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## **LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED**

(Incorporated in Bermuda with limited liability)

### **Connected Transaction: Investment in e-Business Operations**

Jewellworld is a newly formed company which will set up the Portal to facilitate and support e-business operations in the jewellery industry.

Luk Fook together with certain connected persons have entered into a shareholders' agreement on 19th April 2000 for investing in Jewellworld which will then become a 51% subsidiary of Luk Fook.

The Investment is considered as a connected transaction under the Listing Rules.

The Directors believe that the investment will enable the Group to maintain its competitive edges and achieve long-term business growth.

### **THE PORTAL**

Jewellworld will set up the Portal to facilitate and support e-business operations in the jewellery industry covering both business-to-business (B2B) and business-to-customer (B2C) types of transactions. The portal will serve both the jewellery wholesalers/retailers and the consumers via internet. The wholesales/retailers can set up their own web pages, advertise, sell and auction their

products, obtain relevant information about the jewellery trade. The consumers can do their jewellery shopping, attend jewellery auctions, obtain all sorts of information about jewellery products. Revenues of the Portal will include membership fees, sales commissions, advertising, web pages production and other charges collected from wholesales/retailers registered with the Portal.

## INVESTMENT IN JEWELLWORLD

The following parties have entered into a shareholders' agreement for making their investments in Jewellworld which is a newly formed company:

Investing Party	% Held	Proposed Investment
1. Luk Fook	51%	HK\$5,100,000
2. Splendid Diamond	40%	4,000,000
3. Treasure Superior	6%	600,000
4. Grand Joy	3%	300,000
Total	100%	HK\$10,000,000

All future capital commitments, financial assistance, profit and loss sharing will be borne by all investing parties on a pro-rata basis, and will be subject to the requirements of the relevant Listing Rules.

Major terms of the shareholders' agreement for Jewellworld include the following points:

1. The board of directors shall comprise four directors nominated by Luk Fook, one director nominated by Splendid Diamond, one director nominated by Treasurer Superior and one director nominated by Grand Joy.
2. A shareholder may not sell, transfer, assign, charge, or otherwise dispose of any share, or any legal or beneficial interest therein, other than in accordance with the provisions of the agreement, except with the written approval of all other shareholders.
3. If either shareholder commits or suffers an event of default, the other Shareholders shall be entitled, within 21days of its becoming aware of the occurrence of the event of default, to

require the defaulting shareholder to sell all of the shares held or beneficially owned by the defaulting shareholder for the prescribed price. The prescribed price means such sum as may be agreed between the shareholders or, in default of such agreement, such sum as the company auditor certify to be the fair value of those shares as between a willing buyer and a willing seller contracting on arm's length terms.

4. The maximum aggregate amount of shareholders' loan for which the shareholders shall be liable to contribute on pro rata basis (taken as whole) is HK\$10,000,000.

Since the Investment will involve connected persons, it is considered as a connected transaction under the Listing Rules. According to Rule 14.25(1) of Listing Rules, this transaction will not require approval by the Company's independent shareholders in general meeting. Relevant details of the transaction will be included in the Company's next published annual report and accounts.

## **CONNECTED PERSONS**

The following parties are regarded as connected persons under the Listing Rules in view of their relationships with the directors of companies within the Group:

1. Splendid Diamond is 70% owned by the adult children of Mr. Wong Wai Sheung, chairman of the Company.
2. Grand Joy is 100% owned by the adult children of Mr. Au Kwok Kau, a director of the Company's subsidiaries.

## **FUTURE CONNECTED TRANSACTIONS**

Jewellworld will share general, administrative and accounting overheads including office rental with Luk Fook Holdings and Excelwin, which are subsidiaries of the Group, on normal commercial terms and in the ordinary and usual course of business of all companies concerned. According to the Listing Rules, these connected transactions are not normally subject to any disclosure or shareholders approval requirements. It is expected that the total value of these transactions would be less than HK\$1,000,000 for the first year. If in the following years, the amount exceeds HK\$1,000,000 or 0.03% of the book value of the consolidated net tangible assets of the Company whichever is higher, they are subject to relevant provisions of the Listing

Rules.

