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)

ANNUAL RESULTS ANNOUNCEMENT

FOR THE YEAR ENDED 31ST MARCH, 2013

HIGHLIGHTS

- **Entering our 45th anniversary, the Group has grown from a homegrown fast-food restaurant to being the market leader in Hong Kong's restaurant industry.**

- **Revenue for the year increased by 7%, reaching HK$6.39 billion.**

- **Profit attributable to shareholders recorded a 14% growth, reaching the historical high of HK$545 million, mainly as a result of multi-branding efforts and effective increase in productivity.**

- **Considerable efforts on corporate social responsibility, focusing on community care and sustainable development.**

- **Recommends the payment of a final dividend of 48 HK cents and a special dividend of 25 HK cents per share, with a total dividend payout ratio of 94.9% for the full year celebrating the Group's 45th anniversary.**

CHAIRMAN’S MESSAGE

We have indeed come a long way. As Café de Coral enters into its 45th anniversary year, we do have cause for gratification and celebration. The Group is now operating on a scale that would probably have seemed unthinkable in our early years. What began as a single-brand fast-food business, I am glad to have witnessed an astute multi-brand and multi-location strategy which has enabled us to expand our geographical reach as well as to attain a balanced business portfolio. Under this charted course, we have given ourselves a solid foundation and a remarkable platform on which to build for the future.

As a result of our relentless efforts over nearly half a century, today we stand as the market leader in the Hong Kong’s quick-service restaurant industry. It is with much pride to have spearheaded the Group’s transformation from a small homegrown enterprise to a multi-national corporation with a market capitalization increased by about 25 folds since it went public. We have made enormous strides in terms not only of our size, but of our revenue growth. As attested in today’s results announcement, we have seen our turnover increased by about 17 times, and our profits by about 12 folds since its listing in 1986.

Our Board remains committed to a sustainable business model for growth, and we also ensure that the management team would share the same clear vision that these strategies are well executed as planned. We formulated strategies to carefully take into account the political and economic realities of the times, to improve on staff morale in the immediate term, to enhance the quality and service of our supply chain in the intermediate term, and to step up our production and operational efficiencies over the long term.

Our new Five-Year Plan is now on the drawing board and we envision that this will bring us opportunities alongside new challenges for future growth. A steady stream of sustainable pool of management is high on our agenda to meet tomorrow’s complex corporate needs. Our central strategy should not be a quick fix, but to provide a solid foundation for business sustainability down the road. For that matter, I am counting on my role as Chairman, to lead an effective Board on strategic direction, to strengthen the Group’s corporate governance, and to ensure that a sustainable management team be in place to realize these strategies in the years to come.

Mr. Lo Tang Seong, Victor, being one of the founders of the Company and serving the Board for 43 years, stepped down from directorship during the year. On behalf of the Board, I would like to thank Mr. Lo for his great contribution in the past. At the same time, I would like to record my thanks to Mr. Guy Look, who has significantly elevated our corporate governance standard while performing as past Chairman of our Audit Committee. I am also happy to welcome Mr. Albert Au as our new Independent Non-executive Director whom I believe, with his depth and breadth of professional experience, would make valuable contribution to the Board. Last but not least, I offer my warmest thanks to all the other directors of the Board for their dedication and commitment. Working with such quality directors of the Board is a real privilege.

Chan Yue Kwong, Michael
Chairman

Hong Kong, 25th June, 2013

OPERATIONAL REVIEW

INTRODUCTION

This year is the 45th anniversary of our Group's establishment back in 1968. That is a substantial time period for players in our industry, and reflects a depth of knowledge and commitment worth celebrating. Over the past 45 years we have grown by being willing to innovate and take risks, but in the process we have also come to understand the importance of being systematic and persevering in our approach to growth. In that time, through many ups and downs in the market, we have grown from a local restaurant to a sizable catering organization. Today, we have extensive operations in Hong Kong, the PRC and North America, supported by our own food processing plants in Guangdong and Hong Kong.

In Hong Kong, recent years have brought challenges that have tested our skills and capabilities. They have prompted us to adjust the way we operate in the city in order to effectively manage factors such as higher food prices, higher costs, and soaring rental prices, and we have seen our performance improve as a result.

The PRC market, meanwhile, is one we have been involved in for some years now, but the rapidly changing social and economic realities of today's China—which include the recent slowdown in the economy there—have meant that we have had to work patiently and explore local conditions carefully to consolidate and expand our footprint. Given our scalable business platform, developed from our careful investment in both infrastructure and brand-building, we believe this segment will increase its positive contributions to the Group in the long run.

We have also been putting considerable efforts into corporate social responsibility activities, focusing on the two areas of community care and sustainable development. Regardless of fluctuating market conditions, we have come to recognize the importance of giving back in various ways to the society that has helped us grow, and especially to those who are underprivileged in different ways. While successfully running our businesses, we have participated in initiatives such as the foodwaste recycling project and the "Green Monday" campaign to promote environmental consciousness and healthy living, as well as to strengthen our sustainability across the board.

