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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 LICENCE

On 12th August, 2015, the Group and the Landlord (a wholly owned subsidiary of YCS, a substantial shareholder of the Company) entered into (i) seven tenancy agreements in respect of premises in King Fook Building, Hong Kong; and (ii) a licence agreement relating to the use of the furniture and fixture at 3rd Floor of King Fook Building. The Agreements constitute continuing connected transactions of the Company exempt from Shareholders' approval requirement under Rule 14A.76(2)(a) of the Listing Rules.

SEVEN TENANCY AGREEMENTS ALL DATED 12TH AUGUST, 2015

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 (including a flat roof), 5th, 7th, 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, 2015 to 15th August, 2017 at the total monthly rent of \$983,785, exclusive of management fees and air-conditioning charges and rates.

The Properties have a total lettable floor area of about 12,180 square feet. A breakdown of the rent, lettable area and current management fees and air-conditioning charges under the Tenancy Agreements is as follows:

| Premises | Lettable area (sq.ft) | Rent per month (\\$) | Current management fees and air-conditioning charges per month (\\$) |
|-----------------------------------|--------------------------------------|---------------------------------|---|
| Basement | 970 | 32,010 | 7,275.00 |
| Ground Floor | 1,835 | 660,600 | 13,762.50 |
| Mezzanine Floor | 1,255 | 41,415 | 9,412.50 |
| 3rd Floor (including a flat roof) | 1,820 | 41,860 | 13,650.00 |
| 5th Floor | 1,260 | 41,580 | 9,450.00 |
| 7th Floor | 1,260 | 41,580 | 9,450.00 |
| 8th Floor | 1,260 | 41,580 | 9,450.00 |
| 9th Floor | 1,260 | 41,580 | 9,450.00 |
| 10th Floor | 1,260 | 41,580 | 9,450.00 |
| | <u>12,180</u> | <u>983,785</u> | <u>91,350.00</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 (i) the same rates of management fees and air-conditioning charges are payable by all other tenants of King Fook Building; and (ii) 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 market rent of the Properties was valued at \$1,111,200 per month as at 26th June, 2015 by the Valuer, a professional property valuer. The Valuer 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; or (ii) the Landlord or its associates.

The terms of the Tenancy Agreements were arrived at after arm's length negotiations between the Tenants and the Landlord and with reference to the market rent of the Properties as valued by the Valuer mentioned above.

LICENCE AGREEMENT DATED 12TH AUGUST, 2015

Parties

Licensor : Stanwick Properties Limited

Licensee : the Company

The transaction

The parties entered into the Licence Agreement relating to 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 2 years from 16th August, 2015 to 15th August, 2017.

The terms of the Licence Agreement were arrived at after arm's length negotiations between the Company and the Landlord and are substantially the same as those of the Existing Licence Agreement, including the amount of monthly fee.

REASONS FOR THE AGREEMENTS

The Properties are used as the key retail outlet and the headquarters of the Group under the Existing Agreements, all of which will expire on 15th August, 2015. The Group entered into the Agreements in order to continue the use of the Properties and the furniture and fixture at 3rd Floor of King Fook Building for its operations.

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

CONNECTION BETWEEN THE PARTIES

The Landlord is a wholly owned subsidiary of YCS, a substantial Shareholder holding about 47.98% of the issued share capital of the Company. Mr. Yeung Ping Leung, Howard (the Chairman of the Company and an executive Director), together with other members of his family, control the management of YCS. Mr. Yeung Ping Leung, Howard has abstained from voting on the board resolutions approving the Agreements. None of the Directors holds any controlling beneficial interest in the share capital of YCS.

