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king fook holdings limited 景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(the “Company”)

Connected transactions

Henderson, the agent of Contender accepted the Offer Letter of KF Jewellery, a wholly owned subsidiary of the Company, on 17th July, 2003 in respect of the early termination of the Existing Leases and the signing of a New Tenancy Agreement.

Contender is a wholly owned subsidiary of Miramar, a substantial shareholder of the Company holding approximately 15.61% of the issued share capital of the Company.

The surrender of the Existing Leases and the signing of the New Tenancy Agreement contemplated under the Offer Letter constitute a connected transaction of the Company under the Listing Rules but does not require its shareholders’ approval under the Listing Rules as the annual rental payable under the New Tenancy Agreement is less than the higher of HK\$10 million or 3% of the NAV as at 31st March, 2002.

The Group entered into the Miramar Tenancy Agreements with Contender, and the King Fook Tenancy Agreements with Yeung Chi Shing (a substantial shareholder of the Company holding approximately 44.39% of the issued share capital of the Company) and Stanwick (a wholly owned subsidiary of Yeung Chi Shing) on various dates between June 1988 and April 2003. These tenancies constituted connected transactions of the Company but the Company has not complied with the relevant connected transaction requirements under Rules 14.25(1) and/or 14.26 of the Listing Rules. **The Stock Exchange has stated that it reserves the right to take appropriate actions against the Company and/or its directors for such breaches of the Listing Rules.**

OFFER LETTER DATED 15TH JULY, 2003 (the “Offer Letter”)

Parties

Landlord : Contender Limited (“Contender”) (a company incorporated in Hong Kong with limited liability), through Henderson Real Estate Agency Limited (“Henderson”) (a wholly owned subsidiary of Henderson Land Development Company Limited, a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)) as its agent

Tenant : King Fook Jewellery Group Limited (“KF Jewellery”), a wholly owned subsidiary of the Company

The Offer Letter was accepted by Henderson on behalf of Contender on 17th July, 2003.

The transactions

The parties agreed to the early termination of the two existing leases relating to Shops G1–2 and G13C on Ground Floor and Shops AR217 and AR201-02 on 1st Floor, Hotel Miramar Shopping Arcade, 118–130 Nathan Road, Tsimshatsui, Kowloon (the “Existing Leases”) and the signing of a new tenancy agreement (the “New Tenancy Agreement”) relating to such premises (except Shop G13C) (the “Miramar Shop”).

The Existing Leases were made on 20th February, 2001. The existing lease in respect of Shops G1–2 and G13C on Ground Floor and AR217 on 1st Floor of Hotel Miramar Shopping Arcade was for a term of 57 months from 1st July, 1999 to 31st March, 2004 at a total monthly rent of HK\$1,105,000, which had been reduced to HK\$1,045,000 since 1st July, 2002. The existing lease in respect of Shops AR201–02 on 1st Floor of Hotel Miramar Shopping Arcade was for a term of 55 months from 1st September, 1999 to 31st March, 2004 at a total monthly rent of HK\$37,000. The rents were exclusive of rates, management fees, air-conditioning charges and promotion contribution fees. The interval between the commencement dates of the tenancies under the Existing Leases (i.e. 1st July, 1999 and 1st September, 1999) and the date of the Existing Leases (i.e. 20th February, 2001) was because the negotiation between the parties for a reduction of rent and a lease restructuring took considerable time which began from mid 1999 to late 2000. After completion of the negotiation, the parties agreed that the commencement dates of the tenancies under the Existing Leases should be 1st July, 1999 and 1st September, 1999 respectively.

The New Tenancy Agreement is for a term of 3 years from 16th July, 2003 to 15th July, 2006. The total monthly rent is HK\$897,290, exclusive of rates, management fees, air-conditioning charges and promotion contribution fees. The Miramar Shop has a total gross floor area of about 11,348 square feet.