Jewellworld will collect portal membership fees, sales commissions, advertising, web pages production and other charges from China Gems, Cleverway, Luk Fook Holdings, Instant Win, Luk Fook Bullions, Luk Fook Jewellery, Maxigood Investments and Maxigood Enterprises, which are subsidiaries of the Group. These transactions will be conducted on an arms' length basis, on normal commercial terms and in the ordinary and usual course of business of all companies concerned, and on a fair and reasonable basis as far as the shareholders of the Company are concerned. It is expected that the total value of these transactions would be less than the higher of HK\$1,000,000 or 0.03% of the book value of the consolidated net tangible assets of the Company for the first year. Otherwise, under the Listing Rules, these connected transactions would normally be subject to certain disclosure requirements and may be subject to prior approval by independent shareholders of the Company. If in the following years, the amount exceeds HK\$1,000,000 or 0.03% of the book value of the consolidated net tangible assets of the Company whichever is higher, they are subject to relevant provisions of the Listing Rules.

## **REASONS FOR THE INVESTMENT**

The Group is principally engaged in the retailing and wholesaling of gold and jewellery products. One of the Group's corporate objectives is to enhance long-term business growth. In order that the Group can keep pace with the market development, the Directors have been actively seeking investment opportunities in the internet-related business activities. The Directors believe that the Investment will enable the Group to maintain its competitive edges and achieve long-term business growth.

## **THE DIRECTORS' VIEW**

Having taken into account the factors and reasons set out above, the Directors (including the independent non-executive directors) are of the view that it is in the interest of the Company to participate in the Investment and that the connected transactions are fair and reasonable so far as the shareholders of the Company are concerned.

## DEFINITIONS

Definitions used in this announcement:

"BVI"	British Virgin Islands
"Company"	Luk Fook Holdings (International) Limited
"China Gems"	China Gems Laboratory Limited, a company incorporated in Hong Kong with limited liability and wholly owned by the Company
"Cleverway"	Cleverway Gold Trading Limited, a company incorporated in Hong Kong with limited liability and wholly owned by the Company
"Directors"	Directors of the Company
"Excelwin"	Excelwin Investment Limited, a company incorporated in Hong Kong with limited liability and wholly owned by the Company
"Group"	The Company together with its subsidiary companies
"Grand Joy"	Grand Joy Holdings Limited, a company incorporated in BVI with limited liability
"Investment"	The investment in Jewellworld
"Instant Win"	Instant Win Investment Limited a company incorporated in Hong Kong with limited liability and 71% owned by the Company
"Jewellworld"	Jewellworld.com Limited, a company incorporated in BVI with limited liability
"Listing Rules"	Rules governing the listing of securities on the Stock Exchange of Hong Kong Limited

"Luk Fook"	Luk Fook Investment (B.V.I.) Limited, a company incorporated in BVI with limited liability and wholly owned by the Company
"Luk Fook Bullions"	Luk Fook Bullions Dealers Limited, a company incorporated in Hong Kong with limited liability and wholly owned by the Company
"Luk Fook Holdings"	Luk Fook Holdings Company Limited, a company incorporated in Hong Kong with limited liability and wholly owned by the Company
"Luk Fook Jewellery"	Luk Fook Jewellery and Goldsmith (HK) Company Limited, a company incorporated in Hong Kong with limited liability and wholly owned by the Company
"Maxigood Investment"	Maxigood Investments Limited, a company incorporated in Hong Kong with limited liability and 70% owned by the Company
"Maxigood Enterprises"	Maxigood Enterprises Limited, a company incorporated in Hong Kong with limited liability and 93% owned by the Company
"Portal"	The portal at Jewellworld.com to be operated by Jewellworld
"Splendid Diamond"	Splendid Diamond Limited, a company incorporated in BVI with limited liability
"Treasure Superior"	Treasure Superior Limited, a company incorporated in BVI with limited liability

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

Hong Kong, 19th April 2000

"Please also refer to the published version of this announcement in the Hong Kong Standard"