

IMPORTANT
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If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in King Fook Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.



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

**PROPOSAL RELATING TO DISPOSAL WHICH MAY CONSTITUTE
A VERY SUBSTANTIAL DISPOSAL
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of King Fook Holdings Limited to be held at 12:00 noon on Tuesday, 28th September, 2010 at The Ballroom, 18th Floor, The Mira Hong Kong, 118-130 Nathan Road, Kowloon, Hong Kong is set out on pages 20 to 22 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by no later than 48 hours before the time fixed for holding the meeting. The completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

26th August, 2010

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“AGM”	the annual general meeting of the Company to be held at 12:00 noon on Tuesday, 28th September, 2010, notice of which is set out on pages 20 to 22 of this circular
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“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 HK\$1 each in the share capital of HKEC
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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 company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of YCS
“Latest Practicable Date”	20th August, 2010, being the latest practicable date prior to printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minimum Price”	HK\$31 per Disposal Share

DEFINITIONS

“PRC”	the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.25 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YCS”	Yeung Chi Shing Estates Limited, a company incorporated in Hong Kong with limited liability and a substantial shareholder of the Company
“HK\$”	Hong Kong dollar(s)

LETTER FROM THE BOARD



king fook holdings limited
景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

Directors:

Yeung Ping Leung, Howard
Tang Yat Sun, Richard
Cheng Ka On, Dominic
Yeung Bing Kwong, Kenneth
Fung Chung Yee, Caroline
Wong Wei Ping, Martin*
Ho Hau Hay, Hamilton*
Sin Nga Yan, Benedict*
Yeung Ka Shing*
Lau To Yee**
Cheng Kar Shing, Peter**
Chan Chak Cheung, William**

* *Non-executive Directors*

** *Independent non-executive Directors*

Registered Office:

9th Floor
King Fook Building
30–32 Des Voeux Road Central
Hong Kong

26th August, 2010

To the Shareholders

Dear Sir or Madam,

**PROPOSAL RELATING TO DISPOSAL WHICH MAY CONSTITUTE
A VERY SUBSTANTIAL DISPOSAL
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

It was announced on 20th August, 2010 that the Company proposes 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.

The purpose of this circular is to give you further details of the above proposal and notice of the annual general meeting of the Company for the year ended 31st March, 2010 whereat an ordinary resolution will be proposed to consider and, if thought fit, to approve such proposal.

LETTER FROM THE BOARD

THE DISPOSAL PROPOSAL

Assets to be disposed of

On 25th September, 2009, the Company obtained an authorisation from the Shareholders to dispose of up to 1,314,000 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 3rd October, 2009, which will expire on 2nd October, 2010. Up to the Latest Practicable Date, KF Securities has not disposed of any such HKEC Shares. The Company proposes to renew Shareholders' authorisation for disposal of the Disposal Shares to independent purchasers at prevailing market prices (which shall not be less than HK\$31 per Disposal Share (the "Minimum Price")) on-market through the Stock Exchange for a period of one year from 3rd October, 2010 (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, 2009, its net profits before taxation were about HK\$5,928,137,000 and HK\$5,542,091,000 respectively. For the two years ended 31st December, 2009, its net profits after taxation were about HK\$5,128,631,000 and HK\$4,704,044,000 respectively. KF Securities received dividends totalling HK\$5,637,060 and HK\$5,164,020 respectively for these two years in respect of the Disposal Shares.

The Disposal Shares represent about 0.122% of the issued share capital of HKEC as at 31st July, 2010 (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 20th August, 2010 amounted to HK\$164,250,000.

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 HK\$31 per Disposal Share was arrived at after taking into consideration of various factors including but not limited to:

(i) *Estimated earnings of HKEC*

Based on published information of HKEC, there has been a consistent correlation between the earnings of HKEC and average daily turnover value on the Stock Exchange (the "Turnover Value") during the ten financial years from 2000 to 2009. The ratios of earnings of HKEC to the Turnover Value have been maintained at a narrow range with an average of 7.44%. In addition to the fact that the Turnover Value is the prime underlying factor that affects earnings of HKEC, it is considered that such consistent pattern demonstrates a high correlation between the Turnover Value and earnings of HKEC, and that an estimate of earnings of HKEC drawn from such correlation is reasonable.