In short, in the face of challenges in the markets where we operate, we have adopted a positive attitude and a long-term commitment. This has involved us introducing new brands, adjusting our business models in China to better reflect dining habits there, and using our food processing plants in Guangdong and Hong Kong to become more efficient in food preparation and distribution. All this has helped us minimize the impact of recent external pressures, and achieve relatively strong results for the year.

The Group recorded growth of 7% in total turnover for the year, achieving total turnover of HK$6.39 billion (2012: HK$5.96 billion). Profit attributable to shareholders was HK$545 million, up by 14% compared with last year. The Board recommends payment of a final and a special dividends of a total of 73 HK cents per share to shareholders for the past year.

HONG KONG OPERATIONS

The Group recorded turnover of HK$5.07 billion from its Hong Kong operations, up approximately 6% as compared to HK$4.78 billion for last year. The Hong Kong segment results also grew by approximately 24% to HK$869 million, from HK$701 million for last year. In the year under review, our Hong Kong operations contributed around 79% of the Group's total turnover.

Our industry has faced a number of challenges over the year, such as increasing labour costs accompanied by a shortage of labour, and increasing rents. In response, we have continued to adjust crucial areas of our operations to stay in touch with new trends and demands in the Hong Kong market, for instance by making changes to our menu design, our location strategy, and our levels of automation in some areas, and by minimizing cost pressure by making use of our new central food processing plants. We have also explored ways of leveraging our existing strengths in the Quick Service Restaurant (QSR) sector with leading brands such as **Café de Coral**, **Super Super Congee & Noodles** and **Oliver's Super Sandwiches**. By developing and diversifying our range of QSR brands in Hong Kong, we are finding new ways of penetrating the market further and gaining even greater market share.

During the year, we actively co-operated with the Hong Kong Council of Social Service to provide jobs for disabled workers across our operations, and we also became the first restaurant chain to support the "Guide Dog Welcome" programme that is helping the blind live freer lives. In a move to support healthy eating, we have begun supporting the "Green Monday" campaign by offering vegetarian dishes in our **Café de Coral** restaurants.

<u>Quick Service Restaurants</u>

Café de Coral

Café de Coral is our flagship brand and remains the main contributor to our revenue and profits. Despite external pressures, and following unflagging efforts to provide our customers with consistent value-for-money meals, our **Café de Coral** sales performance in Hong Kong registered modest growth over last year. Same store sales increased by approximately 5% as compared to the amount reported for last year.

During the year we opened a further four stores in locations with stable demand and a strong customer base, bringing the number of stores in our portfolio to 151 as at 31st March, 2013. **Café de Coral** continues to lead the market in terms of quality, price and convenience. We invested over HK$32.9 million in renovating 12 outlets to boost diners' levels of comfort and perceptions of quality, introduced a number of new dishes and products to our menus, and conducted a range of marketing activities to keep customers aware of changes and enhancements at **Café de Coral**.

Some of our initiatives over the year have led to money-saving efficiencies that we plan to pass back to our customers in the form of a new range of value meals: good, healthy, low-cost standards that will underpin our higher-value offerings. We have also been increasingly involved in healthy living initiatives.

Super Super Congee & Noodles

This popular quick-service chain is the largest selling congee and noodles in the market. As at 31st March, 2013, it had 28 stores in operation, up from 27 at the same time last year. Most are situated in Link REIT shopping centres, or near the housing estates where target customers primarily live.

This segment delivered good results for the year under review. Same store sales rose by approximately 9% when compared with last year. The steady performance of **Super Super Congee and Noodles** suggests there is plenty of scope to expand this chain for greater penetration. We have therefore begun looking for new shop locations outside the traditional venues where we have opened stores in the past. Branches are also being given a new look; the first of these is at Yau Tong, and this will be followed by makeovers at other branches as they come up for lease renewal. These changes should increase customers' positive perception of **Super Super Congee and Noodles**, and expand the range of clientele.

Oliver's Super Sandwiches

Oliver's Super Sandwiches is the Group's flagship brand in the market for freshly-made sandwiches and other light Western-style dishes. Targeting higher-spending middle class customers, it is a widely known Hong Kong brand and a market leader in its niche. For the year under review, we enjoyed an increase in overall sales, largely as a result of opening new stores and increasing menu prices. After opening three new stores in the year, the total number stood at 21 as at 31st March, 2013.

Like **Super Super Congee & Noodles**, the **Oliver's Super Sandwiches** brand has significant scope for further development despite increasing competition from both local and international players. We are looking into developing new products such as seasonal dishes, and introducing vegetarian dishes to cater for the preferences of an increasingly important set of diners. Building on the brand's reputation for sandwiches and baked potatoes, we plan to expand to include other popular food categories such as casual gourmet and comfort food, and tea and dessert options.

