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king fook holdings limited
景福集團有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 280)

**Continuing connected transactions
relating to tenancies, and proposal for disposal which may constitute
a very substantial disposal**

The Group entered into 6 tenancy agreements with the Landlord (a wholly owned subsidiary of YCS, a substantial shareholder of the Company) on 4th May, 2007 in respect of premises in King Fook Building, Hong Kong. The Tenancy Agreements constitute continuing connected transactions of the Company under the Listing Rules, which are exempted from Shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

It is proposed to renew the authorisation of Shareholders for disposal of the Disposal Shares held by KF Securities to independent third parties which may constitute a very substantial disposal of the Company under the Listing Rules.

A circular giving details of the Disposal Proposal and incorporating a notice of an extraordinary general meeting will be sent to Shareholders shortly.

SIX TENANCY AGREEMENTS ALL DATED 4TH MAY, 2007

Parties

Landlord : Stanwick Properties Limited

Tenants : The Company and KF Jewellery (a wholly owned subsidiary of the Company)

The transactions

The parties entered into the Tenancy Agreements relating to the Basement, Ground Floor, Mezzanine Floor, and 3rd, 5th, 8th, 9th and 10th Floors of King Fook Building, 30-32 Des Voeux Road Central, Hong Kong. Each of the Tenancy Agreements is for a term of 2 years from 16th August, 2007 to 15th August, 2009 at the total monthly rent of \$585,385, exclusive of management fees and air-conditioning charges totalling \$49,140 per month, and rates.

The Properties have a total lettable area of about 10,920 square feet. A breakdown of the rent, lettable area and management fees and air-conditioning charges under the Tenancy Agreements is as follows:

Premises	Lettable area (sq.ft)	Rent per month (\$)	Management fees and air-conditioning charges per month (\$)
Basement	970	20,370	4,365.00
Ground Floor	1,835	403,700	8,257.50
Mezzanine Floor	1,255	26,355	5,647.50
3rd Floor (including a flat roof)	1,820	29,120	8,190.00
5th Floor	1,260	26,460	5,670.00
8th Floor	1,260	26,460	5,670.00
9th Floor	1,260	26,460	5,670.00
10th Floor	1,260	26,460	5,670.00
	<u>10,920</u>	<u>585,385</u>	<u>49,140.00</u>

The management fees and air-conditioning charges are payable to the Landlord and may be revised by the Landlord from time to time. The Company has been informed by the Landlord that (a) the same rates of management fees and air-conditioning charges are payable by all other tenants of King Fook Building; and (b) the rates of the management fees and air-conditioning charges are determined with reference to the prevailing market rates of comparable buildings from time to time.

The terms of the Tenancy Agreements were arrived at after arm's length negotiations between the Tenants and the Landlord and are substantially the same as those of the Existing Tenancy Agreements except the amounts of rents. The total monthly rent of the Properties will increase from \$519,700 under the Existing Tenancy Agreements to \$585,385 under the Tenancy Agreements with reference to the market rent of \$639,900 per month as at 27th April, 2007 determined by the Valuer.

The Valuer is a professional property valuer. It and its ultimate beneficial owner are independent of and not connected with (i) the Directors, chief executive or substantial Shareholders of the Company or any of its subsidiaries or any of their respective associates (ii) the Landlord or its associates.

The Directors (including its independent non-executive Directors) consider that the terms of the Tenancy Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

Reasons for the transactions

The Properties are used as the key retail outlet and the headquarters of the Group pursuant to the Existing Tenancy Agreements, which will expire on 15th August, 2007. The Tenants entered into the Tenancy Agreements in order to continue the use of the Properties for the Group's operations.

Connection between the parties

The Landlord is a wholly owned subsidiary of YCS, a substantial shareholder of the Company holding about 44.39% of the issued share capital of the Company. Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth, directors of the Company, together with other members of their family control the management of YCS. None of the Directors holds any controlling beneficial interest in the share capital of YCS.

In addition to the Existing Tenancy Agreements and the Tenancy Agreements, the Group has entered into the following continuing connected transactions with consideration payable to the Landlord or its associates (the "Other Transactions"):

- (a) a tenancy agreement whereby Fabrico (Mfg) Limited, a wholly owned subsidiary of YCS, lets Apartment F, 3rd Floor, Comfort Building, 88 Nathan Road, Kowloon to KF Jewellery for a term of 2 years from 1st April, 2007 to 31st March, 2009 at the monthly rent of \$15,000 exclusive of rates; and
- (b) the use of the furniture and fixture at 3rd Floor of King Fook Building (which is used by the Group as conference rooms) at the monthly fee of \$25,480 for a term of two years from 16th August, 2007 to 15th August, 2009.