The expected Turnover Value for the year 2010 was also estimated taking into account the correlation between the Turnover Value and the average total market capitalisation for each relevant year of the Hong Kong stock market during the past ten years. The average of earnings to Turnover Value ratio was then multiplied by the expected Turnover Value for the year 2010 to obtain the estimated earnings of HKEC for the financial year ending 31st December, 2010.

LETTER FROM THE BOARD

(ii) Estimated price-to-earnings multiples (“P/E”) of comparable listed stock exchanges

Based on the consensus estimates from Bloomberg and/or other published information, among other things, the estimated 2010 P/E of the comparable listed stock exchanges (the “Comparables”) have been reviewed, which were selected based on criteria including that the stock exchanges (a) being within the top 10 stock exchanges by size of domestic market capitalisation in 2009; and (b) the shares of which are listed. Based on the estimated earnings of HKEC obtained in paragraph (i) above and the total number of issued shares of HKEC of 1,077,915,346 as at 30th June, 2010, and by multiplying the average estimated 2010 P/E of the Comparables, the estimated share price of HKEC is obtained (the “Estimated Price”).

(iii) Strategic buffer

The Disposal Proposal aims to provide KF Securities with the flexibility to dispose of the Disposal Shares in the market efficiently to realise the gain and to allow KF Securities to respond effectively to the dynamic and volatile Hong Kong stock market. For such flexibility, a strategic buffer (the “Strategic Buffer”) has been built-in in formulating the Minimum Price. The Strategic Buffer is arrived at on the following assumptions which are considered to be reasonable:

- (a) the Strategic Buffer should represent an adequate discount to the Estimated Price for the purpose of calculating the Minimum Price; and
- (b) the HKEC share price should reflect the market valuation of HKEC with reference to the financial performance of HKEC during the prior financial year on the basis that the market is efficient.

In assessing the Strategic Buffer, the historical discounts of the lowest closing price per HKEC Share to the volume-weighted average price per HKEC Share 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 (the “Post-Results Announcement Periods”) in the past ten years have been considered.

In order to allow the Company maximum flexibility to decide on the timing of the proposed disposal of the Disposal Shares during the one-year mandate period, it is considered that the Company should adopt the average deviation of around 36.40% from the average share price of HKEC during the Post-Results Announcement Periods as the Strategic Buffer. Accordingly, based on the Estimated Price of HKEC Share as set forth in paragraph (ii) above and applying the Strategic Buffer, the Minimum Price is estimated to be approximately HK\$31 per Disposal Share.

LETTER FROM THE BOARD

The Company has appointed Somerley Limited as its financial adviser in respect of setting of the Minimum Price. Somerley Limited considers the basis for arriving at the Minimum Price is fair and reasonable.

Reasons for the Disposal Proposal

Based on the closing price of HK\$125 per HKEC Share quoted on the Stock Exchange as at the Latest Practicable Date, the total consideration for the disposal of the Disposal Shares will be about HK\$164,250,000. 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 funding-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 consider 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 maximise 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. 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 the Shareholders.

The Directors presently intend to hold the Disposal Shares as long term investment and therefore have no current intention to dispose of any of the Disposal Shares as at the Latest Practicable Date.

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.

LETTER FROM THE BOARD

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.

Financial effect of the Group's position after implementation of the Disposal Proposal

Any disposal of the Disposal Shares by KF Securities pursuant to the Disposal Proposal will have the effect of increasing the asset value of the Group by the amount of the net proceeds less the book value of the Disposal Shares as at the relevant date of disposal and increasing the earnings of the Group for the relevant financial year, but will not affect the liability of the Group.