Other Quick Service Restaurants

Given our proven success in operating quick service restaurants of various kinds in Hong Kong, we have introduced two new brands that target previously unexplored and potentially profitable niche markets. We opened four outlets of **85°C**, a Taiwanese-style bakery café, which is operated in Hong Kong under a joint venture between our Group and Gourmet Master Co. Ltd., a Taiwanese listed company. We also opened two outlets of a restaurant specializing in rice-flour noodles, **Mixian Sense**, in high-traffic shopping malls with large private housing estates nearby. Further, we have continued to develop other brands with the potential to meet clear niche demands. These include restaurants **ME.N.U.** and **Cooking Mama 360** offering different Western cooking styles, both still at the developmental stage; the exclusive joint-venture franchise "**Espressamente illy**" serving the high-end coffee market; and the **MIX** chain of fast casual restaurants specializing in healthy juice offerings and light meals.

As at 31st March, 2013, this range of themed restaurants operated a total of 16 outlets in Hong Kong. Though currently operating on a relatively small scale, our presence in this range of different dining markets puts us in a strong position to develop further in the future.

Institutional Catering

Asia Pacific Catering

Our market-leading institutional catering business **Asia Pacific Catering** registered encouraging business results for the year. It successfully renewed almost all its major profitable contracts while also adding several new government, institutional and SME customers to its portfolio. In the process it expanded by opening twelve new branches. Some impact was felt from rising food prices, and in the coming year we will be looking to source quality food materials at competitive prices, and negotiating directly with clients on raw materials costs. There remains much scope for **Asia Pacific Catering** to expand its business into new segments; we will be targeting options like government canteens and private hospital canteens in the coming year.

Luncheon Star

Luncheon Star has been Hong Kong's biggest school lunch provider for the past eight consecutive years. In the year under review, it performed to expectations while also moving forward positively in terms of its healthy eating and green credentials. Indeed, two of the primary schools served by **Luncheon Star** were awarded the highest level of accreditation in the "EatSmart School Accreditation Scheme (Healthy Lunch)".

At the environmental level, **Luncheon Star** has also been active. With more and more schools now adopting a 'central portioning' approach to lunch distribution in order to reduce food waste and eliminate the use of disposable lunchboxes (the so-called "Green Lunch"), "on-site meal portioning" is now becoming the norm in school catering. **Luncheon Star** has been improving its ability to provide effective "on-site meal portioning", and will continue to enhance this in the coming year by adding on-site preparation of fresh vegetables and fruit.

Specialty Restaurants

The Spaghetti House & Spaghetti 360°

The Spaghetti House and its sister brand **Spaghetti 360°** performed satisfactorily in the year under review. Both are mid-priced full service restaurants, the **Spaghetti House** offering Western cuisine for a more mature clientele and **Spaghetti 360°** aiming at a younger and trendier market, and serving Japanese-Western fusion dishes. Both were subject to the same intensive competitive pressures faced by the wider restaurant industry in Hong Kong, especially with the emergence of many new 'concept' restaurants competing for customers. We aim to enhance the brand image and review the menu offering to keep the brand fresh and attractive to customers. The two brands between them operated 28 outlets as at 31st March, 2013.

PRC OPERATIONS

In China, austerity measures continue to be applied to cool the housing market in ways that are having a wider impact on spending; and the outbreak of H7N9 avian influenza in Eastern China is bringing new uncertainties. Overall, the PRC economy has slowed down with GDP growth weakened. Consequently, over the year we have seen a slowdown in the momentum of growth in the catering industry, accompanied by changing spending habits and tastes among China consumers. We firmly believe that the current lull is a temporary one, but that we must also remain alert and adaptable as we pass through this period of adjustment. The investments we have made over the past couple of years for future China development—including the opening of new stores and the building of our central food processing plant—will bear fruit, but in the short term the cash outlay will impact on our results. We are continuing to work very diligently to ensure we maintain a solid foundation in this market, and are ready and prepared to grasp the tremendous opportunities that exist.

In terms of our PRC business results for the year, we remain at a developing stage. Many stores are still establishing themselves and building up business; our centralized food processing plant has significant scope for ramping up utilization. Rises in rental, labour and food costs have also had an impact. We are adopting a prudent approach, and implementing a tight site-selection process for new stores.

Currently our PRC operations contribute around 18% of our overall turnover. The bulk of these are contributed by our Southern China operations, where we are doing reasonably well; our Eastern China operations remain at the developmental stage.

Quick Service Restaurant

Café de Coral

We opened 15 new **Café de Coral** stores in Southern China over the year, bringing the number of outlets to 96 there as at 31st March, 2013 in major delta cities such as Shenzhen and Guangzhou. Same store sales went up by approximately 1% by comparison with the previous year. We now have a good base and firm brand recognition across this region. To expand further, we are adjusting our operating model in various ways to suit the different preferences and eating habits of Southern China customers; for example, customers here do not need to collect their food as in Hong Kong, but have it delivered to their tables. Such small changes can make a big difference to customer acceptance of a brand, and we are continuing to look closely at ways of tailoring the **Café de Coral** experience to our Southern China customers. We are also becoming more involved with local communities; for example, during the year we worked with local authorities in Fo Shan to provide job opportunities for the mentally handicapped.

