

IMPORTANT
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If you have sold all your shares in King Fook Holdings Limited (the “Company”), you should at once hand this circular 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)

Directors:

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

Registered office:

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

** Non-executive directors*

*** Independent non-executive directors*

28th April, 2006

To the shareholders

Dear Sir or Madam,

DISPOSAL OF ASSETS
DISCLOSEABLE TRANSACTION

INTRODUCTION

It was announced on 10th April, 2006 that King Fook Securities Company Limited (the “Vendor”), a

wholly owned subsidiary of the Company, sold a total of 550,000 shares of Hong Kong Exchanges and Clearing Limited (the “Sale Shares”) on-market through The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) at the price range of HK\$38 to HK\$53.5 per share in cash (the “Disposals”). For the Company, the Disposals collectively constitute a discloseable transaction under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The purpose of this circular is to give you further details of the Disposals pursuant to the Listing Rules.

THE DISPOSALS

Assets disposed of:

During the period from 9th March, 2006 to 7th April, 2006, the Vendor sold the Sale Shares on-market through the Stock Exchange at the price range of HK\$38 to HK\$53.5 per share (totalling HK\$26,032,500) in cash.

Hong Kong Exchanges and Clearing Limited (“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, 2005, its net profits before taxation were about HK\$1,250,525,000 and 1,567,008,000 respectively. For the two years ended 31st December, 2005, its net profits after taxation were about HK\$1,056,884,000 and HK\$1,399,548,000 respectively.

The Sale Shares were distributed by HKEC to the Vendor (a member of the Stock Exchange) as consideration for the cancellation of shares in the Stock Exchange held by the Vendor pursuant to a scheme of arrangement prior to the listing of HKEC.

Consideration:

HK\$38 to HK\$53.5 per share, totalling HK\$26,032,500 in cash

The prices were the market rates quoted on the Stock Exchange at the relevant times at which transactions for the Disposals were effected on-market.

There is a gain of about HK\$26,003,863 arising on the Disposals.

Payment terms:

The consideration of the Sale Shares have been received by the Vendor in cash on completion.

Use of proceeds:

The proceeds of the Disposals will be used as additional working capital of the Company and its subsidiaries (the “Group”).

Reasons for the Disposals:

The Vendor disposed of the Sale Shares to realise the gain on this holding. The directors of the Company (the “Directors”) believe that the terms of the Disposals are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Connection between the parties:

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the purchasers of the Sale Shares and their ultimate beneficial owners are independent third parties 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.

Financial effect :

The Disposals have the effect of increasing the asset value of the Group by about HK\$26,003,863 and substantially increasing the earnings of the Group for the year ending 31st March, 2007. They do not affect the liabilities of the Group.

Previous disposals:

On 7th March, 2006, the Company announced the on-market disposal of a total of 430,000 shares of HKEC with total proceeds of HK\$17,317,729 (the "Previous Disposal Proceeds") by the Vendor and King Fook Gold & Jewellery Company Limited, a wholly owned subsidiary of the Company, from 10th February, 2006 to 3rd March, 2006. The aggregate of the proceeds of the Disposals and the Previous Disposal Proceeds amount to HK\$43,350,229.

ADDITIONAL INFORMATION

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

The proceeds of the Disposals when aggregated with the Previous Disposal Proceeds reach the percentage ratio calculated pursuant to the Listing Rules between 5% and 25%. The Disposals collectively constitute a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules.

Your attention is also drawn to the additional information contained in the appendix to this circular.

Yours faithfully,
Yeung Ping Leung, Howard
Chairman

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS*Interests of Directors*

As at 24th April, 2006, being the latest practicable date prior to printing of this circular for ascertaining certain information for inclusion in this circular (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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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	3,585,000	Personal	0.82%
Mr. Cheng Kwai Yin	2,224,000	Personal	0.51%
Dr. Sin Wai Kin	1,792,500	Personal	0.41%
Mr. Cheng Ka On, Dominic	4,035,000	(Note 1)	0.93%
Mr. Ho Hau Hay, Hamilton	3,170,000	Corporate (Note 2)	0.73%

Notes:

1. 4,020,000 shares are personal interest and 15,000 shares are family interest.
2. 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 an interest or short position 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.

Interests of other persons in the share capital of the Company

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest in the shares and 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 :

Name	Number of shares	Nature of interest	Percentage of shareholding
Yeung Chi Shing Estates Limited ("YCS")	193,145,055	Note 1	44.39%
Miramar Hotel and Investment Company, Limited ("Miramar")	59,416,000	Note 2	13.66%
Miramar Hotel and Investment (Express) Limited ("Miramar Express")	22,790,000	Beneficial owner	5.24%

Notes:

- 186,985,035 shares are beneficially owned by YCS while 6,160,020 shares are its corporate interest.
- 28,122,000 shares are beneficially owned by Miramar while 31,294,000 shares are its corporate interest.

Save as disclosed above, as at the Latest Practicable Date, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any 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.

Mr. Tang Yat Sun, Richard, Dr. Sin Wai Kin and Mr. Cheng Ka On, Dominic are directors of Miramar and Miramar Express. Mr. Yeung Ping Leung, Howard is a director of Miramar.

Interests in other members of the Group

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the following subsidiaries of the Company :

- Mr. David Cheng Kam Hung was interested in (i) 20% of the issued share capital of each of Evermind Limited, Perfectrade Limited and Metal Innovation Limited; (ii) 15% of the issued share capital of Mempro Limited; and (iii) 13.5% of the issued share capital of Mempro S.A.;
- Temple Belle Limited was interested in (i) 25% of the issued share capital of Mempro Limited; and (ii) 22.5% of the issued share capital of Mempro S.A.; and
- Mr. Mark Hermans was interested in 10% of the issued share capital of Mempro S.A..

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any person (other than a Director or chief executive of the Company) who was interested, directly or indirectly, in 10% or more of the issued shares of any member of the Group or any options in respect of such capital.

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.

Dr. Sin Wai Kin is the chairman 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 changer 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

On 8th March, 2006, the Vendor commenced legal action in the High Court of Hong Kong against Ching Chun Kuen, a former director of the Vendor, for, inter alia, damages for misappropriation of securities belonging to its clients with a market value as at the date of the action of about HK\$25 million (as referred to in the Company's announcement of 7th March, 2006). As at the Latest Practicable Date, the Vendor had obtained an injunction on ex-parte basis against the defendant restraining him from disposing of his assets in Hong Kong. This action is continuing.

Save as disclosed above, 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.

GENERAL

- (a) The company 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 22 years' experience in company secretarial matters. Ms. Cheung's appointment is in compliance with Rule 8.17(1) of the Listing Rules as she had been appointed company secretary of the Company prior to 1st December, 1989.
- (b) The qualified accountant of the Company is Mr. Lee Kwok Wah, a fellow member of The Association of Chartered Certified Accountants of the United Kingdom and a member of The 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.

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