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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)

PROPOSAL FOR DISPOSAL WHICH MAY CONSTITUTE A VERY SUBSTANTIAL DISPOSAL

It is proposed to seek again 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.

Assets to be disposed of

On 15th June, 2007, 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 16th June 2007, which expired on 16th June, 2008. Up to the date of this announcement, KF Securities has disposed of a total of 560,000 HKEC Shares for a total consideration of \$59,062,250 and still holds the Disposal Shares. The Company proposes to seek again Shareholders' authorisation for disposal of the Disposal Shares to independent purchasers at prevailing market prices (which shall not be less than \$34 per Disposal Share (the "Minimum Price")) on-market through the Stock Exchange for a period of one year from the date of passing of the resolution approving the authorisation (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, 2007, its net profits before taxation were about \$2,963,467,000 and \$7,190,809,000 respectively. For the two years ended 31st December, 2007, its net profits after taxation were about \$2,518,569,000 and \$6,169,278,000 respectively. KF Securities received dividends totalling \$2,798,820 and \$6,819,660 respectively for these two years in respect of the Disposal Shares.

The Disposal Shares represent about 0.12% of the issued share capital of HKEC as at 30th June, 2008 (being the latest information on the issued share capital of HKEC available to the Company), which were distributed by HKEC to KF Securities (a member of the Stock Exchange) in 2000 as consideration for the cancellation of shares in the Stock Exchange then held by KF Securities pursuant to a scheme of arrangement prior to the listing of HKEC. The book value of the Disposal Shares as at 31st August, 2008 amounted to \$134,028,000.

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

Basis for arriving at the Minimum Price

The Minimum Price of \$34 per Disposal Share was arrived at after taking into consideration of various factors including:

- (a) the estimated earnings of HKEC for the year ending 31st December, 2008 projected on the basis of, amongst other things, an estimated average daily turnover value on the Stock Exchange in 2008;
- (b) the average 2008 estimated price-to-earnings multiples of comparable listed stock exchanges which are selected on the basis of criteria including (i) the top 10 stock exchanges worldwide by the size of its domestic market capitalization in 2007; and (ii) the shares of which are listed; and
- (c) a strategic buffer (which is arrived at on the basis of the average deviation from the lowest closing prices per HKEC Share to the volume-weighted average HKEC Share prices for each of the periods commencing from the trading date immediately after the issue of the annual results announcement to the trading date of the publication of the next annual results announcement) to allow flexibility given the authorisation is for a term of one year.

The Company has appointed Somerley Limited as its financial adviser in respect of setting of the Minimum Price. As at 29th August, 2008 (being the latest practicable date for the purpose of the circular to be despatched to Shareholders in respect of the Disposal Proposal), Somerley Limited considered the basis for arriving at the Minimum Price is fair and reasonable.

Reasons for the Disposal Proposal

Based on the closing price of \$100.60 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 will be about \$132,188,400. If the price of HKEC Shares increases, disposal of the Disposal Shares may constitute a very substantial disposal of the Company which requires the approval of Shareholders in accordance with the Listing Rules. In order to provide KF Securities with the flexibility to dispose of the Disposal Shares in the market efficiently to realise the gain on this holding, the Directors seek the prior authorisation of Shareholders for the disposal. The Directors consider the Disposal Proposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Directors anticipate that the Company would exercise the mandate under various circumstances, including but not limited to (i) the price is attractive for disposal to realise the gain on this holding; (ii) when any suitable investment opportunities arise and the Directors, after considering various alternative fund-raising means, consider it in the interest of the Company and the Shareholders as a whole to dispose of all or part of the Disposal Shares and to use the proceeds to meet its funding needs for capturing such suitable investment opportunities; (iii) when any adverse market and/or economic conditions and/or financial position of the Group arise and after considering various alternatives available from time to time, the Directors consider it in the interest of the Company and the Shareholders as a whole to dispose of all or part of the Disposal Shares and to use the proceeds to reduce its liabilities and/or to meet any working capital needs from time to time; and (iv) any other such circumstances that the Directors considered in the interest of the Company and the Shareholders as a whole for the Company to exercise the mandate. Since there is no possible way to ascertain the happening and the exact timing for the happenings of all of the above circumstances, it is necessary for the Company to be authorised by the Shareholders in advance so that the Company can act promptly to respond to the market in order to maximize the efficiency and effectiveness of the treasury function of the Company.

The Minimum Price is not the expected price at which the Company targets to dispose of the Disposal Shares, but the setting of the Minimum Price is to allow the Shareholders to make an informed decision to vote on the Disposal Proposal and, if the Disposal Proposal is approved by the Shareholders, to allow adequate flexibility for the Company during the one-year mandate period to act promptly, effectively and efficiently with reference to the very dynamic prevailing market conditions and economic situation and the projected financial position of the Group so as to protect the interest of the Company and its Shareholders.

The Directors presently intend to hold the Disposal Shares as long term investment and therefore have no current intention to dispose of part or all of the Disposal Shares as at the date of this announcement.

Use of proceeds

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

Listing Rules requirements

Further announcement(s) on the disposal of the Disposal Shares will be made if such disposal (or disposals aggregated since the date of (a) approval of the Disposal Proposal; or (b) an announcement relating to previous disposal(s), whichever is later) will constitute a discloseable transaction under the Listing Rules.

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.

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”	1,314,000 HKEC Shares owned by KF Securities
“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 Securities”	King Fook Securities Company Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Shareholders”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“\$”	Hong Kong dollar(s)

By Order of the Board
Yeung Ping Leung, Howard
Chairman

Hong Kong, 2nd September, 2008

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, Mr. Sin Nga Yun, Benedict and Mr. Yeung Ka Shing and the independent non-executive Directors are Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter and Mr. Chan Chak Cheung, William.