Our **Café de Coral** outlets in Eastern China numbered 13 in total as at 31st March, 2013, made up of ten in Shanghai, two in Nanjing and one in Suzhou, one more than at the same time last year. Unlike in Hong Kong and Southern China, 12 of our **Café de Coral** stores now operate in full-service mode. This was a decision made in response to local preferences. By introducing full-service mode, we soon began to see an expansion of customer-count, with especially substantial increases in those dining at **Café de Coral** in evenings and on weekends. Per head spending has also moved up significantly as a result of the change. The opening of new stores and the move to full-service has involved initial costs that will take a little while to recoup. However, once this model has been fully tested and proved to be successful, we will consider conducting a rebranding exercise throughout Eastern China to reflect our different mode of operations there.

Currently we are proceeding cautiously, with plans to open one further outlet in Hangzhou City in July 2013.

Institutional Catering

Asia Pacific Catering

Our institutional catering arm, **Asia Pacific Catering**, also operates in Mainland China on a relatively small scale, with seven units as at 31st March, 2013. Its business improved over last year; while retaining all its clients in the traditional manufacturing sector, it has also begun to operate catering units at United International College in Zhuhai, a strong position from which we should be able to explore other high value-added institutional clientele in the Pearl River Delta Region.

Specialty Restaurant

The Spaghetti House

Another successful Hong Kong brand that has been exported into Southern China, **The Spaghetti House** was introduced there to tap into the mid-priced Western restaurant market patronized by an ever-growing middle class in the region. As at 31st March, 2013, we operated eight outlets across Shenzhen, Guangzhou, Zhuhai, Foshan and Zhongshan. Performance was moderate due to a flat market and rising costs, but was helped by a range of promotional campaigns, including a VIP Membership Package sales promotion and a joint promotion with a commercial bank.

Food Processing and Distribution

Scanfoods

Scanfoods is the Group’s flagship operating unit in the food processing and distribution business, providing ham and sausage products throughout Hong Kong and PRC under the Viking Boats brand. This year’s result was an encouraging one, despite the pressures of labour shortages and rising costs experienced during the year. In the coming year, new efficiencies will be introduced to lift performance further; these will include replacing diesel with natural gas, and transferring production of some products to the central food processing plant in Guangzhou.

NORTH AMERICAN OPERATIONS

Manchu WOK

Our **Manchu WOK** restaurant chain in the US and Canada comprised 144 restaurants as at 31st March, 2013. North America has faced a number of economic issues over the past year that have dampened consumer spending on dining out. Further, finding suitable mall and food locations has continued to be a challenge, especially in Canada. Against that background **Manchu WOK's** performance for the year was below expectation.

Based on the past performance and the current estimates by Manchu WOK, a provision of HK$48.2 million on the carrying amount of the goodwill for Manchu WOK has been made in the Group's financial statements for the year ended 31st March, 2013.

Having said that, the Board considers that this North American operation still maintains a solid business model and we are confident that, once the North American economies stabilize, the brand will continue to be a positive contributor.

LOGISTIC SUPPORT

Central Food Processing Plants

For a large multi-brand Group like ours, centralization of food production translates into greater efficiency, consistency, scalability, and food safety. It does however require some significant upfront investment.

We began operations at our first central food processing plant in Guangzhou Development District in May 2011, and it is now fully operational. In the year under review, we neared completion of our new Hong Kong central food processing plant in Tai Po Industrial Estate, which was eventually opened in April 2013. In the medium term, we expect both these facilities to significantly improve our competitive edge across several of our brands. By transferring many food preparation tasks from individual restaurants, the central food processing plants also reduce pressure on restaurant staff and contribute to lowering staff turnover.

Information Technology

IT enhancements to our information systems and networks over the year have led to improvements in both human resources management and food manufacturing management. For instance, we have set up an IT Backup Site at the Tai Po central food processing plant to provide for rapid business recovery in case of an unexpected disaster, and implemented a new solution to replace our existing Branch Management System. Given the importance of IT to the Group's operations, we have allocated significant resources to ongoing IT development and support over the coming year.

PROSPECTS

With 45 years of experience in the restaurant industry, we are in a strong position to manage the current environment. Many of the adjustments and new initiatives we have made over the past couple of years represent necessary first steps in successfully dealing with the challenges we encountered; these include our multi-branding efforts, our moves towards centralization, and the diversification of our business model for different contexts. In Hong Kong, we will step up our efforts to maintain and reinforce our leading position. In the PRC, meanwhile, we will leverage our scalable business platform in an effort to adjust to the evolving market landscape there.

Improving production efficiency is a particularly important way for us to emerge ahead of our competitors in this tight industry. We expect to make good use of the new central food processing plant in Hong Kong in this respect, moving most back-end food preparation to it from individual stores in coming months, creating economies of scale and freeing up extra space for dining.

