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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: 341)

CONTINUING CONNECTED TRANSACTIONS

The Board is pleased to announce that on 14th November, 2007, Café de Espressamente illy, a non wholly-owned subsidiary of the Company, entered into the Master Franchise Agreement with illy for exclusive franchises to develop, open and operate the Outlets in the Territory.

illy is an associate of illycaffè Asia Pacific who is a substantial shareholder of Café de Espressamente illy. Thus, the transactions contemplated under the Master Franchise Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the relevant percentage ratios in respect of the Cap Amount of the continuing connected transactions under the Master Franchise Agreement will be less than 2.5%. Accordingly, such transactions are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and are exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

MASTER FRANCHISE AGREEMENT

Date: 14th November, 2007

Parties: (1) Franchisor : illy
(2) Franchisee : Café de Espressamente illy

Subject: illy granted an exclusive franchise to Café de Espressamente illy to develop, open and operate the Outlets in the Territory

Term: Save as terminated in accordance with the Master Franchise Agreement, it is for a period of ten years from the date of the Master Franchise Agreement and be automatically renewed for another ten years unless otherwise notified by either party of its intention not to renew the same.

Consideration:

In consideration of the grant of the exclusive franchise, Café de Espressamente illy is required to pay

(1) To illy:

- (i) an initial fee upon execution of the Master Franchise Agreement;
 - (ii) a deferred development fee for each Outlet (other than Rolling Store) payable within 30 days upon opening of such Outlet (in the case of Rolling Store, a deferred development fee of another sum for each Rolling Store);
 - (iii) a continuing franchise fee based on certain percentage of the monthly net sales of each Outlet, payable in arrears within 15 days of the end of each calendar month;
 - (iv) an one-off capped sum for checking design conformity for each of the respective design concepts for the Outlet (other than the Rolling Store);
- (2) To the authorized distributors, agents and associated companies of illy (whether being an independent third party to illy or an associate of illy as defined under the Listing Rules) the prices for the provisions of fittings, promotional activities, equipment, furniture and products.

The aforesaid initial fee, deferred development fee, continuing franchise fee, one-off capped sum and prices have been and will be determined among the parties on an arm's length basis with reference to the market rates offered in the industry.

DURATION OF THE MASTER FRANCHISE AGREEMENT

The Company considers that, with a growing demand in coffee consumption, it is commercially favourable for Café de Espressamente illy to enter into the Master Franchise Agreement of duration of more than three years, which is in line with the industry standard. The Directors of the Company expected that for expanding its business in catering industry, the longer the duration for its operation, the larger the market will be captured by Café de Espressamente illy.

In addition, the expected total investment of the Outlets is at a level such that the payback period is expected to be longer than three years and thus having a franchise agreement of three years or less is commercially not viable.

In compliance with Rule 14A.35(1) of the Listing Rules, the Company has engaged Karl Thomson Financial Advisory Limited as its independent financial adviser to explain why a longer period for the Master Franchise Agreement is required and the independent financial advisor also confirms that the duration of the Master Franchise Agreement is on normal commercial terms and is in line with normal business contract of this type to be of such duration.

CAP AMOUNT

The Company proposes to set a Cap Amount of HK\$35,000,000 for each of the financial years ending 31st March, 2008 to 31st March, 2018 of the Company for the transactions contemplated under the Master Franchise Agreement with illy and/or the associates of illy.

In arriving the Cap Amount for the Master Franchise Agreement in each of the aforesaid financial years, the Company has taken into account the anticipated scope and level of business that Café de Espressamente illy is going to have, which are based on performance projection of Café de Espressamente illy and the Cap Amount represents the maximum possible amount of fees expected to be payable to illy and/or the associates of illy in each of the aforesaid financial years projected on the basis of normal business outlooks, having regard to the general inflation in these years.

REASONS AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTION

Exploring business opportunities in various segments of the catering industry, at home and abroad, has always been the Company's business objective and development strategy. The collaboration with an international famous brand owner, illy, to establish Café de Espressamente illy with an exclusive franchise to operate the Outlets in the Territory will enable the Group to develop an unique chain of

cafes for capturing the opportunities presented by the growing demand from the coffee drinking culture in the Territory.

The Directors (including the independent non-executive directors) consider that the terms of the Master Franchise Agreement have been entered into in the ordinary and usual course of the Company's business on normal commercial terms and are fair and reasonable and in the best interests of the Company and shareholders as a whole.

GENERAL

The Group is principally engaged in the operation of quick service and specialty restaurants chain as well as institutional catering, and the food processing and distribution business.

illy produces and markets worldwide a single, leading-quality blend of espresso coffee. In 2003, it launched the espressamente illy project comprising a chain of Italian-style coffee bars of innovative design.

Café de Espressamente illy is a company owned by Vogue Asia and illycaffè Asia Pacific in the proportion of 70% and 30% respectively and is a non wholly-owned subsidiary of the Company. illy is an associate of illycaffè Asia Pacific as defined under the Listing Rules. Accordingly, illy is a connected person of the Company under the Listing Rules. The transactions contemplated under the Master Franchise Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the relevant percentage ratios in respect of the Cap Amount of the continuing connected transactions under the Master Franchise Agreement will be less than 2.5%. Accordingly, such transactions are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and are exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	The board of directors of the Company
“Café de Espressamente illy”	Café de Espressamente illy (HK) Limited, a non wholly-owned subsidiary of the Company, incorporated in Hong Kong with limited liability
“Cap Amount”	a maximum aggregate annual amount for the consideration payable to illy or associates of illy pursuant to the transactions contemplated under the Master Franchise Agreement for each financial year of the Company
“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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“illy”	illycaffè SpA, a company incorporated in Italy
“illycaffè Asia Pacific”	illycaffè Asia Pacific Limited, a company incorporated in Hong Kong with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Franchise Agreement”	a master franchise agreement dated 14 th November, 2007 entered into between Café de Espressamente illy and illy relating to an exclusive franchise to develop, open and operate the Outlets in the Territory
“Outlet(s)”	the retail outlet(s) (including but not limited to Rolling Store) developed, opened and operated pursuant to the Master Franchise Agreement
“Rolling Store”	retail outlet developed, opened and operated in accordance with the mobile carts concept under the Master Franchise Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Territory”	Hong Kong and Macau (other than certain locations in Macau)
“Vogue Asia”	Vogue Asia Limited, a company incorporated in Hong Kong with limited liability, being a wholly-owned subsidiary of the Company

By Order of the Board
Chan Yue Kwong, Michael
Chairman

Hong Kong, 14th November, 2007

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.