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CAFÉ DE CORAL HOLDINGS LIMITED

大家樂集團有限公司*

(Incorporated in Bermuda with limited liability)

Website: www.cafedecoral.com

(Stock Code: 341)

CONTINUING CONNECTED TRANSACTIONS

The Board announces that on 22 March 2023, the Company entered into a new framework agreement with Fung Yuen (HK) in relation to provision of Services by Fung Yuen Group to the Group for a further term of three years from 1 April 2023 to 31 March 2026.

Fung Yuen Group is a deemed connected person of the Company as defined under the Listing Rules as Mr Ng, the cousin of Mr Lo Hoi Kwong, Sunny and Ms Lo Pik Ling, Anita (both being the Directors), has a majority control in Fung Yuen Group together with Mrs Ng. Accordingly, transactions contemplated under the 2023 Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As all the applicable percentage ratios in respect of the annual caps under the 2023 Framework Agreement are more than 0.1% but less than 5%, transactions contemplated under the 2023 Framework Agreement are subject to the reporting, announcement and annual review requirements, but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

The Company announced previously on 19 March 2020 and 24 March 2020 regarding the 2020 Framework Agreement entered into between the Company and Fung Yuen (HK) in respect of provision of Services by Fung Yuen Group to the Group.

The 2020 Framework Agreement will expire on 31 March 2023. The Company and Fung Yuen (HK) have agreed to renew the 2020 Framework Agreement and entered into the 2023 Framework Agreement for a further term of three years from 1 April 2023 to 31 March 2026 in respect of provision of Services by Fung Yuen Group to the Group.

* For identification purposes only

2023 FRAMEWORK AGREEMENT

Date: 22 March 2023

Parties: The Company; and
Fung Yuen (HK)

Term: Three years from 1 April 2023 to 31 March 2026

Subject: In its ordinary and usual course of business, the Group may continue to enter into transactions with Fung Yuen Group on normal commercial terms and on an arm's length basis, or on terms no less favourable than those available to or from independent third parties, for providing interior decoration, renovation, maintenance and/or related services to the shops operated or managed by the Group in Hong Kong, Macau and Guangdong province in the PRC, including Tender Work(s) and Minor Work(s).

The Tender Work(s) and Minor Work(s) which may be awarded by the Group to Fung Yuen Group should be (i) on normal commercial terms and by reference to prevailing market conditions for provision of similar services; (ii) arrived at after arm's length negotiations between the parties thereto; and (iii) determined in accordance with the Group's tendering process and policy for awarding Tender Work(s) or in compliance with the Group's quotation process and policy for awarding Minor Work(s), as the case may be.

Subsequent Agreements: The parties will enter into subsidiary agreements for specific transactions covered by the 2023 Framework Agreement. The terms of the subsidiary agreements will set out the specific detailed terms upon which particular services will be rendered by Fung Yuen Group to the Group. The terms of each such subsidiary agreement should comply with (i) the relevant terms of the 2023 Framework Agreement; and (ii) relevant requirements under the Listing Rules.

Payment of the relevant contract sum (whether in the case of Tender Work(s) or Minor Work(s)) under each subsidiary agreement will generally be made by cash and is subject to any deferred payment, if any, under each subsidiary agreement or invoice.

Annual Caps: The aggregate value (based on contract sums) of the Tender Work(s) and Minor Work(s) which may be entered into between the Group and Fung Yuen Group for each of the three financial years ending 31 March 2024, 2025 and 2026 shall not exceed HK\$10 million.