Income statement on and valuation attributable to the Disposal Shares under the Disposal Proposal

In accordance with Rule 14.68(2)(b)(i) of the Listing Rules, the income statement on and valuation attributable to the Disposal Shares for the three years ended 31st March, 2010 are set out below. In the opinion of the Directors, such information has been properly compiled and derived from the underlying books and records of the Group. The Company has engaged Grant Thornton to conduct a review of such information in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. Grant Thornton have compared and found that such information has been properly compiled and derived from the underlying books and records of the Group by the Company.

(i) Income statement

	Year ended 31st March,		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Dividend income (<i>Note</i>)	3,916	7,739	4,783
Profit for the year	<u>3,916</u>	<u>7,739</u>	<u>4,783</u>

Note: The dividend income was generated from the Disposal Shares during the relevant year.

(ii) Valuation

	As at 31st March,		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Available-for-sale investments under the Disposal Proposal (<i>Note</i>)	<u>175,500</u>	<u>96,185</u>	<u>170,294</u>

Note: The valuation of the Disposal Shares was based on the closing prices quoted on the Stock Exchange at the respective balance sheet dates.

LETTER FROM THE BOARD

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION OF THE GROUP

Liquidity and financial resources

The Group centralises funding for all its operations through the corporate treasury based in Hong Kong. This policy achieves better control of treasury operations and lower average cost of funds.

As at 31st March, 2010, the Group's current assets and current liabilities were about HK\$963,741,000 and HK\$192,664,000 respectively. There were cash and cash equivalents of about HK\$64,693,000, unsecured bank loans repayable within five years of about HK\$107,832,000 and unsecured gold loans repayable within one year of about HK\$31,757,000. Included in cash and cash equivalents of the Group were balances of about HK\$7,594,000 denominated in Renminbi placed with banks in the PRC. All bank loans were denominated in Hong Kong dollars and United States dollars and bore interest at variable rates.

Based on the total borrowings of the Group of about HK\$139,589,000 and the capital and reserves attributable to the Shareholders of about HK\$935,888,000 as at 31st March, 2010, the overall borrowings to equity ratio was 15% and was at a healthy level.

The Group reviews its foreign currency exposure regularly and does not consider its foreign currency risk to be significant.

Most of the Group's assets and liabilities, revenue and payments were in Hong Kong dollars.

As at 31st March, 2010, the Group's significant investments consisted mainly 1,314,000 HKEC Shares amounting to about HK\$170,294,000 and certain debt and equity securities listed outside Hong Kong amounting to about HK\$12,108,000 under available-for-sale investments.

Contingencies

As at 31st March, 2010, the Group did not anticipate that there are any material contingent liabilities.

Charges

The Group had no charges on its assets as at 31st March, 2010.

Employees

As at 31st March, 2010, the Group had about 347 employees. The employees (including Directors) are remunerated according to the nature of their jobs, experience and contribution to the Group. The Group has an incentive bonus scheme to reward the employees based on their performance. The Group also provides training programs to employees to improve the standard of customer services and further advancement.

LETTER FROM THE BOARD

Business review

The business of the Group in the six months ended 30th September, 2009 had been adversely affected by uncertain global economic environment and fear of swine flu epidemic. The global economy showed signs of recovery from the third quarter of 2009, especially in the PRC. Such recovery led to a remarkable improvement of the business of the Group in the second half of the year ended 31st March, 2010.

During the year ended 31st March, 2010, the Group had launched various new products, including a new series of exquisite Silver Diamond and Milky Diamond combined jewellery and the market's first 999.99 gold coins to commemorate the Group's 60th anniversary and Year of the Tiger.

The Group's revenue from gold ornament, jewellery, watch, fashion and gift retail business for the year ended 31st March, 2010 increased by 14% to about HK\$1,132,670,000 over the previous year as the Group benefited from the strong consumption sentiment of the PRC customers. Commission income from securities broking rose by 38% to about HK\$7,629,000 as a result of the revival of the Hong Kong stock market. Turnover of bullion trading however recorded a decrease of 10% to about HK\$28,959,000 compared with the previous year as the price of gold increased substantially during the year ended 31st March, 2010.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in gold ornament, jewellery, watch and gift retailing, bullion trading, securities broking and diamond wholesaling.