In addition to the Existing Agreements and the Agreements, there is a tenancy agreement dated 13th January, 2015 whereby Fabrico (Mfg) Limited, a wholly owned subsidiary of YCS, lets Apartment F, 3rd Floor, Comfort Building, 88 Nathan Road, Kowloon to KF Jewellery at the monthly rent of \$15,000 exclusive of rates on a monthly basis, terminable by either party by serving one month's advance notice to the other party, which constitutes a continuing connected transaction (the "Other Transaction"). The independent non-executive Directors consider the terms of the Other Transaction are fair and reasonable and in the interests of the Shareholders as a whole.

CAPS

The annual caps for the Agreements and the Other Transaction for the three years ending 31st March, 2018 respectively set by the Company pursuant to Rule 14A.53 of the Listing Rules are as follows:

| | For the year ending 31st March | | |
|--------------------|--------------------------------|-------------------|------------------|
| | 2016 | 2017 | 2018 |
| | (\$) | (\$) | (\$) |
| Tenancy Agreements | 13,027,494 | 13,011,240 | 4,906,783 |
| Licence Agreement | 305,760 | 305,760 | 114,249 |
| Other Transaction | 180,000 | 180,000 | 180,000 |
| Total | <u>13,513,254</u> | <u>13,497,000</u> | <u>5,201,032</u> |

These caps were arrived at with reference to the rent, management fees and air-conditioning charges in respect of the Properties under the terms of the Tenancy Agreements, the monthly fee under the Licence Agreement (and the terms of the Existing Agreements for the period from 1st April, 2015 to 15th August, 2015 and a tenancy agreement in respect of 6th Floor of King Fook Building from 1st April, 2015 to 14th June, 2015) and the rent under the Other Transaction, taking into account an estimated possible annual increase of 10% in management fees and air-conditioning charges in respect of the Properties in each of the two years ending 31st March, 2018 respectively.

The Directors (including its independent non-executive Directors) consider the caps are fair and reasonable.

LISTING RULES REQUIREMENTS

The Agreements constitute continuing connected transactions of the Company exempt from Shareholders' approval requirement under Rule 14A.76(2)(a) of the Listing Rules as all the percentage ratios (other than the profit ratio) (such ratios as defined in Rule 14.07 of the Listing Rules) based on the total maximum annual consideration of \$13,513,254 payable under the Agreements and the Other Transaction to the Landlord and its associates are less than 5%.

INFORMATION FOR SHAREHOLDERS

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

The Landlord is principally engaged in property investment.

Terms used in this announcement

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|-------------------------------|--|
| “Agreements” | the Tenancy Agreements and the Licence Agreement |
| “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 of Hong Kong Limited |
| “Directors” | directors of the Company |
| “Existing Agreements” | the Existing Licence Agreement and the Existing Tenancy Agreements |
| “Existing Licence Agreement” | a licence agreement dated 13th August, 2013 between the Company and the Landlord in respect of the use of furniture and fixture at 3rd floor of King Fook Building |
| “Existing Tenancy Agreements” | eight tenancy agreements all dated 13th August, 2013 between the Tenants and the Landlord respectively in respect of the Properties |
| “Group” | the Company and its subsidiaries |
| “KF Jewellery” | King Fook Jewellery Group 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 |
| “Licence Agreement” | a licence agreement dated 12th August, 2015 between the Company and the Landlord in respect of the use of furniture and fixture at 3rd floor of King Fook Building |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Properties” | Basement, Ground Floor, Mezzanine Floor, and 3rd (including a flat roof), 5th, 7th, 8th, 9th and 10th Floors of King Fook Building, 30-32 Des Voeux Road Central, Hong Kong |
| “Shareholders” | shareholders of the Company |
| “Tenancy Agreements” | seven tenancy agreements all dated 12th August, 2015 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, 12th August, 2015

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 and Ms. Fung Chung Yee, Caroline; the non-executive Director is Mr. Wong Wei Ping, Martin; and the independent non-executive Directors are Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter, Mr. Ho Hau Hay, Hamilton, Mr. Sin Nga Yan, Benedict and Mr. Cheng Kwok Shing, Anthony.