RESULTS

The board of directors (the "Board") 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, 2013, together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2013

	Note	**2013** *HK$'000*	2012 *HK$'000* (Restated)
Revenue	**4**	**6,394,089**	**5,956,438**
Cost of sales	6	**(5,483,663)**	(5,142,737)
Gross profit		**910,426**	813,701
Other gains, net	5	**61,319**	62,883
Administrative expenses	6	**(326,252)**	(317,950)
Operating profit		**645,493**	**558,634**
Finance income	7	**10,966**	9,016
Share of (loss)/profit of associates		**(4,243)**	310
Share of loss of jointly controlled entities		**(5,987)**	(333)
Profit before income tax		**646,229**	**567,627**
Income tax expense	8	**(100,282)**	(90,616)
Profit for the year		**545,947**	477,011
Allocated as:			
Profit/(loss) attributable to non-controlling interests		**1,000**	(318)
Profit attributable to equity holders of the Company		**544,947**	**477,329**
Earnings per share for profit attributable to the equity holders of the Company			
- Basic	**9**	**95.26 HK cents**	**84.40 HK cents**
- Diluted	9	**94.63 HK cents**	83.81 HK cents
Dividends	10	**517,204**	353,286

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH, 2013

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Profit for the year	**545,947**	477,011
Other comprehensive income/(loss):		
Exchange differences arising from translation of foreign subsidiaries, associates and a jointly controlled entity	**5,458**	10,065
Actuarial losses on retirement benefit obligation recognised in reserve	**(27,616)**	(28,455)
Deferred income tax effect on actuarial loss of retirement benefit obligation recognised in reserve	**-**	(1,004)
Fair value gains on available-for-sale financial assets	**38,649**	136,129
Reserve released upon disposal of available-for-sale financial assets	**(581)**	(3,992)
Total comprehensive income for the year	**561,857**	**589,754**
Attributable to:		
- Equity holders of the Company	**560,857**	590,072
- Non-controlling interests	**1,000**	(318)
	561,857	589,754

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH, 2013

	Note	As at 31st March **2013** *HK$'000*	2012 *HK$'000* (Restated)	As at 1st April, 2011 *HK$'000* (Restated)
ASSETS				
Non-current assets				
Leasehold land and land use rights		**94,411**	97,143	67,810
Property, plant and equipment		**1,672,430**	1,482,562	1,175,764
Investment properties		**385,000**	326,200	316,200
Intangible assets		**111,579**	172,652	190,676
Investments in associates		**11,780**	18,505	21,271
Investments in jointly controlled entities		**24,372**	11,060	4,240
Deferred income tax assets		**24,320**	18,075	14,160
Retirement benefit assets		**-**	-	14,361
Available-for-sale financial assets		**451,087**	417,667	324,052
Non-current prepayments and deposits		**268,633**	229,505	228,369
Financial assets at fair value through profit or loss		**33,094**	14,745	38,392
		3,076,706	2,788,114	2,395,295
Current assets				
Inventories		**204,548**	172,099	170,986
Trade and other receivables	11	**147,671**	73,889	54,333
Prepayments and deposits		**124,966**	99,070	101,534
Financial assets at fair value through profit or loss		**56,077**	55,135	65,902
Bank deposits with maturity over three months		**31,076**	31,033	-
Cash and cash equivalents		**772,694**	854,417	993,333
		1,337,032	1,285,643	1,386,088
Total assets		**4,413,738**	4,073,757	3,781,383

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31ST MARCH, 2013

	Note	As at 31st March **2013** *HK$'000*	2012 *HK$'000* (Restated)	As at 1st April, 2011 *HK$'000* (Restated)
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital		**57,407**	56,956	56,313
Other reserves		**1,164,384**	1,057,413	836,259
Retained earnings				
- Proposed dividends		**419,790**	256,997	395,098
- Others		**1,907,793**	1,906,445	1,803,445
		3,549,374	3,277,811	3,091,115
Non-controlling interests		**2,271**	1,271	1,589
Total equity		**3,551,645**	3,279,082	3,092,704
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities		**31,616**	33,208	35,832
Provision for long service payments		**19,680**	9,872	14,249
Retirement benefit liabilities		**25,670**	12,328	-
		76,966	55,408	50,081
Current liabilities				
Trade payables	12	**179,103**	171,250	172,413
Other creditors and accrued liabilities		**563,216**	535,286	440,361
Current income tax liabilities		**42,808**	32,731	25,824
		785,127	739,267	638,598
Total liabilities		**862,093**	794,675	688,679
Total equity and liabilities		**4,413,738**	4,073,757	3,781,383
Net current assets		**551,905**	546,376	747,490
Total assets less current liabilities		**3,628,611**	3,334,490	3,142,785

Notes: -

1 Basis of preparation

The consolidated financial statements of the Company and its subsidiaries (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 and 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.

2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st March, 2012, as described in those annual financial statements.

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

The Group has investment properties measured at their fair values totaling HK$326,200,000 as of 1st April, 2012 (1st April, 2011: HK$316,200,000). As required by the amendment, the Group has re-measured the deferred income tax relating to certain investment properties amounting to HK$28,813,000 (1st April, 2011: HK$25,285,000) as of 1st April, 2012 according to the tax consequence on the presumption that they are recovered entirely by sale retrospectively. The comparative figures for 2012 have been restated to reflect the change in accounting policy. The effect of adoption of this amendment is as below.

