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## CAFÉ DE CORAL HOLDINGS LIMITED

大家樂集團有限公司

*(Incorporated in Bermuda with Limited Liability)*  
(Stock Code: 00341)

### DISCLOSEABLE TRANSACTION

#### Acquisition of interest in Manchu Wok

On 16th September, 2005, the Company and KFE reached the Agreement pursuant to which KFE agreed to sell and CDC agreed to acquire all of the KFE Interest in Manchu Wok for the Price.

#### THE AGREEMENT

The principal terms of the Agreement are as follows:

Date of the Agreement: 16th September, 2005

Parties to the Agreement: CDC (Denmark), a wholly-owned subsidiary of the Company;  
the Company; and  
KFE

The Company confirms that, to the best of the Directors' knowledge, information, belief having made all reasonable enquiry, KFE and the ultimate beneficial owner of the KFE are third parties independent of the Company and connected persons of the Company as defined under the Listing Rules. KFE is an investment holding company incorporated under the laws of Ontario, Canada.

#### Assets involved

MWEI and MWEII are limited liability companies incorporated in Canada with the equity interest in MWEI being held by KFE, CDC (Denmark) and MWEI's management staff in the proportion of 48.76%, 48.76% and 2.48% respectively, while the equity interest in MWEII being held equally by KFE and CDC (Denmark). Subject to the terms and conditions of the Agreement, CDC would acquire all of the KFE Interest in Manchu Wok.

Arrangement is being made by MWEI to offer to acquire the 2.48% interests in MWEI held by the management staff. The management staff of MWEI are not connected persons of the Company. Subject to the acceptance by the management staff of MWEI, Manchu Wok will then become wholly owned subsidiaries of the Company.

As at the date of this announcement, the aforesaid arrangement has not completed. If the said arrangement does not complete, MWEI will then become our non wholly-owned subsidiary upon Completion. For the avoidance of doubts, the KFE Interest does not include the portion of interest held by the management staff of MWEI.

#### Price

(a) The Price, being the consideration for acquiring the KFE Interest in Manchu Wok, is derived as follows:

1. Agreed Sum LESS (i) Bank Loan; (ii) the nominal value of equity interest in Manchu Wok and all its accrued dividend and then TIMES 50%; and
2. PLUS the nominal value of equity interest in Manchu Wok held by KFE and KFE's share of accrued dividend.

Based on the unaudited management accounts of MWEI and MWEII as at 24th July, 2005 (which was prepared in accordance with Canadian generally accepted accounting

principles), the Agreed Sum is CND\$41.5 million after the deduction of the Working Capital Adjustment of CND\$0.5 million whereas (aa) the Bank Loan; (bb) the nominal value of equity interest in Manchu Wok; (cc) its accrued dividend; and (dd) nominal value of equity interest in Manchu Wok held by KFE and KFE's share of accrued dividend are CND\$14.3 million, CND\$6.47 million, CND\$2.54 million and CND\$2.22 million respectively.

Based on the unaudited management accounts of MWEI and MWEII as at 24th July, 2005, the cash payable to KFE would be approximately CND\$11.315 million (approximately HK\$74,679,000) at Completion.

- (b) The cash payable by CDC to KFE shall be in the following manner:
  - (i) a deposit of CND\$1,000,000 paid by CDC to KFE's solicitors as stakeholders; and
  - (ii) balance payable to KFE shall be payable on the Closing Date.
- (c) The cash payable to KFE will be satisfied in cash funded by internal resources of the Group.
- (d) The terms of the Agreement and the Agreed Sum have been negotiated by the parties on arm's length basis and on normal commercial terms. The Agreed Sum is determined by reference to the aggregate amount of the Bank Loan, the total nominal value of equity interest in Manchu Wok and all its accrued dividend and the Advances. The Directors are of the view that the basis for determination of the Agreed Sum is fair and reasonable and in the interest of the shareholders of the Company as a whole.

### **Completion**

Subject to the terms of the Agreement, Completion shall take place on the Closing Date.

### **INFORMATION ON MANCHU WOK**

MWEI and MWEII are mainly to own and operate the entire operations of the business including establishing, owning, operating, franchising and licensing of a chain of Chinese quick service restaurants primarily known as Manchu Wok in Canada and USA. As at 31st March, 2005, Manchu Wok had a total of 201 restaurants in operation in North America, including one shop operated under the name of Dai Bai Dang and two under the name of Fan Ting.