In determining the new annual caps under the 2023 Framework Agreement, the Board has taken into consideration the following factors:

- (i) transaction amounts for the Services provided by Fung Yuen Group for the past years as set out below:

Financial Year Ended	Annual Cap (HK\$'000)	Actual Transaction Amount (HK\$'000)
31 March 2018	35,000	8,900
31 March 2019	40,000	8,000
31 March 2020	45,000	7,800
31 March 2021	30,000	2,500
31 March 2022	30,000	600
31 March 2023*	30,000	4*

** Up to 28 February 2023 (unaudited)*

- (ii) business development plans of the Group for the next three financial years and other factors, including (i) standard relevant renovation costs for restaurant chains of the Group; (ii) estimated success rate of Fung Yuen Group in any anticipated Tender Work(s) and Minor Work(s); (iii) anticipated work capacity of Fung Yuen Group for the years; (iv) inflation in cost of renovation materials and works; and (v) possible fluctuation in exchange rate of Hong Kong dollars against Renminbi.

Considering the circumstances in particular the abovementioned factors, the Board takes the view that the annual caps under the 2023 Framework Agreement are fair and reasonable despite the lower transaction amounts of the Services provided by Fung Yuen in recent years.

REASONS FOR AND BENEFITS OF 2023 FRAMEWORK AGREEMENT

The Group considers that obtaining the Services is essential to the continued operation and growth of its business. The Group maintains a panel of qualified decoration contractors to provide the Services as the Group requires from time to time and Fung Yuen Group is one of the panel qualified contractors up to the Group's approved standard in terms of price and quality. Transactions contemplated under the 2023 Framework Agreement are in the ordinary and usual course of business of the Group and are expected to occur on a regular and continuing basis. The 2023 Framework Agreement provides a basic framework for the future Tender Work(s) and Minor Work(s) to be entered into between the Group and Fung Yuen Group on normal commercial terms arrived at after arm's length negotiations between the Group and Fung Yuen Group.

PRICING POLICY AND INTERNAL CONTROL

The Group has formulated and implemented internal control measures to ensure that connected transactions with Fung Yuen Group are properly entered into in accordance with the Group's policies and procedures and the Listing Rules and that the terms of the transactions are fair and reasonable. The key policies and internal control measures are summarised as follows:

- (1) The Group applies stringent process to select qualified contractors for the Services. Contractors who are able to meet the Group's requirements in terms of, inter alia, capabilities and experience, will be selected as the Group's panel qualified contractors ("Panel Qualified Contractors").
- (2) The Group adopts established policies with detailed tendering or quotation procedures and well-defined internal approval thresholds for awarding contracts for Tender Work(s) and Minor Work(s). In accordance with the Company's policies, a minimum number of Panel Qualified Contractor(s) will be invited to submit their tenders for Tender Work(s) or quotations for Minor Work(s), as the case may be. Tenders and quotations received will be assessed with consideration given to price, the contractors' past performance in similar contracts and work capacity. Contractors who have been engaged for provision of Tender Work(s) for any particular restaurant will be given priority when the Group considers granting of any Minor Works in respect of such restaurant, for efficiency and effectiveness purposes. All tenders and quotations will be assessed and finally agreed and approved after arm's length negotiations.
- (3) Transaction amounts during the year are monitored regularly by designated departments to ensure that the annual caps would not be exceeded. The Group's internal audit also reviews regularly the Group's connected transactions on whether the transactions are conducted in accordance with the Group's policy and procedures and report their findings to the Audit Committee half-yearly.
- (4) The Company engages its external auditor to conduct annual review of the Group's transactions with Fung Yuen Group for each financial year on whether the transactions have been entered into in accordance with the relevant agreement governing the transactions and have not exceeded the annual cap. The Group's transactions with Fung Yuen Group are also reviewed by the Independent Non-executive Directors of the Company on an annual basis pursuant to the Listing Rules.
- (5) Any member of the Board or management must declare his or her interest, if any, in a proposed transaction in accordance with the Company's bye-laws and policies. Any member of the Board or management who has a conflict of interest shall not participate in the process of discussion, negotiation and approval of the transaction.

The Directors (including Independent Non-executive Directors) consider that the abovementioned procedures and control can help ensure that the transactions contemplated under the 2023 Framework Agreement will be in the Company's ordinary and usual course of business, on normal commercial terms, and that the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ABOUT THE GROUP AND FUNG YUEN GROUP

The Group is principally engaged in operation of quick service restaurants and institutional catering, casual dining chains, as well as food processing and distribution in Hong Kong and Mainland China.

