



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

千載不變

上市



週年...

大家樂見

Annual Report 2011
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, 2011 save and except for the deviation from Code Provision A.2.1, which provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

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

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

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. 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, 2011.

Corporate Governance and Corporate Social Responsibility Report

BOARD OF DIRECTORS

RESPONSIBILITIES OF THE BOARD

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

Executive directors

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

Non-executive directors

Mr. Lo Tang Seong, Victor
Mr. Lo Ming Shing, Ian
Mr. Hui Tung Wah, Samuel

Independent non-executive directors

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

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

Corporate Governance and Corporate Social Responsibility Report

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.

Corporate Governance and Corporate Social Responsibility Report

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 specific term 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, overseeing the Group's businesses and providing leadership in strategic issues. The management is delegated to manage the day-to-day businesses of the Group.

When the Board delegates aspects of its management and administration functions to management, clear directions are given as to the limits of the authority delegated to management, in particular, the circumstances where management should report back to the Board before making decisions or entering into any commitments on behalf of the Group.

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

BOARD COMMITTEES

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

NOMINATION COMMITTEE

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

Corporate Governance and Corporate Social Responsibility Report

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.

One meeting of the Nomination Committee was held during the financial year ended 31st March, 2011 (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, Mr. Li Kwok Sing, Aubrey and Mr. Lo Ming Shing, Ian as Directors of the Company to be proposed for shareholders' approval at the last Annual General Meeting held on 20th September, 2010.

REMUNERATION COMMITTEE

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

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

During the financial year ended 31st March, 2011, one meeting of Remuneration Committee was held to review the remuneration package of senior management 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. Look Guy with Mr. Li Kwok Sing, Aubrey, Mr. Choi Ngai Min, Michael and Mr. Kwok Lam Kwong, Larry as the members.

Corporate Governance and Corporate Social Responsibility Report

During the financial year ended 31st March, 2011, five meetings of Audit Committee were held. The following is a summary of the works performed by the Audit Committee during the year ended 31st March, 2011:

1. review of the Group's annual and interim results statements and the related result announcement and documents and other matters or issues raised by external auditors;
2. review of the findings from external auditors and internal control consultants;
3. review the independence of the external auditors and engagement of external auditors for annual audit;
4. review the audit plans, internal control plan, the development in accounting standards and its effects on the Group, goodwill assessment, connected transaction, financial reporting matters and risk management;
5. review on the adequacy of resources, qualifications, experience of staff of the Group's accounting and financial reporting function as well as their training programmes and budget;
6. discuss and review on the Group's financial investment policy and bank deposit policy;
7. approve on the current year external audit plan, review and monitor internal control performance as well as the effectiveness of the internal control system; and
8. review on corporate governance compliance.

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

Corporate Governance and Corporate Social Responsibility Report

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Attendance records of the Directors at Board Meetings (BM), Audit Committee Meetings (ACM), Remuneration Committee Meeting (RCM), Nomination Committee Meeting (NCM) and Annual General Meeting (AGM) held for the year ended 31st March, 2011 are set out below:

	Number of meetings attended / held For the year ended 31st March, 2011				
	BM	ACM	RCM	NCM	AGM
Executive Directors					
Mr. Chan Yue Kwong Michael (<i>Chairman</i>)	7/7	N/A	N/A	1/1	1/1
Mr. Lo Hoi Kwong, Sunny (<i>Managing Director</i>)	7/7	N/A	N/A	1/1	1/1
Ms. Lo Pik Ling, Anita	7/7	N/A	N/A	N/A	1/1
Mr. Lo Tak Shing, Peter	7/7	N/A	N/A	1/1	1/1
Non-executive Directors					
Mr. Lo Tang Seong, Victor	6/7	N/A	N/A	N/A	1/1
Mr. Lo Ming Shing, Ian	7/7	N/A	N/A	N/A	1/1
Mr. Hui Tung Wah, Samuel	7/7	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Choi Ngai Min, Michael	7/7	5/5	1/1	1/1	1/1
Mr. Li Kwok Sing, Aubrey	6/7	5/5	1/1	1/1	1/1
Mr. Kwok Lam Kwong, Larry	6/7	5/5	1/1	N/A	0/1
Mr. Look Guy	7/7	5/5	N/A	N/A	1/1

EXTERNAL AUDITORS AND FINANCIAL REPORTING

The Management has provided such explanation and information to the Board and will enable the Board to make an informed assessment of the financial and other information put before the Board for approval. The Directors acknowledge their responsibilities to prepare the financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash 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 58 to 59.