2 Accounting policies (Continued)

Effect on consolidated statement of financial position

	31st March, 2012 *HK$'000*	1st April, 2011 *HK$'000*
Decreased in deferred income tax liabilities	28,813	25,285
Increase in retained earnings	28,813	25,285

Effect on consolidated income statement

	For year ended 31st March, 2012 *HK$'000*
Decrease in income tax expense	3,528
Increase in net profit attributable to equity holders of the Company	3,528
Increase in basic EPS	HK 0.62 cents
Increase in diluted EPS	HK 0.62 cents

The following amendments to standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st April 2012, but not currently relevant to the Group.

		Effective for accounting periods beginning on or after
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1st July 2011
HKFRS 7 (Amendment)	Disclosures – Transfers of financial assets	1st July 2011

2 Accounting policies (Continued)

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

		Effective for accounting periods beginning on or after
New or revised standards, interpretations and amendments		
HKAS 1 (Amendment)	Presentation of financial statements	1st July, 2012
HKAS 19 (Amendment)	Employee benefits	1st January, 2013
HKAS 27 (Revised 2011)	Separate financial statements	1st January, 2013
HKAS 28(Revised 2011)	Investments in associates and joint ventures	1st January, 2013
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities	1st January, 2014
HKFRS 1 (Amendment)	Government loans	1st January, 2013
HKFRS 7 (Amendment)	Disclosure - Offsetting financial assets and financial liabilities	1st January, 2013
HKFRS 9	Financial instruments	1st January, 2015
HKFRS 10	Consolidated financial statements	1st January, 2013
HKFRS 11	Joint arrangements	1st January, 2013
HKFRS 12	Disclosures of interests in other entities	1st January, 2013
HKFRS 13	Fair value measurements	1st January, 2013
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance	1st January, 2013
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment entities	1st January, 2014
HK(IFRIC) - Int 20	Stripping costs in the production phase of a surface mine	1st January, 2013
Annual improvement project	Annual improvements 2009-2011 cycle	1st January, 2013
HKFRS 7 and 9 (Amendment)	Disclosures: Mandatory effective date of HKFRS 9 and transitional disclosures	1st January, 2015

2 Accounting policies (Continued)

The Group has commenced an assessment of the impact of these new, amended and revised HKFRSs but is not yet in a position to state whether they would have a significant impact of its results of operations and financial position.

3 Segment information

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

The Chief Executive Officer of the Group reviews the Group's internal reporting in order to allocate resources amongst different segments. He assesses the business principally from a geographical perspective including Hong Kong, Mainland China and North America.

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

	Hong Kong *HK$'000*	Mainland China *HK$'000*	North America *HK$'000*	Group *HK$'000*
Year ended 31st March, 2013				
Total segment revenue	5,076,765	1,233,477	194,201	6,504,443
Inter-segment revenue *(Note i)*	(2,948)	(107,406)	-	(110,354)
Revenue (from external revenue) *(Note ii)*	5,073,817	1,126,071	194,201	6,394,089
Segment results *(Note iii)*	868,764	84,036	10,421	963,221
Depreciation and amortisation	175,365	64,590	16,638	256,593
Impairment loss of goodwill	-	-	48,232	48,232
Impairment loss of a jointly controlled entity	-	3,700	-	3,700
Impairment loss of property, plant and equipment	-	9,203	-	9,203
Finance income	7,230	3,638	98	10,966
Share of profit/(loss) of associates	387	(4,825)	195	(4,243)
Share of (loss)/profit of jointly controlled entities	(5,995)	8	-	(5,987)
Income tax expense/(credit)	90,447	12,611	(2,776)	100,282

3 Segment information (Continued)

	Hong Kong *HK$'000*	Mainland China *HK$'000*	North America *HK$'000*	Group *HK$'000*
Year ended 31st March, 2012				
Total segment revenue	4,786,507	1,074,925	203,884	6,065,316
Inter-segment revenue *(Note i)*	(2,517)	(106,361)	-	(108,878)
Revenue (from external revenue) *(Note ii)*	4,783,990	968,564	203,884	5,956,438
Segment results *(Note iii)*	700,660	87,510	14,477	802,647
Depreciation and amortisation	171,064	57,023	15,926	244,013
Finance income	6,081	2,753	182	9,016
Share of profit/(loss) of associates	1,742	(1,812)	380	310
Share of loss of jointly controlled entities	(279)	(54)	-	(333)
Income tax expense/(credit) (restated)	77,988	13,842	(1,214)	90,616

(i) Inter-segment transactions were entered into in the normal course of business.

(ii) The Group has a large number of customers. For the year ended 31st March, 2013, no revenue was derived from transactions with a single external customer representing 10% or more of the Group's total revenue.