Under one of the Existing Leases in respect of Shops G1–2, G13C and AR217 of Hotel Miramar Shopping Arcade, Contender has granted to KF Jewellery a rent free period (the “Rent Free Period”) for KF Jewellery to carry out renovation works which period is subject to actual days of closure of business for renovation but in any event not more than three months, and subject to the terms of such existing lease. Pursuant to the terms of the Offer Letter, KF Jewellery shall be allowed to carry forward the Rent Free Period to the New Tenancy Agreement as the same is not used by it during the term of such existing lease.

Since the annual rental payable under the New Tenancy Agreement is less than the higher of HK\$10 million or 3% of the consolidated net tangible asset value of the Company (“NAV”) as disclosed in the latest published audited consolidated balance sheet of the Company as at 31st March, 2002, the transaction, i.e. the signing of the New Tenancy Agreement contemplated under the Offer Letter does not require the Company’s shareholders’ approval under Rule 14.25(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The Company is required to make annual disclosure of this transaction by way of press announcement for the period the transaction is subsisting. Details of this transaction as required under Rule 14.25(1)(A) to (D) of the Listing Rules (including the date, term and annual rent of and parties to the New Tenancy Agreement, and a description of the parties’ connected relationship) will also be

included in the next published annual report and accounts of the Company for each of the years in which the transaction is subsisting. The Company will fully comply with all applicable requirements under Chapter 14 of the Listing Rules in respect of the New Tenancy Agreement.

The terms of the Offer Letter were arrived at after arm's length negotiations between KF Jewellery and Henderson for and on behalf of Contender and with reference to an independent valuation made by LCH (Asia-Pacific) Surveyors Limited (the "Valuer"), an independent valuer not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules). The Valuer has valued the open market rent of the Miramar Shop at HK\$919,000 per month as at 10th July, 2003.

The directors of the Company (including its independent non-executive directors) consider that the terms of the Offer Letter are fair and reasonable as far as the Company and its shareholders are concerned.

The surrender agreement relating to the Existing Leases and the New Tenancy Agreement will be signed within 28 days from the date of receipt of the said documents by KF Jewellery.

Reasons for the transactions

The Miramar Shop is the key retail outlet of the Company and its subsidiaries (the "Group"). In view of the unfavourable economic situation and the weak consumer sentiment in Hong Kong, the Group negotiated and successfully came to agreement with Contender for a reduction in the area of the rented premises (by surrendering Shop G13C (a part of the retail outlet of the Group), whereby reducing the total gross floor area from about 11,936 square feet to about 11,348 square feet) and the rent.

Connection between the parties

Contender is a wholly owned subsidiary of Miramar Hotel and Investment Company, Limited ("Miramar"), a substantial shareholder of the Company holding approximately 15.61% of the issued share capital of the Company and a company whose shares are listed on the Main Board of the Stock Exchange.

PREVIOUS TENANCIES

The Group previously entered into the following connected transactions ("Previous Tenancies") on various dates between June 1988 and April, 2003:

- (a) various tenancy agreements with Contender in respect of Shops G1-2 and G13C on Ground Floor and Shops AR217 and AR201-02 on 1st Floor, Hotel Miramar Shopping Arcade, 118-130 Nathan Road, Tsimshatsui, Kowloon (the "Miramar Tenancy Agreements"); and
- (b) various tenancy agreements with Yeung Chi Shing Estates Limited ("Yeung Chi Shing") (for tenancies from June 1988 to 25th May, 1992) and Stanwick Properties Limited ("Stanwick") (for tenancies from 26th May, 1992 onwards) 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 (the "King Fook Tenancy Agreements").

Stanwick is a wholly owned subsidiary of Yeung Chi Shing, a substantial shareholder of the Company holding approximately 44.39% of the issued share capital of the Company.

