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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Luk Fook Holdings (International) Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

六福集團(國際)有限公司

(Incorporated in Bermuda with Limited Liability)

(Stock Code: 590)

**GENERAL MANDATES TO ISSUE SHARES
AND REPURCHASE SHARES,**

AMENDMENTS TO BYE-LAWS

AND RE-ELECTION OF DIRECTORS

DEFINITIONS

In this circular, unless otherwise specified, the following words and expressions shall have the same meanings set out below:

“AGM”	The annual general meeting of the Company to be held at 25/F, BEA Tower, Millennium City 5, 418 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 24th August, 2006 or any adjournment thereof
“Board”	The board of directors of the Company
“Bye-laws”	The Bye-laws of the Company
“Company”	Luk Fook Holdings (International) Limited, a company incorporated in Bermuda and the shares of which are listed on the Stock Exchange
“Directors”	The directors of the Company
“Group”	The Company and its subsidiaries
“Latest Practicable Date”	24th July 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Luk Fook Control”	Luk Fook (Control) Limited, a company incorporated in British Virgin Islands, the ultimate holding company of the Company
“SFO”	Securities and Futures Ordinance
“Share(s)”	Fully paid share(s) of HK\$0.10 each in the capital of the Company
“Share Issue Mandate”	The general mandate to be granted to the Directors to exercise the power of the Company to issue Shares
“Share Repurchase Mandate”	The general mandate to be granted to the Directors to exercise the power of the Company to repurchase Shares on the Stock Exchange
“Shareholders”	The shareholders of the Company

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers

LETTER FROM THE BOARD



LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

六福集團(國際)有限公司

(Incorporated in Bermuda with Limited Liability)

(Stock Code: 590)

Executive directors:

WONG Wai Sheung (*Chief Executive*)

TSE Moon Chuen

LAW Tim Fuk, Paul

LAU Kwok Sum

Registered office:

Canon's Court,
22 Victoria Street,
Hamilton HM12,
Bermuda

Non-executive directors:

WONG Koon Cheung

CHAN Wai

LEE Shu Kuan

YEUNG Po Ling, Pauline

HUI King Wai

Principal Place of Business:

25/F, BEA Tower,
Millennium City 5,
418 Kwun Tong Road,
Kwun Tong,
Kowloon,
Hong Kong

Independent Non-Executive Directors:

CHIU Wai Mo

HUI Chiu Chung

LO Mun Lam, Raymond (*Chairman*)

31st July, 2006

To the Shareholders

Dear Sir or Madam,

**GENERAL MANDATES TO ISSUE SHARES
AND REPURCHASE SHARES,
AMENDMENTS TO BYE-LAWS
AND RE-ELECTION OF DIRECTORS**

I. INTRODUCTION

The purpose of this letter is to provide Shareholders with details of the Share Issue Mandate and Repurchase Mandate and the proposals for re-election of directors to be dealt with at the forthcoming AGM. The Directors propose to seek the approval of the Shareholders at the AGM for the following:

1. Share Issue Mandate to issue Shares up to a maximum of 20% of the Shares in issue as at the date of passing the relevant resolution;

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2. Share Repurchase Mandate to repurchase Shares up to a maximum of 10% of the Shares in issue as at the date of passing the relevant resolution; and
3. the Share Issue Mandate shall be extended to the Shares that are allowed to be repurchased by the Company pursuant to the Repurchase mandate.

II. GENERAL MANDATE TO REPURCHASE SHARES

At the AGM, an ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to exercise all the powers of the Company to repurchase Shares subject to the criteria set out in this letter. The Shareholders should note that the authority relates only to purchase made on the Stock Exchange and otherwise in accordance with the Listing Rules. All repurchases of shares must be approved in advance by an ordinary resolution, which may be by way of general mandate, or by specific approval in relation to specific transactions.

In addition, the general mandate will continue in force during the Relevant Period (as referred to in paragraph (c) of resolution 6 (the “Resolution”) set out in the notice of the AGM of the Company), which means the period from the passing of the Resolution until whichever is the earlier of:

- (i) the conclusion of the next AGM of the Company;
- (ii) the expiration of the period within which the next AGM of the Company is required by the Bye-laws of the Company or any applicable laws to be held; or
- (iii) the revocation or variation of the authority given under the Resolution by ordinary resolution of the shareholders in general meeting.

1. Exercise of the Share Repurchase Mandate

It is proposed that the maximum number of Shares which may be repurchased pursuant to the Share Repurchase Mandate will be 10 per cent of the issued share capital of the Company as at the date of passing of the relevant resolution. Based on 492,507,850 Shares in issue as at the Latest Practicable Date, and assuming that no shares are issued and repurchased by the Company prior to the AGM, exercise in full of the Share Repurchase Mandate will result in up to 49,250,785 Shares being repurchased by the Company during the Relevant Period.