The Group considers the PRC retail market offers substantial development potential and will continue to expand its retail network in the PRC. Three *Masterpiece by king fook* shops have opened recently in Shanghai, Beijing and Suzhou respectively. The Group plans to open more retail outlets in major cities of the PRC. The Group is positive on the prospects of retail of luxury jewellery and watch items in view of PRC visitors' growing purchasing power and pursuit for quality and style.

In anticipation of the sustained growth of inbound visitors and the strong leasing demand attributed to the jewellery and watches sector, retail rentals, particularly in prime locations, have increased substantially. However whether the growth impetus can sustain is uncertain as the European sovereign debt problem and the need for some economies to implement austerity measures may pose a drag to the recovery and increase financial market volatility. The Group expects the operating environment of the year ahead will be more severe and challenging.

Given the uncertain global economy, the Group will remain cautious in its approach. The Directors will formulate strategies to strengthen the Group's brand name to enhance its business and seek opportunity to diversify into other businesses. The management will continue to exercise stringent cost control to maintain the Group's operation efficiency and to design more training programs to its staff to improve services to customers.

Save as aforesaid, there is no other information required to be disclosed under Rule 14.68(3) of the Listing Rules.

LETTER FROM THE BOARD

ANNUAL GENERAL MEETING

You will find on pages 20 to 22 of this circular a notice of the AGM to be held at 12:00 noon on Tuesday, 28th September, 2010 at The Ballroom, 18th Floor, The Mira Hong Kong, 118–130 Nathan Road, Kowloon, Hong Kong. Voting at the AGM will be taken by poll.

Resolution no. 5A will be proposed as an ordinary resolution to give a general mandate to the Directors to allot, issue and deal with shares of the Company with an aggregate nominal value not exceeding 20 per cent. of the share capital of the Company in issue as at the date of the resolution.

Resolution no. 5B will be proposed as an ordinary resolution to approve the Disposal Proposal.

There is enclosed a form of proxy for use at the AGM. You are requested to complete the form of proxy and return it to the registered office of the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the meeting, whether or not you intend to be present at the meeting. The completion and return of the form of proxy will not prevent you from attending and voting in person should you so wish.

No Shareholder is required to abstain from voting at the AGM.

RECOMMENDATION

The Directors believe that the Disposal Proposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole and so recommend you to vote in favour of the resolution to be proposed at the AGM. The Directors intend to vote in favour of such resolution in respect of their shareholdings in the Company.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
Yeung Ping Leung, Howard
Chairman

(1) INDEBTEDNESS

As at the close of business on 30th June, 2010, being the latest practicable date for ascertaining information regarding this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$148,270,000 comprising unsecured long term bank loans of approximately HK\$33,333,000, unsecured short term bank loans of approximately HK\$79,332,000 and unsecured gold loans of approximately HK\$35,605,000. There were no secured or guaranteed borrowings.

As at 30th June, 2010, the Group had no contingent liability arising in the ordinary course of business.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing at the close of business on 30th June, 2010.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any bank loans, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 30th June, 2010.

(2) WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Group's internally generated funds and available banking facilities, the Group has sufficient working capital to satisfy its present requirements for at least 12 months from the date of this circular.

(3) MATERIAL CHANGE

The Directors are not aware of any material change in the financial or trading position or prospects of the Group since 31st March, 2010, being the date to which the Company's latest published audited financial statements were made up.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the unaudited consolidated pro forma net assets statement of the Group as at 31st March, 2010 and the unaudited consolidated pro forma income statement for the year then ended (collectively known as “unaudited pro forma financial information”) which have been prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Disposal Proposal as if it were completed on 31st March, 2010 for the unaudited consolidated pro forma net assets statement and on 1st April, 2009 for the unaudited consolidated pro forma income statement.

The unaudited pro forma financial information has been prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the Group’s financial position or results following completion of the Disposal Proposal.