Major terms of each of those Previous Tenancies for the last 7 years are set out as follows:

I. Tenancies of various shops in Hotel Miramar Shopping Arcade

Date of tenancy agreement	Shops no.	Term	Rent per month
29/7/93	Shops G1–2, Ground Floor and AR217, First Floor	5 years from 1/4/93 to 31/3/98	HK\$910,960
24/4/98	Shops G1–2, Ground Floor and AR217, First Floor	15 months from 1/4/98 to 30/6/99 (<i>Note 1</i>)	HK\$1,263,210
24/4/98	Shop G13C, Ground Floor	15 months from 1/4/98 to 30/6/99 (<i>Note 1</i>)	HK\$36,790
24/9/98	Shops AR201–02, First Floor	1 year from 1/9/98 to 31/8/99	HK\$37,000
20/2/01	Shops G1–2 and G13C, Ground Floor and AR217, First Floor	From 1/7/99 to 15/7/03 (<i>Note 2</i>)	HK\$1,105,000
20/2/01	Shops AR201–02, First Floor	From 1/9/99 to 15/7/03 (<i>Note 2</i>)	HK\$37,000

Notes:

1. This represents the actual term of the tenancy as a result of a lease restructuring. The original term was for 3 years from 1st April, 1998 to 31st March, 2001 with an option to renew for another 2 years.
2. This represents the actual term of the tenancy as a result of the early termination of the relevant Existing Leases contemplated under the Offer Letter.

II. Tenancies of various shops and units in King Fook Building

A. In respect of Basement, Ground Floor and Mezz Floor, King Fook Building

Date of tenancy agreement	Term	Rent per month
3/7/95	3 years from 15/6/95 to 14/6/98	HK\$442,710
15/6/98	2 years from 15/6/98 to 14/6/00	HK\$415,286
27/6/00	2 years from 15/6/00 to 14/6/02	HK\$415,286
18/6/02	2 years from 15/6/02 to 14/6/04	HK\$382,580

B. In respect of 3rd Floor, King Fook Building

Date of tenancy agreement	Term	Rent per month
10/8/94	3 years from 1/2/95 to 31/1/98	HK\$36,060
13/3/98	3 years from 1/2/98 to 31/1/01	HK\$36,060
2/3/01	2 years from 1/2/01 to 31/1/03	HK\$22,838
1/4/03	2 years from 1/2/03 to 31/1/05	HK\$22,838

C. *In respect of 5th Floor, King Fook Building*

Date of tenancy agreement	Term	Rent per month
12/3/93	3 years from 1/4/93 to 31/3/96	HK\$32,454
26/2/96	3 years from 1/4/96 to 31/3/99	HK\$32,454
13/4/99	2 years from 1/4/99 to 31/3/01	HK\$22,838
4/4/01	2 years from 1/4/01 to 31/3/03	HK\$22,838
1/4/03	2 years from 1/4/03 to 31/3/05	HK\$20,434

D. *In respect of 8th Floor, King Fook Building*

Date of tenancy agreement	Term	Rent per month
16/2/93	3 years from 8/3/93 to 7/3/96	HK\$32,454
26/2/96	3 years from 8/3/96 to 7/3/99	HK\$32,454
4/3/99	2 years from 8/3/99 to 7/3/01	HK\$24,040
4/4/01	2 years from 8/3/01 to 7/3/03	HK\$22,838
1/4/03	2 years from 8/3/03 to 7/3/05	HK\$20,434

E. *In respect of 9th Floor, King Fook Building*

Date of tenancy agreement	Term	Rent per month
10/8/94	3 years from 16/8/94 to 15/8/97	HK\$36,060
9/8/97	1 year from 16/8/97 to 15/8/98	HK\$36,060
8/10/98	1 year from 16/8/98 to 15/8/99	HK\$24,040
8/9/99	1 year from 16/8/99 to 15/8/00	HK\$20,434
8/8/00	1 year from 16/8/00 to 15/8/01	HK\$22,838
25/8/01	1 year from 16/8/01 to 15/8/02	HK\$22,838
28/9/02	1 year from 16/8/02 to 15/8/03	HK\$20,434

F. *In respect of 10th Floor, King Fook Building*

Date of tenancy agreement	Term	Rent per month
4/1/95	3 years from 1/4/95 to 31/3/98	HK\$36,060
11/5/98	2 years from 1/4/98 to 31/3/00	HK\$30,050
14/3/00	2 years from 1/4/00 to 31/3/02	HK\$24,040
3/4/02	2 years from 1/4/02 to 31/3/04	HK\$20,434

As the Company only retains records of the tenancies for 7 years as required under the Inland Revenue Ordinance, information on the dates and periods of those Previous Tenancies more than 7 years ago is not available.

