



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 2009 年報



Corporate Governance and Corporate Social Responsibility Report

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, 2009 save and except for the deviation from (i) 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 and; (ii) Code Provision C.2.2, which requires that the Board's annual review should consider the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

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.

Since the Code Provision C.2.2 became effective on 1st January, 2009, the Board commences such annual review in the current financial year ending 31st March, 2010.

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. Look Guy, who was appointed as independent non-executive director of the Company with effect from 1st April, 2009, 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, 2009.

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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 Hoi Chun
Mr. Hui Tung Wah, Samuel

Independent non-executive directors

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

Biographies, including relationships among members of the Board are set out in the "Biography of Directors and Senior Management" section on page 19 to 23 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.

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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.

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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. Look Guy, who is appointed for the term until the forthcoming annual 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 chaired by Mr. Chan Yue Kwong, Michael with Mr. Lo Tak Shing, Peter, Mr. Lo Hoi Chun, Mr. Choi Ngai Min, Michael and Mr. Li Kwok Sing, Aubrey as members. The primary function of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and makes recommendations to the Board regarding any proposed changes.

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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, 2009 (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. Lo Hoi Kwong, Sunny, Mr. Lo Tang Seong, Victor, Mr. Hui Tung Wah, Samuel and Mr. Choi Ngai Min, Michael as Directors of the Company to be proposed for shareholders' approval at the last Annual General Meeting held on 17th September, 2008 as well as make recommendations to the Board to consider the appointment of Mr. Look Guy as independent 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. Lo Hoi Chun, Mr. Choi Ngai Min, Michael, Mr. Li Kwok Sing, Aubrey and Mr. Kwok Lam Kwong, Larry and is chaired by Mr. Li Kwok Sing, Aubrey.

During the financial year ended 31st March, 2009, one meeting of Remuneration Committee was held to consider the current director's fee level payable to the executive directors of the Company.

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. Li Kwok Sing, Aubrey with Mr. Choi Ngai Min, Michael, Mr. Kwok Lam Kwong, Larry and Mr. Look Guy as the members.

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During the financial year ended 31st March, 2009, two meetings of Audit Committee were held to (i) discuss the general scope of audit work; (ii) review external auditors' management letter and management response; (iii) review the interim and annual reports before submission to the Board for approval; (iv) focus on the impact of changes in respect of the changes in accounting policies and practices and compliance with the accounting standards, Listing Rules and legal requirements in relation to the Company's interim and annual reports; and (v) overview on the progress and assessment of the Company's internal control and risk management system.

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

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Attendance records of the Directors at Board Meetings (BM), Audit Committee Meetings (ACM), Remuneration Committee Meeting (RCM), Nomination Committee Meetings (NCM) and Annual General Meeting (AGM) held for the year ended 31st March, 2009 are set out below:

	Number of meetings attended/held For the year ended 31st March, 2009				
	BM	ACM	RCM	NCM	AGM
Executive Directors					
Mr. Chan Yue Kwong Michael (<i>Chairman</i>)	5/5	N/A	N/A	2/2	1/1
Mr. Lo Hoi Kwong, Sunny (<i>Managing Director</i>)	5/5	N/A	N/A	N/A	1/1
Ms. Lo Pik Ling, Anita	5/5	N/A	N/A	N/A	1/1
Mr. Lo Tak Shing, Peter	5/5	N/A	N/A	2/2	1/1
Non-executive Directors					
Mr. Lo Tang Seong, Victor	5/5	N/A	N/A	N/A	1/1
Mr. Lo Hoi Chun	5/5	N/A	1/1	2/2	1/1
Mr. Hui Tung Wah, Samuel	5/5	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Choi Ngai Min, Michael	5/5	2/2	1/1	2/2	1/1
Mr. Li Kwok Sing, Aubrey	4/5	2/2	1/1	2/2	1/1
Mr. Kwok Lam Kwong, Larry	5/5	2/2	1/1	N/A	0/1
Mr. Look Guy (appointed with effect from 1st April, 2009)	N/A	N/A	N/A	N/A	N/A

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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 <i>HK\$'000</i>
Audit services	3,348
Non-audit services	93
Total:	3,441

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and the Group 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, 2009.

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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. Food quality system was the key focus in the review this year. 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.

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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 17th September, 2008, the Chairman demanded a poll on all resolutions. The procedure for demanding a poll by shareholders was incorporated in the relevant circular for the said annual general meeting. The Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, was engaged as scrutineer to ensure the votes were properly counted.

INVESTOR RELATIONS

The Company regularly meets institutional investors, financial analysts and financial media, and releases information related to the business progress of the Company so as to update the recent 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.