3 Segment information (Continued)

(iii) Reconciliation of total segment results to total profit before income tax is as follows:

	31st March, 2013	31st March, 2012
	HK$'000	*HK$'000*
Segment results	**963,221**	802,647
Depreciation and amortisation	**(256,593)**	(244,013)
Impairment loss of goodwill	**(48,232)**	-
Impairment loss of a jointly controlled entity	**(3,700)**	-
Impairment loss of property, plant and equipment	**(9,203)**	-
Operating profit	**645,493**	558,634
Finance income	**10,966**	9,016
Share of (loss)/profit of associates	**(4,243)**	310
Share of loss of jointly controlled entities	**(5,987)**	(333)
Profit before income tax	**646,229**	567,627

3 Segment information (Continued)

	Hong Kong *HK$'000*	Mainland China *HK$'000*	North America *HK$'000*	Group *HK$'000*
Year ended 31st March, 2013				
Segment assets	2,819,095	814,867	215,198	3,849,160
Segment assets include:				
Investments in associates	-	10,577	1,203	11,780
Investments in jointly controlled entities	23,726	646	-	24,372
Additions to non-current assets (other than financial instruments and deferred income tax assets)	418,324	107,656	14,125	540,105
Year ended 31st March, 2012				
Segment assets	2,470,971	822,554	274,610	3,568,135
Segment assets include:				
Investments in associates	1,869	15,402	1,234	18,505
Investments in jointly controlled entities	6,721	4,339	-	11,060
Additions to non-current assets (other than financial instruments and deferred income tax assets)	513,954	129,442	16,381	659,777

As at 31st March, 2013, the Group's non-current assets (other than financial instruments and deferred income tax assets) located in Hong Kong, the Mainland China and North America amounted to HK$1,905,781,000 (31st March, 2012: HK$1,631,799,000), amounted to HK$508,483,000 (31st March, 2012: HK$497,023,000) and amounted to HK$153,940,000 (31st March, 2012: HK$208,805,000) respectively.

3 Segment information (Continued)

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

	31st March, 2013	31st March, 2012
	HK$'000	*HK$'000*
Total segment assets	**3,849,160**	3,568,135
Deferred income tax assets	**24,320**	18,075
Available-for-sale financial assets	**451,087**	417,667
Financial assets at fair value through profit or loss	**89,171**	69,880
Total assets	**4,413,738**	4,073,757

4 Revenue

	2013	2012
	HK$'000	*HK$'000*
Sales of food and beverages	**6,265,645**	5,814,409
Rental income	**32,900**	40,917
Royalty income	**36,699**	41,929
Management and service fee income	**7,457**	8,805
Franchise income	**3,772**	3,553
Sundry income	**47,616**	46,825
	6,394,089	5,956,438

5 Other gains, net

	2013	2012
	HK$'000	*HK$'000*
Fair value gain/(loss) on financial assets at fair value through profit or loss	**3,376**	(1,993)
Gain/(loss) on disposal of financial assets at fair value through profit or loss	**269**	(24)
Gain on disposal of available-for-sale financial assets	**920**	3,249
Dividend income from listed investments	**13,213**	13,693
Fair value gains on investment properties	**58,800**	45,000
Gain/(loss) on disposal of property, plant and equipment	**41,825**	(14,571)
Gain on disposal of investment property	**-**	6,142
Gain on disposal of trademark	**-**	11,387
Impairment loss of a jointly controlled entity	**(3,700)**	-
Impairment loss of property, plant and equipment	**(9,203)**	-
Impairment loss of goodwill	**(48,232)**	-
Gain on disposal of an associate	**4,051**	-
	61,319	62,883

6 Expenses by nature

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

	2013	2012
	HK$'000	*HK$'000*
Cost of raw materials and consumables used	**2,090,196**	1,989,670
Employee benefit expense	**1,688,387**	1,512,811
Operating lease rentals in respect of rented premises	**709,485**	668,137
Depreciation of property, plant and equipment	**243,837**	228,933
Amortisation of leasehold land and land use rights	**3,014**	2,767
Amortisation of intangible assets	**9,742**	12,313
Provision for impairment of trade receivables	**55**	123

7 Finance income

	2013	2012
	HK$'000	*HK$'000*
Interest income	**10,966**	9,016

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% (2012: 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 to the consolidated income statement represents:

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Current income tax:		
- Hong Kong profits tax	**99,113**	86,627
- Overseas taxation	**12,562**	15,429
Deferred income tax relating to the origination and reversal of temporary differences	**(6,948)**	(6,805)
Over-provision in prior years	**(4,445)**	(4,635)
	100,282	90,616

9 Earnings per share

Basic

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

	2013	2012 (Restated)
Profit attributable to equity holders of the Company *(HK$'000)*	**544,947**	477,329
Weighted average number of ordinary shares in issue *('000)*	**572,060**	565,517
Basic earnings per share *(HK cents per share)*	**95.26 HK cents**	84.40 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.

9 Earnings per share (Continued)

Diluted **(Continued)**

	2013	2012 (Restated)
Profit attributable to equity holders of the Company *(HK$'000)*	**544,947**	477,329
Weighted average number of ordinary shares in issue *('000)*	**572,060**	565,517
Adjustment for share options *('000)*	**3,796**	4,034
	575,856	569,551
Diluted earnings per share *(HK cents per share)*	**94.63 HK cents**	83.81 HK cents

10 Dividends

	2013 *HK$'000*	2012 *HK$'000*
- Interim dividend, paid, of 17 HK cents (2012: 17 HK cents) per ordinary share	**97,414**	96,289
- Final dividend, proposed, 48 HK cents (2012: 45 HK cents) per ordinary share	**276,026**	256,997
- Special dividend, proposed, 25 HK cents (2012: Nil) per ordinary share	**143,764**	-
	517,204	353,286

A final dividend of 48 HK cents per ordinary share and a special dividend of 25 HK cents per ordinary share in respect of the year ended 31st March, 2013 amounting to a total final and special dividends of approximately HK$419,790,000, were proposed. Such final and special dividends are subject to approval by the shareholders at the upcoming annual general meeting. These financial statements do not reflect these dividends payable.

