



漢寶集團(龍蝦大王)有限公司

Hon Po Group (Lobster King) Limited

(incorporated in the Cayman Islands with limited liability)

MAJOR AND CONNECTED TRANSACTION

Hon Po Management Limited has entered into the Agreement on 5 July 2003 with the Purchaser. Hon Po Management has agreed to dispose the Property to the Purchaser for a total cash consideration of HK\$55 million. Pursuant to the Agreement, the New Tenancy Agreement will be entered into between Ocean Grace and the Purchaser and Ocean Grace will pay a monthly rental of HK\$250,000 to the Purchaser for renting portion of the Property for the six years commencing on the date when the assignment of the Property is completed.

The disposal of the Property constitutes a major and connected transaction of the Company under Chapter 14 of the Listing Rules of the Stock Exchange. Accordingly, the disposal of the Property is conditional upon, inter alia, the approval of the shareholders of the Company. As Hon Po Investment Limited which holds approximately 60.32% of the issued share capital of the Company, does not have an interest in the major and connected transactions and does not have an interest which is different from other shareholders of the Company and will give a written approval of the disposal of the Property, the passing of any resolution in respect of the Agreement by the shareholders of the Company will be a foregone conclusion. In view of the aforesaid and to avoid the unnecessary expenses of convening shareholder's meeting, shareholders' approval by way of a resolution passed at an extraordinary general meeting is not required.

A circular containing, among other things, a letter from an independent financial adviser containing its advice to the Independent Board Committee of the Company, the recommendations of the Independent Board Committee of the Company and details of the Agreement and valuation certificate will be dispatched to the shareholders of the Company within 21 days after the publication of this announcement.

The New Tenancy Agreement will constitute a connected transaction under Rule 14.25 (1) of the Listing Rules. As the annual rental value of the New Tenancy Agreement will be less than HK\$10 million, shareholders' approval of the New Tenancy Agreement is not required.

As the New Tenancy Agreement will also constitute a continuing connected transaction during the lease period, the Company will apply to the Stock Exchange for a conditional waiver from its strict compliance with the disclosure requirements under Rule 14.25 (1) of the Listing Rules.

Details of the New Tenancy Agreement will be disclosed in the future annual report and accounts of the Company in accordance with Rule 14.25 (1) (A) to (D) of the Listing Rules.

At the request of the Company, trading of the shares of the Company on the Stock Exchange was suspended with effect from 9:30 a.m. on 7 July 2003 pending the issue of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the shares of the Company with effect from 9:30 a.m. on 10 July 2003.

Agreement dated 5 July 2003

Vendor: Hon Po Management Limited, an indirect wholly-owned subsidiary of the Company

Purchaser: N.W.P. Investments Limited, a connected person (as defined in the Listing Rules) to the Company. N.W.P. Investments Limited is a director of Hon Po Holdings, Hon Po Investment and Kenson Finance Company Limited. N.W.P. Investments Limited is interested in 10.86% of the shares of Hon Po Holdings and 22.24% of the shares of Kenson Finance Company Limited. Kenson Finance Company Limited is interested in 12.36% of the shares of Hon Po Holdings and are 77.76% owned by brothers and certain other relatives of Mr. Ng Wing Po. Save as disclosed above, other shareholders of Hon Po Holdings are not controlled or directed by Mr. Ng Wing Po. N.W.P. Investments Limited or the discretionary trust as mentioned in the definition of the Purchaser. On 9 July 2003, N.W.P. Investments Limited, Mr. Ng Wing Po and their associates (including but not limited to Mr. Ng Wing Po's wife and children) do not own shares of the Company.

Disposal of the Property

Hon Po Management has agreed to dispose to the Purchaser the Property. The total saleable area of the Property is approximately, 17,733 square feet. Portion of the Property with a total saleable area of 15,788 square feet is currently rented to Ocean Grace which is an indirect wholly-owned subsidiary of the Group for the operation of a restaurant at monthly rental of HK\$250,000. The remaining portion of the Property with a total saleable area of 1,945 square feet is currently rented at monthly rental of HK\$225,800 to independent third parties who are not connected persons to the Company as defined in the Listing Rules. The Property is disposed to the Purchaser subject to the tenancy agreements with regard to the above 1,945 square feet.

As at 31 December 2002, the unaudited net book value of the Property is HK\$56 million and the leasehold improvement of the Group located at the Property is approximately HK\$8.8 million.

Consideration

The total cash consideration is HK\$55 million. Up to date, cash deposit of HK\$5,500,000 has been paid by the Purchaser and the balance of the Consideration of HK\$49,500,000 shall be payable in cash on completion (on or before 1 September 2003).

According to the opinion of FPDSavills dated 30 June 2003, an independent valuer appointed by the Group, the Property was valued at HK\$55 million at 30 June 2003. FPDSavills has conducted the valuation using direct comparison method by collecting and analyzing relevant sales comparables within six months (before the date of the valuation report) in the locality of To Kwa Wan District.

