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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 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)

DISCLOSEABLE TRANSACTION

DISPOSAL OF PROPERTY

25th August 2004

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DEFINITIONS

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

“Board”	The board of directors 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
“Completion Date”	The date on which the sale and purchase of the Property between the Vendor and the Purchaser is completed
“Directors”	The directors of the Company
“Group”	The Company and its subsidiaries
“Latest Practicable Date”	23rd August 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“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
“Purchaser”	Kasen Development Limited, a company incorporated in Hong Kong, an independent third party introduced by a commissionable property agent
“Property”	Shops 1 & 2, on Ground Floor, Ming Yuen Centre, Nos. 400-404 King’s Road, Nos. 4A/4B, 6A/6B & 6C Ming Yuen Western Street, Hong Kong
“Retail Shop”	The jewellery retail shop operated on the Property by the Group
“SFO”	Securities and Futures Ordinance
“Shareholders”	The shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenant”	Cheer Hope Investment Limited a company incorporated in Hong Kong and wholly owned by the Company
“Vendor”	Max Forum Development Limited, a company incorporated in Hong Kong and wholly owned by the Company

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

Non-executive directors:

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

* *Independent non-executive directors*

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Place of Business:

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

25th August 2004

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

On 3rd August 2004, the Directors announced that the Provisional Sale & Purchase Agreement was entered into between the Vendor and the Purchaser for the disposal of the Property.

The disposal of the Property constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to give the Shareholders further information in relation to the transaction.

LETTER FROM THE BOARD

PROVISIONAL SALE & PURCHASE AGREEMENT

On 27th July 2004, the Provisional Sale & Purchase Agreement was entered into between the Vendor and the Purchaser, whereby the Vendor has agreed to sell, the Purchaser has agreed to purchase, the Property at a consideration of HK\$42,000,000.

THE PURCHASER

The Purchaser is a company incorporated in Hong Kong with limited liability and to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are independent third parties, and not connected with any of the directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates (as defined in the Listing Rules). The principal activity of the Purchaser is property investment.

THE PROPERTY

The Property was acquired by the Vendor in 1999 at a consideration of HK\$27,000,000 and has been occupied by the Group as the Retail shop since then. The approximate saleable area of the Property is 2,119 square feet. The net book value of the Property as shown in the Group's audited accounts for the year ended 31st March 2004 amounted to approximately HK\$25,500,000 and depreciation for which will further be provided up to the Completion Date so that its net book value will become approximately HK\$25,200,000.

CONSIDERATION

The consideration for the sale and purchase of the Property is HK\$42,000,000 payable by the Purchaser in cash (HK\$1,000,000 on 27th July 2004, HK\$3,200,000 on or before 17th August 2004 and HK\$37,800,000 on or before completion of the transaction). The consideration was determined after arm's length negotiations between the parties to the Purchase Agreement by reference to the open market value of HK\$36,000,000 as at 26th July 2004 as appraised by FPD Savills (Hong Kong) Limited, an independent valuer who is not a connected person (as defined in the Listing Rules) of the Company.

COMPLETION

The Formal Sale & Purchase Agreement has been signed on 17th August 2004 and the completion of the sale and purchase of the Property shall take place on or before 28th September 2004.

LEASE BACK ARRANGEMENT

The Provisional Sale & Purchase Agreement provides that the Vendor shall procure the Tenant to execute a tenancy agreement in escrow with the Purchaser (as landlord) in respect of the Property on or before the Completion Date. The tenancy shall be for a period of three (3) years from the Completion Date at a rental of HK\$210,000 per month (exclusive of rates, management fees and other outgoings but inclusive of government