The unaudited pro forma financial information is based on the audited consolidated net assets of the Group as at 31st March, 2010 and the audited consolidated income statement for the year then ended as shown in the audited financial statements of the Group for the year ended 31st March, 2010, after giving effect to the pro forma adjustments described in the notes thereto. A narrative description of the pro forma adjustments of the Disposal Proposal that are (i) directly attributable to the Disposal Proposal and not relating to future events or decisions; and (ii) factually supportable, are summarised in the accompanying notes.

The unaudited pro forma financial information of the Group is based on a number of assumptions, estimates and uncertainties. The accompanying unaudited pro forma financial information of the Group does not purport to describe the actual financial position or results of the Group that would have been attained had the Disposal Proposal been completed on 31st March, 2010 for the unaudited consolidated pro forma net assets statement and on 1st April, 2009 for the unaudited consolidated pro forma income statement. The unaudited pro forma financial information of the Group does not purport to predict the future financial position or results of the Group.

1.1 Unaudited consolidated pro forma net assets statement

	Audited as at 31st March, 2010	Pro forma adjustments			Unaudited pro forma as at 31st March, 2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note 1)	(Note 2)	(Note 3)	
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	18,170				18,170
Leasehold interests in land	4,784				4,784
Investment properties	397				397
Interests in jointly controlled entities	298				298
Available-for-sale investments	183,354		(170,294)		13,060
Other assets	2,196				2,196
	<u>209,199</u>				<u>38,905</u>
Current assets					
Inventories	782,552				782,552
Debtors, deposits and prepayments	108,311				108,311
Investments at fair value through profit or loss	6,628				6,628
Trust bank balances held on behalf of clients	1,557				1,557
Cash and cash equivalents	64,693	164,069		(450)	228,312
	<u>963,741</u>				<u>1,127,360</u>
Current liabilities					
Creditors, deposits received, accruals and deferred income	87,907				87,907
Amount due to a jointly controlled entity	24				24
Taxation payable	7,644				7,644
Gold loans, unsecured	31,757				31,757
Bank loans, unsecured	65,332				65,332
	<u>192,664</u>				<u>192,664</u>
Net current assets	<u>771,077</u>				<u>934,696</u>
Total assets less current liabilities	<u>980,276</u>				<u>973,601</u>

	Audited as at 31st March, 2010	Pro forma adjustments			Unaudited pro forma as at 31st March, 2010
		HK\$'000	HK\$'000	HK\$'000	
		(Note 1)	(Note 2)	(Note 3)	
Non-current liabilities					
Bank loans, unsecured	42,500				42,500
Provision for long service payments	<u>1,656</u>				<u>1,656</u>
	<u>44,156</u>				<u>44,156</u>
Net assets	<u>936,120</u>				<u>929,445</u>

Notes:

1. The adjustment reflects the estimated net proceeds arising from the Disposal Proposal of approximately HK\$164,069,000, after deduction of handling charges of approximately HK\$181,000 (i.e. 0.11% on the gross proceeds), to be received by the Group in cash assuming the 1,314,000 HKEC Shares under the Disposal Proposal will be fully disposed of at the price of HK\$125 per HKEC Share (i.e. the closing price quoted on the Stock Exchange as at the Latest Practicable Date).
2. The adjustment reflects the carrying amount of the 1,314,000 HKEC Shares at 31st March, 2010 which were classified as "Available-for-sale investments" under the Disposal Proposal of approximately HK\$170,294,000.
3. The adjustment reflects the estimated related expenses to be paid in cash by the Group of approximately HK\$450,000 in connection with the Disposal Proposal which are directly attributable to the Disposal Proposal and are based on the latest quotations from various working parties.
4. In prior years, the Group disposed of HKEC Shares which were classified as "Available-for-sale investments" and the net gain from such disposal was not subject to Hong Kong profits tax. Therefore, in the opinion of the Directors, the net gain from the proposed disposal of the 1,314,000 HKEC Shares which were classified as "Available-for-sale investments" (note 2) will not be subject to Hong Kong profits tax due to the capital nature of such investments. There is no potential tax liability based on the Company's experience.