The Consideration was determined after arm's length negotiations between the parties and with reference to the opinion and valuation of FPDSavills.

Other Condition

The Agreement is conditional upon the compliance of the Company with all relevant regulatory requirements including but not limited to those under Chapter 14 of the Listing Rules and/or the approval at an extraordinary general meeting by the shareholders of the Company (if required).

New Tenancy Agreement

In accordance with the Agreement, Hon Po Management agrees and undertakes to procure Ocean Grace to enter into an agreement to cancel the Old Tenancy Agreement and Ocean Grace (as tenant) to enter into the New Tenancy Agreement with Purchaser with regard to the portion of the Property with a total saleable area of 15,788 square feet, simultaneously when the assignment of the Property is completed. As both Hon Po Management and Ocean Grace are indirect wholly-owned subsidiaries of the Company, no compensation will be paid or received by Hon Po Management and Ocean Grace.

Pursuant to the Agreement and the subsequent New Tenancy Agreement, the Group will pay a monthly rental of HK\$250,000 to the Purchaser for renting portion of the Property for the six years commencing from the date when the assignment of the Property is completed. A rent-free period will be granted for the first month of the tenancy period.

According to the valuation of FPDSavills, the open market rental value of the Property as at 30 June 2003 was HK\$250,000 per month for tenure of six years with one month rent-free period at the beginning of the tenancy agreement. FPDSavills has conducted the valuation using direct comparison method by collecting and analyzing rental comparables within six months (before the date of the valuation report) in the locality of To Kwa Wan District. The monthly rental and the length of the tenancy period of the Tenancy Agreement were determined after arm's length negotiations between the parties and with reference to the opinion and valuation of FPDSavills.

Completion

The completion of the disposal of the Property will take place on or before 1 September 2003.

Reasons for the Disposal

The principal activity of the Group is the operation of a chain of Chinese restaurants and a food factory.

The Board is of the view that the disposal of the Property will provide a sizable sum of working capital to the Group. In addition, the operation of the restaurant of the Group located at the portion of the Property will be continued after the signing of the New Tenancy Agreement.

The executive directors of the Company consider that the Agreement and the Directors (including independent non-executive Directors) consider that the New Tenancy Agreement to be entered are fair and reasonable to both the Company and its shareholders and was/will be entered into on normal commercial terms and in the ordinary course of business of the Group.

Use of Proceeds

The sales proceeds of the disposal of the Property will be used as general working capital of the Group. At present, the Board does not have any specific investment plans.

Major and Connected Transaction

N.W.P. Investments Limited is a connected person of the Company pursuant to the Listing Rules. Accordingly, the Agreement and the New Tenancy Agreement constitute connected transaction under Rule 14.26(1) and 14.25(1) of the Listing Rules respectively.

The disposal of the Property constitutes a major and connected transaction of the Company under Chapter 14 of the Listing Rules of the Stock Exchange. Accordingly, the disposal of the Property is conditional upon, inter alia, the approval of the shareholders of the Company. As Hon Po Investment which holds approximately 60.32% of the issued share capital of the Company, does not have an interest in the major and connected transactions and does not have an interest which is different from other shareholders of the Company and will give a written approval of the disposal of the Property, the passing of any resolution in respect of the Agreement by the shareholders of the Company will be a foregone conclusion. In view of the aforesaid and to avoid the unnecessary expenses of convening shareholder's meeting, shareholders' approval by way of a resolution passed at an extraordinary general meeting is not required.

A circular containing, among other things, a letter from an independent financial adviser containing its advice to the Independent Board Committee, the recommendations of the Independent Board Committee and details of the Agreement and valuation certificate will be dispatched to the shareholders of the Company within 21 days after the publication of this announcement.

Continuing Connected Transaction

The New Tenancy Agreement will constitute a connected transaction under Rule 14.25 (1) of the Listing Rules. As the annual rental value of the New Tenancy Agreement will be less than HK\$10 million, shareholders' approval of the New Tenancy Agreement is not required.

In order to avoid the unnecessary expenses of publishing press notice annually, application will be made by the Company to the Stock Exchange for a waiver in respect of the New Tenancy Agreement from strict compliance with the requirements for disclosure by way of press notice under Rule 14.25 (1) of the Listing Rules subject to the conditions that:

