 2010**<br>***HK$'000*** | 31st March, 2009<br>*HK$'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 |

## 4 REVENUE

| | 2010 | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'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 |

## 5 OTHER GAINS, NET

| | 2010 | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'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 |

## 6 EXPENSES BY NATURE

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

| | 2010 | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'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 loss on goodwill | **-** | 14,138 |
| Provision for impairment of trade receivables | **119** | 498 |

## 7 FINANCE INCOME

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

## 8 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided for at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the 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 | **(1,827)** | 2,288 |
| (Over)/under-provision in prior years | **(2,701)** | 718 |
| | **104,769** | 100,529 |

## 9 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.

## 10 EARNINGS PER SHARE

### *Basic*

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

### *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 |

## 11 TRADE AND OTHER RECEIVABLES

| | **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 |

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

The ageing analysis of trade receivables is as follows:

| | **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 |

## 12 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

| | **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 |

## 13. COMMITMENTS

### Capital commitments

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

| | **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 |

## FINAL DIVIDEND

To enhance the return to our shareholders, the Directors recommended a final dividend of HK45 cents (2009: HK38 cents) per share, resulting in a total dividend of HK62 cents (2009: final and interim dividends: HK53 cents; special dividend: HK15 cents) per share for the year ended 31st March, 2010, to those persons registered as shareholders on 20th September, 2010. Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the final dividend will be paid on 29th September, 2010.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 16th September, 2010 to Monday, 20th September, 2010 (both days inclusive) during which period no transfers of shares will be effected. In order to qualify for the proposed final dividend and to determine the entitlement to attend and vote at the forthcoming annual general meeting of the Company, all completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrars, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 15th September, 2010.

## 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.

## 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 ended 31st March, 2010.

## CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in Appendix 14 – Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the financial year ended 31st March, 2010, except for the deviation from Code Provision A.2.1.

### Code Provision A.2.1

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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

## REVIEW OF THE RESULTS

The Audit Committee and the Board of Directors have reviewed the accounting principles and the practices adopted by the Group and discussed internal control and financial reporting matters, including a review of the annual results, related to the preparation of the 2009/2010 annual report.

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Chan Yue Kwong, Michael, Mr. Lo Hoi Kwong, Sunny, Ms. Lo Pik Ling, Anita and Mr. Lo Tak Shing, Peter as executive directors; Mr. Lo Tang Seong, Victor, Mr. Lo Ming Shing, Ian and Mr. Hui Tung Wah, Samuel as non-executive directors; Mr. Choi Ngai Min, Michael, Mr. Li Kwok Sing, Aubrey, Mr. Kwok Lam Kwong, Larry and Mr. Look Guy as independent non-executive directors.*