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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 MANDATE TO REPURCHASE SHARES

RE-ELECTION OF DIRECTORS

AND AMENDMENTS TO BYE-LAWS

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 19/F Sino Centre, 582-592 Nathan Road, Kowloon, Hong Kong on Friday, 27th August, 2004 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 2004, 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
“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.
“SFO”	Securities and Futures Ordinance
“Share(s)”	Fully paid share(s) of HK\$0.10 each in the capital of the Company.
“Shareholders”	The shareholders of the Company
“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)

Executive directors:

WONG Wai Sheung
TSE Moon Chuen
LAW Tim Fuk, Paul
POON Kam Chi
LAU Kwok Sum

Registered office:

Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Non-executive directors:

WONG Koon Cheung
CHAN Wai
LEE Shu Kuan
YUENG Po Ling, Pauline
CHIU Wai Mo*
HUI Chiu Chung*
HUI King Wai

Principal Place of Business

19th Floor
Sino Centre
582-592 Nathan Road
Kowloon
Hong Kong

* *Independent non-executive directors*

30th July, 2004

To the Shareholders

Dear Sir or Madam,

GENERAL MANDATE TO REPURCHASE SHARES RE-ELECTION OF DIRECTORS AND AMENDMENTS TO BYE-LAWS

I. INTRODUCTION

The purpose of this circular is to provide Shareholders with details of the Repurchase Mandate and the proposals for re-election of directors and amendments to the Bye-laws to be dealt with at the forthcoming AGM.

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 circular. The Shareholders should note that the authority

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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 Repurchase Mandate

It is proposed that the maximum number of Shares which may be repurchased pursuant to the 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 480,974,850 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 Repurchase Mandate will result in up to 48,097,485 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 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.

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 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.

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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 2004), in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the 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 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 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.

As at the Latest Practicable Date Luk Fook (Control), being the controlling shareholder of the Company and the only person directly interested in 10 per cent or more of the Shares in issue, was interested in 231,858,000 Shares being approximately 48.21 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 over one-half of the voting power, of Luk Fook (Control). These directors were deemed to be interested in the same shares for the purpose of the SFO.

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In the event that the Repurchase Mandate is exercised in full, Luk Fook (Control) would be interested in up to approximately 53.57 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 Per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2003		
July	1.080	0.740
August	1.600	0.990
September	1.790	1.220
October	1.410	1.010
November	1.370	1.210
December	1.490	1.310
2004		
January	1.600	1.360
February	1.500	1.370
March	1.500	1.360
April	1.520	1.410
May	1.440	1.030
June	1.330	1.110
July (up to the Latest Practicable Date)	1.520	1.270

III. AMENDMENTS TO EXISTING BYE-LAWS

On 30 January 2004, the Stock Exchange has announced that, subject to certain transitional arrangements, the proposed amendments to the Listing Rules relating to corporate governance issues will take effect on 31 March 2004.

Resulting from the amendments of Appendix 3 of the Listing Rules, the key issues affecting the Bye-laws are as follows:

- (i) the minimum seven-day period for lodgment by shareholders of the notice to nominate a director shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days before the date of such meeting;

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- (ii) directors shall abstain from voting at the board meeting on any matter in which any of his associates has a material interest and are not to be counted towards the quorum of the relevant board meeting; and
- (iii) where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Furthermore, on 1 April 2003, the Securities and Futures (Clearing House) Ordinance was repealed and the SFO came into effect. The Directors noted that the definition of “Clearing House” in the Bye-laws needs to be amended as it refers to the repealed Ordinance.

To align the Bye-laws with the amendments to the Listing Rules, and to adopt a new definition of “Clearing House”, the Directors propose the Bye-laws be amended in the manner as set out in the 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 save any Director holding office as Chairman or Managing Director. Accordingly, Mr. TSE Moon Chuen, Mr. LEE Shu Kuan, Miss YEUNG Po Ling, Pauline and Mr. CHIU Wai Mo 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. TSE Moon Chuen

Mr. TSE, aged 54, is the co-founder of the Group. Presently, he is an executive director of the Company and Deputy General Manager of the Group. He has over 32 years of experience in jewellery retailing business and is responsible for the sales operations and administration of the Group’s retail shop. He has been an executive committee member of the Diamond Federation of Hong Kong, China Limited since 2001. He has also been appointed as the Chairman of the Tsuen Wan Festival Lightings Organizing Committee for six consecutive years.

As at the Latest Practicable Date, Mr. TSE had 245,167,520 Shares within the meaning of Part XV of the SFO. For the year ended 31st March 2004, his emoluments amounted to HK\$1,170,199. In addition, he realized a gain of HK\$2,166,030 upon exercising the Company’s share options during the year. He is also entitled to a director’s fee of HK\$55,000 per annum. Save as the aforesaid, Mr. TSE does not have any relationship with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. LEE Shu Kuan

Mr LEE Shu Kuan, aged 77, has over 37 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

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meaning of Part XV of the SFO. 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, Mr. LEE does not have any relationship with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company.

Miss YEUNG Po Ling, Pauline

Miss YEUNG Po Ling, Pauline, aged 37, is the co-founder of the Group and is a non-executive director of the Company. Miss Yeung has over 16 years of experience in public relations. Miss YEUNG was the winner of Miss Hong Kong and Miss International of Goodwill in 1987. Miss Yeung was also the president of the Wai Yin Club for the year 1995-1996. As at the Latest Practicable Date, Miss YEUNG did not have any interests in the Shares within the meaning of Part XV of the SFO. Miss YEUNG indirectly provides promotional services to the Group at the annual fee of HK\$380,000. She is also entitled to a director's fee of HK\$55,000 per annum. Save as the aforesaid, Mr. YEUNG does not have any relationship with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. CHIU Wai Mo

Mr CHIU Wai Mo, aged 54, has over 37 years of experience in general trading, property investment and management consultancy in Hong Kong and Japan. Mr Chiu holds directorships in a number of companies in Hong Kong and Japan. He joined the Group in 1997 and is an independent non-executive director, and a member of the Audit Committee, of the Company. He is entitled to a director's fee of HK\$110,000 per annum. As at the Latest Practicable Date, Mr. CHIU did not have any interests in the Shares within the meaning of Part XV of the SFO. Save as the aforesaid, he does not have any relationship with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company.

Notes:

- (1) None of the Directors proposed to be re-elected at AGM has a service contract with the Group, which is not determinable within one year without payment of compensation, other than statutory compensation.
- (2) The 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 2004 sent to Shareholders on the same date as this circular, which also outlines the proposed Ordinary Resolutions to grant the Repurchase Mandate to the Directors and the Re-election of Directors and the proposed Special Resolution to amend the Bye-laws.

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 principal place of the Company in Hong Kong at 19/F Sino Centre, 582-592 Nathan Road, Mong Kok, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting.

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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.

VI. RECOMMENDATION

The Directors believe that the Repurchase 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
Chairman