11 Trade and other receivables

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**37,665**	35,969
Less: provision for impairment of receivables	**(129)**	(595)
Trade receivables - net	**37,536**	35,374
Other receivables	**110,135**	38,515
	147,671	73,889

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:

	2013	2012
	HK$'000	*HK$'000*
0 - 30 days	**23,321**	25,176
31 - 60 days	**7,484**	6,319
61 - 90 days	**2,801**	1,458
Over 90 days	**4,059**	3,016
	37,665	35,969

12 Trade payables

The ageing analysis of trade payables is as follows:

	2013	2012
	HK$'000	*HK$'000*
0 - 30 days	**172,078**	153,201
31 - 60 days	**3,079**	10,348
61 - 90 days	**1,163**	2,260
Over 90 days	**2,783**	5,441
	179,103	171,250

13 Commitments

As at 31st March, 2013, the Group had the following capital commitments:

	2013	2012
	HK$'000	*HK$'000*
Acquisition of property, plant and equipment		
Authorised and contracted for	**10,205**	85,361
Authorised but not contracted for	**446,501**	519,023
	456,706	604,384

FINAL AND SPECIAL DIVIDENDS

The Board recommends a final dividend of 48 HK cents (2012: 45 HK cents) and a special dividend of 25 HK cents (2012: nil) per share, resulting in a total dividend of 90 HK cents (2012 final and interim dividends: 62 HK cents) per share for the year ended 31st March, 2013, to those persons registered as shareholders of the Company on 16th September, 2013. Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the final and the special dividends will be paid on 26th September, 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 6th September, 2013 to Tuesday, 10th September, 2013 (both days inclusive) during which period no transfers of shares will be effected. 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 Thursday, 5th September, 2013.

In addition, the Register of Members of the Company will also be closed on Monday, 16th September, 2013 during which no transfer of shares will be effected. In order to qualify for the proposed final and special dividends, if approved 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 Friday, 13th September, 2013.

FINANCIAL REVIEW

As at 31st March, 2013, the Group's financial position was strong, with net cash of close to HK$773 million and available banking facilities of HK$536 million. The Group had no external borrowing (31st March, 2012: Nil) and gearing (total borrowings over shareholders' funds) of nil (31st March, 2012: Nil). No material changes in contingent liabilities or charges on assets have occurred since 31st March, 2013.

As at 31st March, 2013, the Company had given guarantees of approximately HK$536 million (31st March, 2012: HK$536 million) to financial institutions in connection with the banking facilities granted to its subsidiaries.

Regarding foreign exchange fluctuations, 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 a significant risk for the Group, we will continue to be proactive and closely monitor our exposure to currency movements.

HUMAN RESOURCES & TRAINING

As of 31st March, 2013, the Group (other than associated companies and jointly controlled entities) employed approximately 17,000 employees. Remuneration packages including those of Directors are generally structured by reference to market terms, individual qualifications, experience, duties and responsibilities. Employees shared in the Group's growth through Share Option Schemes together with profit sharing bonus and a performance incentive system.

Employees get regular training opportunities in areas such as occupational health and safety and management skills. We also run a mentorship programme, and have set up an Executive Development Programme as part of our management succession plan. The Group also provides employees and their families with an all-round set of benefits, including a medical plan, a group life insurance plan, a housing scheme, and a scholarship and education fund for children. During the year we introduced a five-day working week for staff.

CORPORATE GOVERNANCE

Throughout the year ended 31st March, 2013, the Company has complied with all the principles and code provisions set out in the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except for the following:

Code provision A.6.6

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

Code provision C.3.7

Code provision C.3.7 of the CG Code stipulates that the Audit Committee of the Company should review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action. Such duties have been added to the terms of reference of the Audit Committee of the Company. Relevant procedures have been adopted and included in the employee handbook of the Group with effect from December 2012.

Code provision D.3.1

Code provisions D.3.1 (c) and (d) of the Code require the Board (i) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; and (ii) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors. With the Board's approval, the terms of reference of the Audit Committee of the Company have been amended to include such duties. The code of conduct applicable to the employees has been included in the employee handbook of the Group. The policies and practices on compliance with legal and regulatory requirements were streamlined and adopted by management and reviewed by the Audit Committee in June 2013.

Code provision E.1.4

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

REVIEW OF THE RESULTS

The Audit Committee and the Board of Directors have reviewed the accounting principles and 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 2012/2013 annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st March, 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

By order of the Board
Chan Yue Kwong, Michael
Chairman

Hong Kong, 25th June, 2013

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