1.2 Unaudited consolidated pro forma income statement

	Audited for the year ended 31st March, 2010	Pro forma adjustments			Unaudited pro forma for the year ended 31st March, 2010
	HK\$'000	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000
Revenue	1,221,596				1,221,596
Cost of sales	<u>(892,476)</u>				<u>(892,476)</u>
Gross profit	329,120				329,120
Other operating income	20,205	(4,783)	67,434	96,185	179,041
Distribution and selling costs	(185,280)				(185,280)
Administrative expenses	(74,686)				(74,686)
Other operating expenses	<u>(5,632)</u>				<u>(5,632)</u>
Operating profit	83,727				242,563
Finance costs	(3,909)				(3,909)
Share of losses of jointly controlled entities	<u>(577)</u>				<u>(577)</u>
Profit before taxation	79,241				238,077
Taxation	<u>(14,457)</u>				<u>(14,457)</u>
Profit for the year	<u>64,784</u>				<u>223,620</u>
Profit for the year attributable to:					
Shareholders of the Company	64,781	(4,783)	67,434	96,185	223,617
Minority interests	<u>3</u>				<u>3</u>
	<u>64,784</u>				<u>223,620</u>

Notes:

1. The adjustment reflects the reversal of dividend income received by the Group for the 1,314,000 HKEC Shares during the year ended 31st March, 2010 had the Disposal Proposal been completed on 1st April, 2009.
2. The adjustment reflects the net gain arising from the Disposal Proposal assuming it were completed on 1st April, 2009. The adjustment of approximately HK\$67,434,000 takes into account the followings:
 - a. the estimated net proceeds of approximately HK\$164,069,000, after deduction of handling charges of approximately HK\$181,000 (i.e. 0.11% on the gross proceeds), to be received by the Group assuming the 1,314,000 HKEC Shares under the Disposal Proposal will be fully disposed of at the price of HK\$125 per HKEC Share (i.e. closing price quoted on the Stock Exchange as at the Latest Practicable Date);
 - b. the carrying amount of the 1,314,000 HKEC Shares as at 1st April, 2009 to be disposed of amounted to approximately HK\$96,185,000; and
 - c. the estimated related expenses of approximately HK\$450,000 in connection with the Disposal Proposal based on the latest quotations from various working parties.
3. The adjustment reflects the realisation of accumulated revaluation surplus of about HK\$96,185,000 for the 1,314,000 HKEC Shares which were classified as "Available-for-sale investments" assuming the Disposal Proposal were completed on 1st April, 2009.

2. LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE DISPOSAL PROPOSAL

The following is the full text of a letter from the Company's reporting accountants, Grant Thornton, Certified Public Accountants, Hong Kong for incorporation in this circular:



Member of Grant Thornton International Ltd

The Directors
King Fook Holdings Limited
9/F, King Fook Building
30–32 Des Voeux Road Central
Hong Kong

26th August, 2010

Dear Sirs,

Accountants' report on the unaudited pro forma financial information to the directors of King Fook Holdings Limited (the "Company")

We report on the unaudited pro forma financial information of the Company and its subsidiaries (collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed disposal of 1,314,000 shares in Hong Kong Exchanges and Clearing Limited (the "Disposal Proposal") might have affected the financial information presented, for inclusion in Appendix II of the Company's circular dated 26th August, 2010 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in the section headed "Unaudited pro forma financial information" in Appendix II to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial positions of the Group as at 31st March, 2010 or any future date; or
- the results of the Group for the year ended 31st March, 2010 or any future periods.