2. Reasons for Repurchases

Whilst the Directors do not presently intend to repurchase any Shares they believe that the flexibility afforded by the Share Repurchase Mandate granted to them, if resolution 6 set out in the notice of the AGM is passed, would be beneficial to the Company. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per share. Repurchases of shares will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

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3. Funding of Repurchases

Repurchases of shares must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association of the Company, its Bye-laws and the applicable laws of Bermuda. Repurchases of shares pursuant to the Share Repurchase Mandate would be financed entirely from the Company's paid up share capital plus funds available for dividends or distribution to shareholders and the share premium account.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its most recent published audited accounts for the year ended 31st March 2006), in the event that the Share Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Share Repurchase Mandate to such extent as to in the circumstances have a material adverse effect on the working capital requirements or the gearing levels of the Company which, in the opinion of the Directors, are from time to time appropriate for the Company.

4. Disclosure of Interests

None of the Directors and, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, none of their associates has present intention, if the Share Repurchase Mandate is approved by shareholders, to sell any Shares to the Company.

No connected persons of the Company, as defined in the Listing Rules, have notified the Company that they have a present intention to sell any Shares to the Company nor have any connected persons (as so defined) undertaken not to do so if the Company is authorised to make purchases of Shares.

5. Directors' Undertaking

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share Repurchase Mandate in accordance with the Listing Rules and all applicable laws of Bermuda and in accordance with the regulations set out in the Memorandum of Association of the Company and its Bye-laws.

6. Shares Repurchases made by the Company

No repurchases of Shares (whether on the Stock Exchange or otherwise) have been made by the Company during the six months prior to the date of this circular.

7. Takeovers Code Consequences

If as a result of a repurchase of Shares a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a shareholder or a group of shareholders acting in concert, depending on the level of increase in the shareholder's or group of shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

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As at the Latest Practicable Date, Luk Fook (Control), being the controlling shareholder of the Company and the person directly interested in 10 per cent or more of the Shares in issue, was interested in 231,858,000 Shares being approximately 47.08 per cent of the issued share capital of the Company. Certain directors of the Company, namely, Mr. WONG Wai Sheung, Mr. TSE Moon Chuen, Mr. CHAN Wai, Mr. LEE Shu Kuan and Mr. WONG Koon Cheung are also directors, and together with their associates collectively control 57,252,618 shares, representing 57.25 per cent of the issued share capital, of Luk Fook (Control). These directors were deemed to be interested in the same shares for the purpose of the SFO.

In the event that the Share Repurchase Mandate is exercised in full, Luk Fook (Control) would be interested in up to approximately 52.31 per cent of the issued Shares. This would oblige Luk Fook (Control) to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. However, the Directors would not exercise the mandate to such an extent.

8. Market Prices

During each of the previous twelve months, the highest and lowest traded prices for Shares recorded on the Stock Exchange were as follows:

Month	Traded Market Price	
	Highest HK\$	Lowest HK\$
2005		
July	2.500	2.250
August	2.450	1.980
September	2.025	1.780
October	1.930	1.280
November	1.510	1.290
December	1.480	1.260
2006		
January	1.540	1.280
February	1.520	1.350
March	1.500	1.280
April	1.420	1.310
May	1.350	1.200
June	1.230	1.020
July (up to the Latest Practicable Date)	1.280	1.060

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III. AMENDMENTS TO EXISTING BYE-LAWS

Pursuant to Code A.4.2 of Appendix 14 to the Listing Rules that contain the Code on Corporate Governance Practices and came into effect on 1st January 2005, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Also, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Pursuant to Code E.2.1 of Appendix 14 to the Listing Rules, a poll should be demanded by the Chairman of the meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies.

Furthermore, pursuant to Paragraph 4(3) of Appendix 3 to the Listing Rules that came into effect on 1st March 2006, the Company in general meeting should be able to remove a director by an ordinary resolution instead of a special resolution.

In order to align the Bye-laws with these amendments to the Listing Rules, the Directors propose that the Bye-laws be amended in the manner as set out in the proposed Special Resolution.

IV. RE-ELECTION OF DIRECTORS

Pursuant to Bye-law 99 of the Bye-laws, one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company save any Director holding office as Chairman or Managing Director. Accordingly, Mr. LAU Kwok Sum, Mr. WONG Koon Cheung, Mr. CHAN Wai, Mr. LEE Shu Kuan shall retire by rotation at the AGM. All retiring Directors are eligible for re-election. Details of the Directors proposed to be re-elected are as follows:

Mr. LAU Kwok Sum

Mr. LAU Kwok Sum, aged 64, joined the Group as a Branch Manager in 1995. Presently, he is a Director & Zone Manager (Yaumatei & Mongkok). Prior to joining the Group, Mr. LAU worked as a regional manager in a listed jewellery company in Hong Kong. Mr. LAU has more than 36 years of experience in retailing, purchasing and wholesaling of jewellery products.

