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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 7 August 2019, the Group and the Landlord (a wholly owned subsidiary of YCS, a controlling 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 7 AUGUST 2019

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 two years from 16 August 2019 to 15 August 2021 at the total monthly rent of \$999,580, exclusive of management fees and air-conditioning charges and rates.

The Properties have a total lettable floor area of about 11,620 square feet and a flat roof of about 560 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	33,780	7,275.00
Ground Floor	1,835	587,200	13,762.50
Mezzanine Floor	1,255	52,100	9,412.50
3rd Floor	1,260	55,800	13,650.00
5th Floor	1,260	53,400	9,450.00
7th Floor	1,260	53,900	9,450.00
8th Floor	1,260	54,200	9,450.00
9th Floor	1,260	54,500	9,450.00
10th Floor	1,260	54,700	9,450.00
	<u>11,620</u>	<u>999,580</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 costs and market rates of comparable buildings from time to time.

The market rent of the Properties was valued at \$1,000,300 per month as at 28 June 2019 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 7 AUGUST 2019

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 room) at the monthly fee of \$25,480 for a term of two years from 16 August 2019 to 15 August 2021.

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 Tenancy Agreements, all of which will expire on 15 August 2019. 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 controlling shareholder holding about 60.70% of the issued share capital of the Company. Mr. Yeung Ka Shing, an executive director, is the son of Mr. Yeung Bing Kwong, Kenneth, who and other members of his family control YCS. Mr. Yeung Ka Shing has abstained from voting on the board resolutions approving the Agreements. Save as aforesaid, none of the Directors has any interest in the share capital of YCS.

CAPS

The annual caps for the Agreements for the three years ending 31 March 2022 respectively set by the Company pursuant to Rule 14A.53 of the Listing Rules are as follows:

	For the year ending 31 March		
	2020	2021	2022
	(\$)	(\$)	(\$)
Tenancy Agreements	12,843,740	13,200,780	4,977,606
Licence Agreement	<u>305,760</u>	<u>305,760</u>	<u>114,249</u>
Total	<u>13,149,500</u>	<u>13,506,540</u>	<u>5,091,855</u>

These caps were arrived at with reference to the rent, management fees and air-conditioning charges in respect of the Properties and the monthly licence fee under the terms of the Agreements (and the terms of the Existing Agreements for the period from 1 April 2019 to 15 August 2019), 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 31 March 2022 respectively.

The Directors (including the 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 \$13,506,540 payable under the Agreements to the Landlord are less than 5%.

INFORMATION FOR SHAREHOLDERS

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

The Landlord is principally engaged in property investment.

Terms used in this announcement

“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 15 August 2017 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”	seven tenancy agreements all dated 15 August 2017 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 7 August 2019 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 7 August 2019 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
Tang Yat Sun, Richard
Chairman

Hong Kong, 7 August 2019

As at the date of this announcement, the executive directors of the Company are Mr. Tang Yat Sun, Richard, Dr. Fung Yuk Bun, Patrick and Mr. Yeung Ka Shing; the non-executive director is Mr. Wong Wei Ping, Martin; and the independent non-executive directors are Mr. Cheng Kar Shing, Peter, Mr. Ho Hau Hay, Hamilton, Mr. Sin Nga Yan, Benedict and Mr. Cheng Kwok Shing, Anthony.