Opinion

In our opinion:

- a. the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

Grant Thornton

Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF INTERESTS*Interests of Directors*

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Number of Shares	Nature of interest	Percentage of shareholding
Mr. Tang Yat Sun, Richard	18,619,000	(Note 1)	4.28%
Mr. Cheng Ka On, Dominic	4,035,000	(Note 2)	0.93%
Mr. Ho Hau Hay, Hamilton	3,170,000	Corporate (Note 3)	0.73%

Notes:

1. 3,585,000 Shares are personal interest and 15,034,000 Shares are corporate interest (which Shares are held by Daily Moon Investments Limited in which Mr. Tang has a 100% interest).
2. 4,020,000 Shares are personal interest and 15,000 Shares are family interest.
3. These Shares are held by Tak Hung (Holding) Co. Ltd. in which Mr. Ho has a 40% interest.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interests of experts in the Group

The experts named in the paragraph headed “Qualifications of experts” in this appendix do not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Interests in contracts or arrangements

- (a) (i) The Company has entered into a licence agreement with YCS pursuant to which the Company was granted an exclusive right for the design, manufacture and distribution of gold and jewellery products under the trademark of “King Fook” on a worldwide basis for a total consideration of HK\$1. The agreement commenced from 7th December, 1998 and its termination date has not been fixed.
- (ii) KF Jewellery (as tenant) entered into a tenancy agreement dated 26th March, 2009 with Fabrico (Mfg) Limited (a wholly owned subsidiary of YCS) relating to Apartment F, 3rd Floor, Comfort Building, 88 Nathan Road, Kowloon for a term of two years from 1st April, 2009 at the monthly rent of HK\$15,000 exclusive of rates.
- (iii) The Company and KF Jewellery (as tenants) and the Landlord entered into 6 tenancy agreements all dated 20th July, 2009 in respect of 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 (“King Fook Building”) for a term of two years from 16th August, 2009 at the total monthly rent of HK\$585,385, exclusive of management fees and air-conditioning charges totalling HK\$49,140 per month, and rates.
- (iv) The Company entered into an agreement dated 20th July, 2009 with the Landlord pursuant to which the Company is granted the right to use the furniture and fixtures at 3rd Floor of King Fook Building (which is used by the Group as conference rooms) at the monthly fee of HK\$25,480 for a term of two years from 16th August, 2009.
- (v) The Company (as tenant) and the Landlord entered into a tenancy agreement dated 18th November, 2009 in respect of 6th Floor of King Fook Building for a term of 21.5 months from 1st November, 2009 at a monthly rent of HK\$26,460, exclusive of management fees and air-conditioning charges of HK\$5,670 per month, and rates.

Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth, together with other members of their family, control the management of YCS.

- (b) The Company entered into a consultancy service agreement on 1st April, 2010 with Verbal Company Limited (“Verbal”) whereby Verbal provides the services of Mr. Yeung Ping Leung, Howard to the Group at a consultancy fee of HK\$3,000,000 per annum plus a performance based incentive bonus. Mr. Yeung Ping Leung, Howard and Mr. Tang Yat Sun, Richard are directors of Verbal and Mr. Yeung Ping Leung, Howard has a beneficial interest in Verbal.

Save as disclosed above, none of the Directors has any interest in contracts or arrangements subsisting at the Latest Practicable Date which is significant in relation to the business of the Group as a whole.

Interests in assets

Save as disclosed in the paragraph headed “Interests in contracts or arrangements” above, none of the Directors or experts named in the paragraph headed “Qualifications of experts” in this appendix has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31st March, 2010, being the date to which the latest published audited financial statements of the Company were made up.

Service contracts

There is no existing or proposed service contract between any member of the Group and any Director or proposed Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

Competing business

Mr. Cheng Kar Shing, Peter is a director of Chow Tai Fook Jewellery Co. Ltd. (“Chow Tai Fook”). The gold ornament, jewellery and watch retailing business of Chow Tai Fook may compete with similar business of the Group.

Mr. Sin Nga Yan, Benedict is a director and general manager of Myer Jewelry Manufacturer Limited. The trading of fine and costume jewellery business of Myer Jewelry Manufacturer Limited and its subsidiaries (“Myer Group”) may compete with similar business of the Group.

Mr. Tang Yat Sun, Richard is a director of Hang Seng Bank Limited (“Hang Seng”). The bullion trading, securities broking and money exchange business of Hang Seng may compete with similar business of the Group.

The Group has experienced senior management independent of the above-named Directors to conduct its business and is therefore capable of carrying on its business independently of and at arm’s length from the respective businesses of Chow Tai Fook, Myer Group and Hang Seng.