Listing Rules requirements

The Tenancy Agreements constitute continuing connected transactions of the Company under the Listing Rules, which are exempted from Shareholders' approval requirement under Rule 14A.34 of the Listing Rules as each of the percentage ratios (other than the profit ratio) (such ratios as defined in Rule 14.07 of the Listing Rules) based on the total annual consideration of \$8,100,060 payable under the Tenancy Agreements and the Other Transactions to the Landlord and its associates is more than 2.5% but less than 25% and such total annual consideration is less than HK\$10 million.

THE DISPOSAL PROPOSAL

Assets to be disposed of

On 16th June, 2006, the Company obtained an authorisation from the Shareholders to dispose of up to 1,874,000 HKEC Shares held by KF Securities, a wholly owned subsidiary of the Company, to independent purchasers at prevailing market prices on-market through the Stock Exchange within one year from that date. Up to the date of this announcement, KF Securities still holds the Disposal Shares. The Company proposes to seek renewal of Shareholders' authorisation for disposal of the Disposal Shares to independent purchasers at prevailing market prices on-market through the Stock Exchange for a period of one year from 16th June, 2007 (the "Disposal Proposal").

HKEC is a company incorporated in Hong Kong. It owns and operates the only stock exchange and futures exchange in Hong Kong and their related clearing houses. For the two years ended 31st December, 2006, its net profits before taxation were about \$1,567,018,000 and \$2,963,467,000 respectively. For the two years ended 31st December, 2006, its net profits after taxation were about \$1,339,558,000 and \$2,518,569,000 respectively. KF Securities received dividends totally \$2,117,620 and \$3,991,620 for these two years in respect of the Disposal Shares.

The book value of the Disposal Shares held by KF Securities as at 4th May, 2007 amounted to \$144,204,300.

KF Securities will realise a gain equal to the amount of the net proceeds (after expenses) on any disposal of the Disposal Shares.

Reasons for the Disposal Proposal

The existing authorisation for the disposal of the Disposal Shares will expire on 15th June, 2007. The Directors consider that the Disposal Proposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole as it will provide KF Securities with the flexibility to dispose of the Disposal Shares in the market efficiently to realise the gain on this holding.

Use of proceeds

It is intended that the proceeds under the Disposal Proposal will be used as additional working capital and to reduce the liability of the Group.

Listing Rules requirements

Based on the closing price of \$79.05 per HKEC Share quoted on the Stock Exchange as at the date of this announcement, the total consideration for the disposal of the Disposal Shares held by KF Securities will be \$148,139,700 and may constitute a very substantial disposal of the Company which requires the approval of Shareholders in accordance with the Listing Rules.

Further announcement on the disposal of the Disposal Shares will be made after all of the Disposal Shares have been disposed of.

INFORMATION FOR SHAREHOLDERS

The Group is principally engaged in retailing of gold ornaments, jewellery, watches and gifts, trading of bullion, wholesaling of diamond and securities broking in Hong Kong.

The Landlord is principally engaged in property investment.

A circular giving details of the Disposal Proposal, and incorporating a notice of an extraordinary general meeting will be sent to Shareholders shortly.

Terms used in this announcement

“Company”	King Fook Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Directors”	directors of the Company
“Disposal Shares”	1,874,000 HKEC Shares owned by KF Securities
“Existing Tenancy Agreements”	6 tenancy agreements all dated 13th August, 2005 between the Tenants and the Landlord respectively in respect of the Properties
“Group”	the Company and its subsidiaries
“HKEC”	Hong Kong Exchanges and Clearing Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“HKEC Share(s)”	share(s) of \$1 each in the share capital of HKEC
“KF Jewellery”	King Fook Jewellery Group Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“KF Securities”	King Fook Securities Company Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“Landlord”	Stanwick Properties Limited, a wholly owned subsidiary of YCS
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Properties”	Basement, Ground Floor, Mezzanine Floor, 3rd, 5th, 8th, 9th and 10th Floors of King Fook Building, 30-32 Des Voeux Road Central, Hong Kong
“Shareholders”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreements”	6 tenancy agreements all dated 4th May, 2007 between the Tenants and the Landlord respectively in respect of the Properties
“Tenants”	the Company and KF Jewellery
“Valuer”	BMI Appraisals Limited

“YCS” Yeung Chi Shing Estates Limited

“\$” Hong Kong dollar(s)

By Order of the Board
Yeung Ping Leung, Howard
Chairman

Hong Kong, 7th May, 2007

As at the date of this announcement, the executive Directors are Mr. Yeung Ping Leung, Howard, Mr. Tang Yat Sun, Richard, Mr. Cheng Ka On, Dominic, Mr. Yeung Bing Kwong, Kenneth and Ms. Fung Chung Yee, Caroline, the non-executive Directors are Mr. Wong Wei Ping, Martin, Mr. Ho Hau Hay, Hamilton and Mr. Sin Nga Yan, Benedict and the independent non-executive Directors are Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter and Mr. Chan Chak Cheung, William.