Corporate Governance and Corporate Social Responsibility Report

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	3,643
Non-audit services	400
Total:	4,043

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and the Group's assets, and reviewing the effectiveness of such on an annual basis through the Audit Committee. The Audit Committee reports to the Board on any material issues and makes recommendations to the Board. The Board has conducted an annual review and assessment of the effectiveness of the risk management and internal control system of the Group for the year ended 31st March, 2011.

Similar as before, the Management continued to engage Deloitte Touche Tohmatsu as external consultant to perform the Group's Internal Audit function with its internal audit team under a co-sourcing arrangement. The scope of work of co-sourcing team included the review of internal control system, working systems and workflows, as well as the management system. The review was conducted by making reference to the guidelines and definitions as outlined by the regulatory and professional bodies for the purpose of assessing five major internal control elements, namely, the control environment, risk assessment, control activities, information and communication, and monitoring.

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

Corporate Governance and Corporate Social Responsibility Report

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 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. Risk profile is reassessed periodically. Food safety is always the core risk element in the risk profile, its related controlling and monitoring mechanism have been embedded in the day to day business operations. Identified issues are closely managed and resolved in a proactive and timely manner.

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.

Annual internal audit work plan was developed based on the result of risk assessment. The work plan was reviewed and approved by the management and the Audit Committee. During the year, the co-sourcing project team conducted internal control reviews covering financial, operational, compliance controls of operations in Hong Kong and Southern China. Internal Audit function also performed ad hoc review requested by management. Key business heads in Hong Kong, PRC and North America confirmed the effectiveness of the internal controls system during the year. Result of internal controls reviews was reported to the management and the Audit Committee.

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 management reports and the result of internal control reviews.

Audit recommendations are agreed with respective department head. They are tracked and followed up for proper implementation. Progress is reported to the management and the Audit Committee on a regular basis.

Corporate Governance and Corporate Social Responsibility Report

In order to support the Group's business development especially in the Southern China, additional resources have been placed into the Internal Audit function. In the coming years, more audit coverage in the Southern China Operations is planned.

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 20th September, 2010, the Chairman demanded a poll on all resolutions. The Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, was engaged as scrutineer to ensure the votes were properly counted.

INVESTOR RELATIONS

The Company regularly meets institutional investors, financial analysts and financial media, and releases information related to the business progress of the Company so as to update the recent developments of the Company through mutual and efficient communications. The Company has constantly conducted road shows and investors' conference during the year on open dialogue with the investment community. Investors are welcome to send email directly to the investor relations responsible officer's email at irs@cafedecoral.com or browse the Company's website for getting latest release and financial result information.

Corporate Governance and Corporate Social Responsibility Report

Investors' Road Show and Conference

Other than meetings with fund managers and potential investors, the Company also participated in various road shows and investors' conference. Abstract of events for the current year were as follows:

Date	Event	Organiser	Location
March 2011	Asia Investment Conference	Credit Suisse	Hong Kong
December 2010	Road show Road show	Mitsubishi UFJ Deutsche Bank	Tokyo Singapore
October 2010	Greater China Investor Conference	Citigroup	Macau
July 2010	Road show Road show	BOCI CLSA	Singapore Singapore
April 2010	Road show Greater China Conference Hong Kong Conference	Mitsubishi UFJ Nomura Macquarie	Tokyo Chongqing Hong Kong

The Company also has conducted regular update with the financial analysts and financial media explaining the Company's business performance and future directions. During the year, there were 14 financial investment companies conducted research coverage for the Company. Details of research contact can be obtained at the Company's website.

New Update

The Company has updated the key calendar dates related to shareholders on page 3 of the Annual Report. In addition, the latest number of operating units of the Group are newly added and available at the Company's website.

CORPORATE SOCIAL RESPONSIBILITY

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