Save as disclosed above, none of the Directors has any interest in any business which competes or is likely to compete, either directly or indirectly, with the Group’s business.

LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

CONSENTS

The experts named in the paragraph headed “Qualifications of experts” have given and have not withdrawn their respective written consents to the issue of this circular with copy of its letter (in the case of Grant Thornton) and the references to their names included herein in the form and context in which they are respectively included.

QUALIFICATIONS OF EXPERTS

The qualifications of the experts who have given opinions in this circular are as follows:

Name	Qualification
Grant Thornton	Certified Public Accountants
Somerley Limited	A licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

MATERIAL CONTRACTS

No contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular which are or may be material.

GENERAL

- (a) The secretary of the Company is Ms. Cheung Kit Man, Melina. She holds a bachelor degree in business administration from the Chinese University of Hong Kong and has over 26 years' experience in company secretarial work.
- (b) The qualified accountant of the Company is Ms. Mok Sau Fun, a MBA degree holder from the University of Strathclyde, United Kingdom, and a member of the Association of Chartered Certified Accountants in the United Kingdom and Hong Kong Institute of Certified Public Accountants.
- (c) The share registrar of the Company is Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Jennifer Cheung & Co. at Unit A, 19th Floor, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong during normal business hours up to and including 10th September, 2010:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the annual reports of the Company for the two years ended 31st March, 2010;
- (c) the reports of Grant Thornton on (i) the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II; and (ii) review of the results and valuation attributable to the Disposal Shares under the Disposal Proposal set out in the letter from the Board; and
- (d) the written consents referred to in the paragraph headed "Consents" in this appendix.

NOTICE OF ANNUAL GENERAL MEETING



king fook holdings limited

景福集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 280)

NOTICE IS HEREBY GIVEN that the annual general meeting of the abovementioned company (the “Company”) will be held at The Ballroom, 18th Floor, The Mira Hong Kong, 118–130 Nathan Road, Kowloon, Hong Kong on Tuesday, 28th September, 2010 at 12:00 noon for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March, 2010.
2. To declare a final dividend of HK1.2 cents per share for the year ended 31st March, 2010.
3. To elect directors and to authorise the board of directors to fix the directors’ remuneration.
4. To appoint auditors and to authorise the board of directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

A. “THAT:

- (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make and grant offers, agreements and options which would or might require shares to be allotted be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the directors of the Company during the Relevant Period to make and grant offers, agreements and options which would or might require shares to be allotted after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue or a scrip dividend scheme or similar arrangement of the Company or the exercise of the subscription rights under the share option scheme of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

(d) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory).”

- B. “THAT the disposal of up to 1,314,000 shares of HK\$1 each of Hong Kong Exchanges and Clearing Limited (“Disposal Shares”) owned by King Fook Securities Company Limited, a wholly owned subsidiary of the Company, to purchasers (who and whose ultimate beneficial owners are independent and not connected with the Company, any directors, chief executive officer or substantial shareholders of the Company or any of its subsidiaries or their respective associates) at prevailing market prices (which shall not be less than HK\$31 per Disposal Share) on-market through The Stock Exchange of Hong Kong Limited within a period of one year from 3rd October, 2010 and on such terms and conditions as may be determined by the directors of the Company from time to time be and is hereby approved and that the directors of the Company be and are hereby authorised to implement the same.”

By Order of the Board
Cheung Kit Man, Melina
Company Secretary

Hong Kong, 26th August, 2010

Registered office:

9th Floor
King Fook Building
30–32 Des Voeux Road Central
Hong Kong

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice (the “Meeting”) is entitled to appoint not more than two proxies (except a member who is a clearing house or its nominee may appoint more than two proxies) to attend and vote in his stead. A proxy need not be a member of the Company. In order to be valid, a form of proxy must be deposited at the Company’s registered office together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the Meeting or adjourned Meeting.
2. The register of members of the Company will be closed from 20th September, 2010 to 28th September, 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on 17th September, 2010.