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# LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 590)

## CONNECTED TRANSACTION

On 13th January 2005 Luk Fook HK entered into the Tenancy Agreement with Mr. Wong for leasing the Property, as a renewal of an existing tenancy agreement expired on 31st December 2004.

The Directors (including the independent non-executive directors of the Company) are of the view that the Tenancy Agreement is on normal commercial terms entered into on arm's length basis, in the ordinary and usual course of business of the Group, and fair and reasonable so far as the independent shareholders of the Company are concerned. It is in the interest of the Group to enter into the transaction.

The entering into of the Tenancy Agreement constitutes a connected transaction for the Company which is of de minimis nature under Rule 14A.34 of the Listing Rules. For compliance with the Listing Rules, the Company is required to make this announcement and disclosure in annual reports and accounts.

### TENANCY AGREEMENT

The principal terms of the Tenancy Agreement, which are same as that of the existing tenancy save the designated dates and rental, are as follows:

|                |   |
|----------------|---|
| Dated:         | 13th January 2005   |
| Tenant:        | Luk Fook Jewellery & Goldsmith (HK) Company Limited ("Luk Fook HK"), a company incorporated in Hong Kong and wholly owned by Luk Fook Holdings (International) Limited (the "Company").     |
| Landlord:      | Mr. Wong Kwai Sang ("Mr. Wong"), father of the Company's Chairman & Chief Executive.  |
| Property:      | Portion A-1 on Ground Floor, On Lee Building, Nos. 41-53 Fung Tak Road and Nos. 9-15 Fei Fung Street, Wong Tai Sin, Kowloon, Hong Kong (the "Property").                                    |
| Saleable Area: | Approximately 925 square feet.  |
| Cash Rental:   | HK\$150,000 per month, payable in cash at the beginning of the month, exclusive of rates, management fees and other outgoings. The annual rental for the Property amounts to HK\$1,800,000. |
| Term:          | One year from 1st January 2005 to 31st December 2005.   |

The monthly rental includes a premium of HK\$20,000 over the valuation of HK\$130,000, as at 16th December 2004, determined with reference to the open market rent as valued by FPD Savills (Hong Kong) Limited, an independent valuer who is not connected with any of the directors, substantial shareholders and chief executive of the Company or any of its subsidiaries and any of their respective associates. The Tenancy Agreement is a renewal of an existing tenancy agreement expired on 31st December 2004 which was previously disclosed in a press announcement dated 31st December 2003 and annual reports of the Company.

The directors (including the independent non-executive directors) of the Company (the "Directors") consider that the premium of HK\$20,000 per month is justified because:

1. the Property is a corner lot located at the junction of Fung Tak Road and Fei Fung Street, a unique site with the most traffic in the district concerned which can also accommodate a large and prominent signboard at the retail shop front, and the Directors could not find other alternative premises in that district;
2. the existing retail shop operated by the Group has successfully accumulated a substantial valuable customer base over the past few years, which would not be available in the nearby area;
3. the relocation of the retail shop to another site would involve extra costs far more than the total premiums of HK\$240,000 payable during the lease term; and
4. the relaxation of travel restrictions by the PRC Government, the launching of the RMB credit cards and debit cards in Hong Kong since January 2004 and the increase in the maximum amount of cash from RMB6,000 to RMB20,000 that can be carried by an individual PRC tourist since January 2005, the spending power of PRC tourists is expected to enhance the retail business growth in Hong Kong and would benefit the Company as a whole.

### CONNECTED PERSON

Mr. Wong, being the father the Company's Chairman & Chief Executive, together with a registered shareholding of about 0.03% of the issued shares of the Company, is regarded as a connected person under the Rules governing the listing of securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

### CONNECTED TRANSACTIONS

Similar to the existing tenancy, the Tenancy Agreement is regarded as a continuing connected transaction under the Listing Rules. Pursuant to Rule 14A.34 of the Listing Rules, the Company is required to disclose by way of a press announcement and in the annual reports and accounts of the brief details of the transactions.

### REASON FOR THE TENANCY AGREEMENT

The Group has operated a jewellery retail shop on the Property since 1st July 1996, which has successfully accumulated a substantial valuable customer base over the past few years and achieved satisfactory business results during the past few years. In order to keep on operating the retail shop, the Group has to continue leasing the Property.

### DIRECTORS' VIEW

Having taken into account the factors and reasons set out above, the Directors (including the independent non-executive directors of the Company) are of the view that the Tenancy Agreement is on normal commercial terms entered into on arm's length basis, in the ordinary and usual course of business of the Group, and fair and reasonable so far as the independent shareholders of the Company are concerned. It is in the interest of the Group to enter into the transaction.

**GENERAL**

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the retailing and wholesaling of gold jewellery and gold ornaments, gem-set jewellery and gemstones, and other accessory items.

The entering into of the Tenancy Agreement constitutes a connected transaction for the Company together with its subsidiaries (the "Group"). This announcement is made by the Company in compliance with the normal disclosure requirements of Rule 14A.34 of the Listing Rules. The transaction is of de minimis nature under the Listing Rules. The Company will also include the details of this transaction in its next published annual report and accounts.

As at the date of this announcement, the Company's executive directors are Mr. WONG Wai Sheung, Mr. TSE Moon Chuen, Mr. LAW Tim Fuk, Paul, Mr. POON Kam Chi and Mr. LAU Kwok Sum; the non-executive directors are Mr. WONG Koon Cheung, CHAN Wai, LEE Shu Kuan, Ms. YUENG Po Ling, Pauline and Mr. HUI King Wai; the independent non-executive directors are Mr. HUI Chiu Chung, Mr. CHIU Wai Mo, and Mr. LO Mun Lam, Raymond.

By Order of the Board  
**Luk Fook Holdings (International) Limited**  
**Wong Wai Sheung**  
*Chairman*

Hong Kong, 20th January 2005

"Please also refer to the published version of this announcement in The Standard."