- The New Tenancy Agreement is entered into:
 - in the ordinary and usual course of business of the Company;
 - either (1) on normal commercial terms or (2) if there is no available comparison, on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
 - either (1) in accordance with the terms of the New Tenancy Agreement or (2) if there are no such agreements, on terms no less favourable than those available to or from independent third parties.
 - the annual rental payable in respect of the New Tenancy Agreement will not exceed the terms of the New Tenancy Agreement.
 - the independent non-executive Directors shall review the rental payable annually and confirm in the Company's next annual report that these are conducted in the manner as stated in paragraph (a) and (b) above.
 - the Company's auditors shall review the rental payable annually and confirm in a letter (the "Letter") to the Directors (a copy of which shall be provided to the Stock Exchange by the Directors) stating whether:
 - the rental payable have received the approval of the Board;
 - the rental payable have been paid in accordance with the terms of the New Tenancy Agreement; and
 - the rental payable set out in paragraph (b) above has been exceeded.
- Where, for whatever reason, the auditors of the Company decline to accept the engagement or are unable to provide the Letter, the Directors shall contact the Stock Exchange immediately; and
- details of the New Tenancy Agreement including the annual rental payable in each financial year shall be disclosed as required under Rule 14.25(1)(A) to (D) of the Listing Rules in the annual report of the Company for that financial year together with a statement of the opinion of the independent non-executive Directors referred to in paragraphs (c) above.

Suspension and Resumption of Trading of Shares of the Company

At the request of the Company, trading of the shares of the Company on the Stock Exchange was suspended with effect from 9:30 a.m. on 7 July 2003 pending the issue of this announcement. Application has been made to the Stock Exchange for resumption of trading of the shares of the Company with effect from 9:30 a.m. on 10 July 2003.

DEFINITIONS

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

<p>"Agreement"</p> <p>"Board"</p> <p>"Company"</p> <p>"Consideration"</p> <p>"Directors"</p> <p>"FPDSavills"</p> <p>"Group"</p> <p>"Hon Po Holdings"</p> <p>"Hon Po Investment"</p> <p>"Hon Po Management"</p> <p>"Independent Board Committee"</p> <p>"Listing Rules"</p> <p>"New Tenancy Agreement"</p> <p>"Ocean Grace"</p> <p>"Old Tenancy Agreement"</p> <p>"Mr. Ng Wing Po"</p> <p>"Property"</p> <p>"Purchaser"</p> <p>"Stock Exchange"</p>	<p>The agreement for sale and purchase dated 5 July 2003, entered into between Hon Po Management (as Vendor) and the Purchaser in relation to the disposal of the Property</p> <p>The board of Directors of the Company</p> <p>Hon Po Group (Lobster King) Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange</p> <p>The total consideration of HK\$55 million of which the Property is to be disposed as provided in the Agreement</p> <p>The directors of the Company</p> <p>FPDSavills (Hong Kong) Limited</p> <p>The Company and its subsidiaries</p> <p>Hon Po Holdings Limited, a company incorporated in Hong Kong with limited liability, is the ultimate holding company of the Company and the immediate holding company of Hon Po Investment</p> <p>Hon Po Investment Limited, a company incorporated in the British Virgin Islands with limited liability, holding approximately 60.32% of the issued share capital of the Company. Hon Po Investment Limited is a wholly-owned subsidiary of Hon Po Holdings.</p> <p>Hon Po Management Limited, an indirect wholly-owned subsidiary of the Company</p> <p>An independent committee of the Board comprising Messrs. Chang Kin Man and Wu Tak Lung, established to review and consider the Agreement. Messrs. Chang Kin Man and Wu Tak Lung do not have an interest in the Agreement and the New Tenancy Agreement.</p> <p>The Rules Governing the Listing of Securities on the Stock Exchange</p> <p>The tenancy agreement to be entered into between the Purchaser and Ocean Grace (as tenant) simultaneously when the assignment of the Property is completed</p> <p>Ocean Grace Investments Limited, an indirect wholly-owned subsidiary of the Company</p> <p>The old tenancy agreement dated 6 November 2001 entered into by Ocean Grace (as tenant) and Chinese King's Development Limited (ex-landlord) for a term from 15 November 2001 to 14 November 2004 with a monthly rental of HK\$250,000 for the renting of portion of the Property with a saleable area of 15,788 square feet. Pursuant to the assignment dated 4 December 2001 (before the listing of the Company in the Stock Exchange), the Property was disposed by the ex-landlord to Hon Po Management subject to the above tenancy agreement.</p> <p>Mr. Ng Wing Po is a non-executive director of the Company and a director of N.W.P. Investments Limited</p> <p>The property located at Shops Nos. 1, 2, 3, 74 and 75 on the Ground Floor, Office No. 1 on the First Floor, Flats Nos. A-5, A-6, A-8, A-9, B-6 and B-7 on the Second Floor including respective Portions of Flat Roof adjacent thereto, Shop No. 66 on the Ground Floor of Honour Building, Nos. 78-80W To Kwa Wan Road, Nos. 2-58 Cheung Ning Street and Nos. 64-78 Sheung Heung Road, To Kwa Wan, Kowloon</p> <p>N.W.P. Investments Limited, the purchaser, is a company which is controlled indirectly by a discretionary trust of which Mr. Ng Wing Po's wife and certain of his children are beneficiaries.</p> <p>The Stock Exchange of Hong Kong Limited</p>
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By Order of the Board
Hon Po Group (Lobster King) Limited
Cheung To Sang
 Chairman and Managing Director

Hong Kong, 9 July 2003