As at the Latest Practicable Date, Mr. LAU did not have any interests in the Shares within the meaning of Part XV of the SFO. On 1st March 2000, Mr. LAU entered into a service contract with the Company that does not have any fixed term and may be terminated by either side on 3 months' notice (note 1). Under the service contract, he is employed as Zone Manager of the Group. For the year ended 31st March 2006, his emoluments amounted to HK\$964,898 and he is also entitled to a director's fee of HK\$55,000 per annum (note 2).

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Mr. WONG Koon Cheung

Mr. WONG Koon Cheung, aged 73, has over 54 years of experience in retailing and manufacturing of jewellery in Hong Kong. He joined the Group in 1992 and is a non-executive director of the Company.

As at the Latest Practicable Date, Mr. WONG had 248,822,226 Shares within the meaning of Part XV of the SFO. He was re-appointed as a non-executive director for two years up to 31st March 2008 but subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws. Mr. WONG provides general consultancy services to the Company at the annual fee of HK\$115,000. He is also entitled to a director's fee of HK\$55,000 per annum (note 2).

Mr. CHAN Wai

Mr. CHAN Wai, aged 76, has over 59 years of experience in retailing and manufacturing of jewellery in Hong Kong. He joined the Group in 1992 and is a non-executive director of the Company.

As at the Latest Practicable Date, Mr. CHAN had 249,443,198 Shares within the meaning of Part XV of the SFO. He was re-appointed as a non-executive director for two years up to 31st March 2008 but subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws. Mr. CHAN provides general consultancy services to the Company at the annual fee of HK\$115,000. He is also entitled to a director's fee of HK\$55,000 per annum (note 2).

Mr. LEE Shu Kuan

Mr LEE Shu Kuan, aged 79, has over 39 years of experience in property development in Hong Kong. He joined the Group in 1991 and is a non-executive director of the Company. As at the Latest Practicable Date, Mr. LEE had 254,101,029 Shares within the meaning of Part XV of the SFO. He was re-appointed as a non-executive director for two years up to 31st March 2008 but subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws. Mr. LEE provides general consultancy services to the Company at the annual fee of HK\$115,000. He is also entitled to a director's fee of HK\$55,000 per annum.

Save as the aforesaid, each of the retiring Directors does not have any relationship with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company. In addition, there is no other information which is required to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters that need to be brought to the attention of Shareholders, in respect of the re-election of the retiring Directors.

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Notes:

- (1) None of the Directors' service contracts requires the Company to give a period of notice of more than one year or to pay compensation or make other payments equivalent to more than one year's emoluments, other than statutory compensation. Pursuant to the Bye-laws, one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company save any Director holding office as Chairman or Managing Director.
- (2) The fees and other emoluments of Directors are determined by reference to industry norm and market conditions, with discretionary bonus on performance awarded to executive directors.

V. ANNUAL GENERAL MEETING

A notice of the AGM is set out in the Annual Report 2006 sent to Shareholders on the same date as this circular, which also outlines the proposed Ordinary Resolutions to grant the Share Issue Mandate and the Share Repurchase Mandate to the Directors, the extension of the Share Issue Mandate, the Amendments to Bye-laws and the re-election of Directors.

A proxy form for use at the AGM is enclosed with the Annual Report. Whether or not you are able to attend the meeting, you are advised to complete the proxy form in accordance with the instructions printed thereon and deposit it at the Company's principal place of business in Hong Kong at 25/F, BEA Tower, Millennium City 5, 418 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting.

Pursuant to Article 70 of the Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded:

- (i) by the Chairman of the meeting; or
- (ii) by at least three Shareholders present in person or by a duly authorized corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders present in person or by a duly authorized corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) by any Shareholder or Shareholders present in person or by a duly authorized corporate representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

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VI. RECOMMENDATION

The Directors believe that the granting of the Share Issue Mandate and the Share Repurchase Mandate, the extension of the Share Issue Mandate, the Amendments to Bye-laws and the Re-election of Directors are in the best interests of the Company as well as its shareholders. Accordingly, the Directors recommend you to vote in favour of all relevant resolutions set out in the notice of the AGM.

Yours faithfully,
For and on behalf of the Board
WONG Wai Sheung
Chief Executive