



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 2008 年報





## 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 create more value to shareholders. The Board will continuously review and be committed to improving corporate governance practices and maintain 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, 2008 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 three independent non-executive directors in the Board with sufficient independent element. Therefore, the Board is of the view that there are adequate impartiality and safeguards in place.

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. Having made specific inquiry with all directors of the Company, the Company ensures that all directors have confirmed their compliance with the required standard set out in the Model Code during the year ended 31st March, 2008.



# 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 Company and to regularly review the Company's performance. The Board comprises ten members, including four executive directors, three non-executive directors and three 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

Biographies, including relationships among members of the Board are set out in the "Biography of Directors and Senior Management" section on pages 18 to 22 of this annual report and the Company's website: [www.cafedecoral.com](http://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 three 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 three 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, all independent non-executive directors make various contributions to the effective direction and strategic decision of the Company.

# 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 fully aware of his responsibility under the relevant applicable legal and regulatory requirements. The senior management and the Company Secretary will conduct such briefing 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 obligation to supply the Board and the Board committees with adequate information in a timely manner to enable it 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 inquiry of 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 meeting, reasonable notice will be given.

Directors are given opportunity to include matters in the agenda for regular Board meeting. 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 term of two to three years 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 aspect of its management and administration functions to management, clear directions would be given as to the power of 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 established a Nomination Committee. The committee was 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 make recommendation to the Board regarding any proposed changes.



Proposal for the appointment of 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 the relevant strategic business areas and which appointments will result on the constitution of a strong and diverse Board.

Two meetings of Nomination Committee was held during the year (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, assessed the independence of the independent non-executive directors and make recommendation on the re-election of Ms. Lo Pik Ling, Anita, Mr. Lo Hoi Chun, Mr. Li Kwok Sing, Aubrey and Mr. Kwok Lam Kwong, Larry as Directors of the Company to be proposed for shareholders' approval at the last Annual General Meeting held on 18th September, 2007.

## **REMUNERATION COMMITTEE**

The Company 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, 2008, one meeting of Remuneration Committee was held to finalize the terms of the new service contract of each of Mr. Chan Yue Kwong, Michael and Mr. Lo Hoi Kwong, Sunny, being the Chairman and Managing Director of the Group respectively and to propose the principal framework in respect of share options to be granted to employees of the Group for Board's approval.

## **AUDIT COMMITTEE**

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

The Audit Committee comprises the three independent non-executive directors of the Company which is currently chaired by Mr. Li Kwok Sing, Aubrey and with 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, 2008, 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 requirement 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.

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, 2008 are set out below:

	Number of meetings attended/held For the year ended 31st March, 2008				
	BM	ACM	RCM	NCM	AGM
<b>Executive Directors</b>					
Mr. Chan Yue Kwong Michael (Chairman)	6/6	N/A	N/A	2/2	1/1
Mr. Lo Hoi Kwong, Sunny (Managing Director)	6/6	N/A	N/A	N/A	1/1
Ms. Lo Pik Ling, Anita	6/6	N/A	N/A	N/A	1/1
Mr. Lo Tak Shing, Peter	6/6	N/A	N/A	2/2	1/1
<b>Non-executive Directors</b>					
Mr. Lo Tang Seong, Victor	6/6	N/A	N/A	N/A	1/1
Mr. Lo Hoi Chun	6/6	N/A	1/1	2/2	1/1
Mr. Hui Tung Wah, Samuel	6/6	N/A	N/A	N/A	1/1
<b>Independent Non-executive Directors</b>					
Mr. Choi Ngai Min, Michael	6/6	2/2	1/1	2/2	1/1
Mr. Li Kwok Sing, Aubrey	6/6	1/2	1/1	2/2	1/1
Mr. Kwok Lam Kwong, Larry	5/6	2/2	1/1	N/A	1/1

# Corporate Governance and Corporate Social Responsibility Report



## 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 flows 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 47 to 48.

During the year under review, the remuneration paid to the Company's auditors, Messrs. PricewaterhouseCoopers, is set out as follows:

<b>Type of services</b>	<b>Fee paid/payable</b> <i>HK\$'000</i>
Audit services	3,489
Non-audit services	330
Total:	3,819

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and the Company 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, 2008.



## Corporate Governance and Corporate Social Responsibility Report

Management recognizes the benefits from internal controls review conducted by the external consultant – Deloitte Touche Tohmatsu in the last year. In this year, the Group has established an Internal Audit function. The Internal Audit function cooperates with external consultant – Deloitte Touche Tohmatsu in co-sourcing arrangement, to review the Group's internal control system, working systems and workflows, as well as the 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 internal controls review during the year 2007. 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.

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 Company in managing risks based on the management report and the findings performed by the external consultant.

Audit recommendations are tracked and followed up for proper implementation. Progress is reported to the management and Audit Committee on a regular basis.

# Corporate Governance and Corporate Social Responsibility Report



## 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' RIGHT

At the annual general meeting held on 18th September, 2007, 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 development 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 website at [www.cafedecoral.com](http://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](http://www.cafedecoral.com).