Fung Yuen Group is principally engaged in provision of interior decoration, renovation, repairing, maintenance and related services in Hong Kong, Macau and in the Guangdong Province of the PRC. As at the date of this announcement, Fung Yuen (HK) is jointly owned by Mr Ng and Mrs Ng, and they are the ultimate beneficiary owners of Fung Yuen (HK).

LISTING RULES IMPLICATIONS

Fung Yuen Group is a deemed connected person of the Company as defined under the Listing Rules as Mr Ng, the cousin of Mr Lo Hoi Kwong, Sunny and Ms Lo Pik Ling, Anita (both being the Directors), has a majority control in Fung Yuen Group together with Mrs Ng. Accordingly, transactions contemplated under the 2023 Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As all the applicable percentage ratios in respect of the annual caps under the 2023 Framework Agreement are more than 0.1% but less than 5%, transactions contemplated under the 2023 Framework Agreement are subject to the reporting, announcement and annual review requirements, but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

OTHER INFORMATION

Mr Lo Hoi Kwong, Sunny and Ms Lo Pik Ling, Anita (both being the Directors) had abstained from voting on the relevant board resolutions approving the transactions contemplated under the 2023 Framework Agreement with reference to the relevant requirements under the Company's bye-laws and the Listing Rules.

DEFINITIONS

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

“2020 Framework Agreement”	existing non-exclusive framework agreement dated 19 March 2020 entered into between the Company and Fung Yuen (HK)
“2023 Framework Agreement”	non-exclusive framework agreement dated 22 March 2023 entered into between the Company and Fung Yuen (HK)
“Board”	board of directors of the Company
“Company”	Café de Coral Holdings Limited, an exempted company incorporated in Bermuda with limited liability, whose shares are listed on The Stock Exchange of Hong Kong Limited
“Director(s)”	director(s) of the Company
“Fung Yuen Group”	Fung Yuen (HK) and its subsidiaries
“Fung Yuen (HK)”	Fung Yuen Engineering Company Limited, a company incorporated in Hong Kong with limited liability
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	Macau Special Administrative Region of the People’s Republic of China
“Minor Work(s)”	the Services to be provided to members of the Group and awarded after completion of the Group’s quotation process, in which each individual initial contract sum is less than HK\$300,000 for Services provided in Hong Kong or RMB200,000 for Services provided in Macau and Guangdong province in the PRC
“Mr Ng”	Mr Ng Lam To
“Mrs Ng”	Ms Lam Mun Yu, wife of Mr Ng
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Services”	interior decoration, renovation, maintenance and/or related services including the provision of services as main contractor and/or one of the contractors for a variety of works to be provided from time to time to the restaurants, catering outlets and business premises operated and managed by members of the Group in Hong Kong, Macau and Guangdong province in the PRC
“Tender Work(s)”	the Services to be provided to members of the Group and awarded after completion of the Group’s tendering process, in which each individual initial contract sum is HK\$300,000 or above for Services provided in Hong Kong or RMB200,000 or above for Services provided in Macau and Guangdong province in the PRC

By Order of the Board
Vera Leung
Company Secretary

Hong Kong, 22 March 2023

As at the date of this announcement, the Board comprises Mr Lo Hoi Kwong, Sunny (Chairman), Ms Lo Pik Ling, Anita, Mr Chan Yue Kwong, Michael and Mr Hui Tung Wah, Samuel as non-executive directors; Mr Choi Ngai Min, Michael, Mr Li Kwok Sing, Aubrey, Mr Kwok Lam Kwong, Larry, Mr Au Siu Cheung, Albert and Ms. Fang Suk Kwan, Katherine as independent non-executive directors; and Mr Lo Tak Shing, Peter (Chief Executive Officer) and Mr Lo Ming Shing, Ian as executive directors.