As the existing tenancy agreement in respect of 9th Floor of King Fook Building will expire on 15th August, 2003, subject to the agreement of Stanwick, the Group has present intention to negotiate with Stanwick for a lease restructuring mainly for the purpose of consolidating different contractual terms of tenancies in King Fook Building into same contractual term which may involve an early termination of the existing tenancy agreements in respect of Basement, Ground Floor, Mezz Floor, 3rd, 5th, 8th and 10th Floors of King Fook Building (please refer to the sub-paragraph headed "II. Tenancies of various shops

and units in King Fook Building” above for the respective expiry dates of such tenancies) and the signing of new tenancy agreements in respect of the said premises (including 9th Floor) in King Fook Building. Further announcement in respect of the termination of the existing King Fook Tenancy Agreements and entering into/renewal of the tenancies in King Fook Building will be made by the Company as and when appropriate in compliance with the requirements under Chapter 14 of the Listing Rules.

The Miramar Tenancy Agreements

The amount of annual rent paid under the Miramar Tenancy Agreements and the percentage to the NAV as disclosed in the then latest published accounts of the Company for each year from 1st April, 1988 to 31st March, 2003 are as follows:

Year	Amount of annual rent (HK\$'000)	Percentage to NAV
88/89	6,489	2.2
89/90	7,523	2.4
90/91	9,749	2.9
91/92	11,283	3.3
92/93	13,028	3.6
93/94	10,932	2.9
94/95	10,932	2.7
95/96	10,932	2.4
96/97	10,932	2.3
97/98	11,220	2.3
98/99	14,190	3.2
99/00	14,198	2.9
00/01	13,633	2.8
01/02	11,197	2.4
02/03	13,414	3.1

The King Fook Tenancy Agreements

The amount of annual rent paid under the King Fook Tenancy Agreements and the percentage to the NAV as disclosed in the then latest published accounts of the Company for each year from 1st April, 1988 to 31st March, 2003 are as follows:

Year	Amount of annual rent (HK\$'000)	Percentage to NAV
88/89	6,755	2.2
89/90	6,755	2.2
90/91	6,755	2.0
91/92	6,777	2.0
92/93	7,580	2.1
93/94	8,168	2.1
94/95	8,223	2.1

95/96	7,595	1.7
96/97	7,390	1.6
97/98	7,389	1.5
98/99	6,595	1.5
99/00	6,074	1.2
00/01	6,387	1.3
01/02	6,368	1.4
02/03	4,720	1.1

Disclosure in annual and interim reports

Information on those Previous Tenancies since 1st April, 1998 has been disclosed as related party transactions in the relevant interim and annual reports of the Company.

Opinion of the directors of the Company

The Company's directors, including the independent non-executive directors, are of the opinion that the Previous Tenancies have been entered into on normal commercial terms that are fair and reasonable as far as the shareholders of the Company are concerned.

Listing Rules requirements

The Previous Tenancies constituted connected transactions of the Company under the Listing Rules. However, as the Previous Tenancies were renewal and/or expansion of tenancies existed prior to the listing of the shares of the Company in March, 1988, the Company inadvertently omitted to comply with the relevant disclosure and/or shareholders' approval requirements under Rules 14.25(1) and/or 14.26 of the Listing Rules in respect of the Miramar Tenancy Agreements and the disclosure requirement under Rule 14.25(1) of the Listing Rules in respect of the King Fook Tenancy Agreements.

The Stock Exchange has stated that it reserves the right to take appropriate actions against the Company and/or its directors for such breaches of Rules 14.25(1) and/or 14.26 of the Listing Rules.

INFORMATION FOR SHAREHOLDERS

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

Details of the transaction under the Offer Letter as required under the Listing Rules will be included in the next published annual report of the Company in 2004.

By Order of the Board
Yeung Ping Leung, Howard
Chairman

Hong Kong, 24th July, 2003

*Please also refer to the published version of this announcement in the (**The Standard**)*