Based on the unaudited management accounts of MWEI and MWEII as at 24th July, 2005, the unaudited consolidated net liability value of MWEI and MWEII were CND\$3,528,000 and CND\$16,816,000 respectively.

For the year ended 29th August, 2004, the audited net loss of MWEI before and after taxation and extraordinary items were CND\$1,737,766 and CND\$1,277,295 respectively. For the year ended 29th August, 2003, the audited net loss of MWEI before and after taxation and extraordinary items were CND\$3,250,095 and CND\$2,394,290 respectively.

For the year ended 29th August, 2004, the audited net loss of MWEII before and after taxation and extraordinary items were CND\$6,910,852 and CND\$6,919,609 respectively. For the year ended 29th August, 2003, the audited net loss of MWEII before and after taxation and extraordinary items were CND\$5,197,112 and CND\$5,043,638 respectively.

The above management accounts and audited accounts of MWEI and MWEII were prepared in accordance with the accounting principles generally accepted in Canada.

### **INFORMATION ON THE GROUP**

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.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

For the benefit of the Company and all shareholders as a whole, the Directors are of the view that the acquisition of the KFE Interest will facilitate the management control to be vested in the Company and provide a good growth prospect for the Group's overseas business. After Completion, Manchu Wok will become subsidiaries of the Company.

### **GENERAL**

The Acquisition constitutes a discloseable transaction of the Company under the Listing Rules as some of the percentage ratios are over 5% but less than 25%. A circular

containing further details of the Agreement will be dispatched to shareholders as soon as practicable.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the acquisition of the KFE Interest pursuant to the Agreement
“Advances”	the amount (including the accrued and unpaid interest thereon) indebted to each of KFE and the Group, which as at 24th July, 2005, the said amount is about CND\$10,409,000 indebted to each of KFE and the Group
“Agreed Sum”	Being CND\$42,000,000 plus the Working Capital Adjustment (in case of Manchu Wok’s current assets exceeding its current liabilities at the Closing Date) or minus the Working Capital Adjustment (in case of Manchu Wok’s current liabilities exceeding its current assets at the Closing Date)
“Agreement”	the agreement dated 16th September, 2005 pursuant to which the Company agreed to acquire KFE Interest
“Bank Loan”	the amount where Manchu Wok is indebted to various financial institutions on the Closing Date (based on the unaudited management accounts as at 24th July, 2005, the said amount is approximately CND\$14,300,000)
“Board”	the board of Directors
“CDC”	the Company and/or CDC (Denmark), as the case maybe
“CDC (Denmark)”	Café de Coral (Denmark) Aps, a wholly-owned subsidiary of the Company
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Completion”	completion of the Acquisition
“Company”	Café de Coral Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Closing Date”	60th day following the day of the Agreement or such other date as the parties may agree
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“KFE”	Ken Fowler Enterprises Limited, a company incorporated under the laws of Ontario, Canada.
“KFE Interest”	any and all shares in the capital of Manchu Wok held by KFE at the Closing Date, together with any and all Advances owing to KFE by Manchu Wok at the Closing Date
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manchu Wok”	collectively, MWEI and MWEII together with their respective subsidiaries
“MWEI”	Manchu Wok Enterprises, Inc, a limited liability company incorporated in Canada
“MWEII”	Manchu Wok Enterprises II Inc, a limited liability company incorporated in Canada
“Price”	the price for acquiring KFE Interest in accordance with the Agreement, details of which are set out in the paragraph headed “Price” of this announcement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Working Capital Adjustment”	the working capital adjustment for the Agreed Sum, details of which are set out in the definition of Agreed Sum of this announcement
“CND\$”	Canadian dollars
“HK\$”	Hong Kong dollars
“%”	Percentage

By Order of the Board  
**Chan Yue Kwong, Michael**  
*Chairman*

Hong Kong, 21st September, 2005

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

*The exchange rate of CND\$ to HK\$ quoted in this announcement adopts a rate of CND\$1 equivalent to HK\$6.6.*

Please also refer to the published version of this announcement in The Standard.