LETTER FROM THE BOARD

rent). The Tenant has an option to renew a further term of three (3) years at market rent. The rental was determined after arm's length negotiations between the Group and the Purchaser by reference to the prevailing market rentals of similar properties in the same vicinity.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Property Group has held the Property for operating the Retail Shop since 1999, which has successfully accumulated a substantial valuable customer base over the past few years and achieved satisfactory business results during the past few years. Upon the disposal of the Property, the Group will realize a gain of approximately HK\$16,500,000 being the excess of the consideration over the net book value of the Property less outlays, which will be recognized in the Group's income statement for the year ending 31st March 2005. In view of the recent surge in market prices of retail shop properties market condition and the expected downward adjustment to these prices in the near future, the Company considers it the right time to dispose of the Property at a good price in order to generate additional working capital to cater for expansion of the Group's manufacturing and wholesale operations while the Group can continue to occupy the Property and operate the Retail Shop by the sale and lease back arrangement. Having taken into account the factors and reasons set out herein, the Directors believe that the terms of disposal of the Property are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

EFFECTS OF THE TRANSACTION

The Directors estimate that, upon completion of the Transaction, the Group's financial position would have the following approximate changes:

	Assets <i>HK\$</i>	Equities <i>HK\$</i>
Increase in cash at banks (proceeds less outlays)	41,700,000	–
Decrease in property at net book value	(25,200,000)	–
Increase in gain on disposal of property	–	16,500,000
	<hr/>	<hr/>
Net increase	<u>16,500,000</u>	<u>16,500,000</u>

Besides, the Group will have an increase in annual shop rental expense by approximately HK\$2,520,000 under the lease back arrangement.

PRINCIPAL ACTIVITIES

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.

LETTER FROM THE BOARD

DISCLOSEABLE TRANSACTION

The asset ratio and the consideration ratio for this transaction are each over 5% and below 25%. As a result, the acquisition of the Property constitutes a discloseable transaction under the Listing Rules.

FURTHER INFORMATION

Your attention is drawn to the general information set out in the Appendix in this circular.

Yours faithfully,
By Order of the Board
Luk Fook Holdings (International) Limited
WONG Wai Sheung
Chairman

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at the Latest Practicable Date, save as disclosed below, none of the director and chief executive of the Company had interests and short positions in the shares, underlying shares and debentures of the issuer or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) which:

- (a) were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which he is taken or deemed to have under such provisions of Securities and Futures Ordinance); or
- (b) were required, pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein; or
- (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Exchange;

I. Long positions in shares and underlying shares of the Company:

Name of Director	Beneficial Owner	Child under 18 or Spouse	Controlled Corporation	Beneficiary of Trust	Share Option	Total Interest	% of Shares
Mr. WONG Wai Sheung	412,878	-	245,144,176 <i>note (a) & (b)</i>	3,628,010 <i>note (c)</i>	7,064,000	256,249,064	53.28%
Mr. TSE Moon Chuen	23,344	-	245,144,176 <i>note (a) & (b)</i>	-	-	245,167,520	50.98%
Mr. LAW Tim Fuk, Paul	1,236,000	-	-	-	-	1,236,000	0.26%
Mr. WONG Koon Cheung	2,678,090	-	245,144,176 <i>note (a) & (b)</i>	-	-	247,822,266	51.53%
Mr. CHAN Wai	4,299,022	-	245,144,176 <i>note (a) & (b)</i>	-	-	249,443,198	51.87%
Mr. LEE Shu Kuan	5,634,579	735,650 <i>note (f)</i>	247,730,800 <i>note (a), (b), (d) & (e)</i>	-	-	254,101,029	52.84%

Note (a)

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) Ltd. which holds 231,858,000 shares in the Company. These directors were deemed to be interested in the same shares, relevant disclosures were therefore duplicated for the purpose of SFO.

Note (b)

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-third of the voting power, of Dragon King Investment Ltd. which holds 13,286,176 shares in the Company. These directors were deemed to be interested in the same shares, relevant disclosures were therefore duplicated for the purpose of SFO.

Note (c)

Mr. WONG Wai Sheung and his family are discretionary beneficiaries of the WONG's family Trust (the "Trust"). The Trust is the beneficial owner of the entire issued share capital of Kwai Kee Cheung Jewellery & Goldsmith Co. Ltd. which is the beneficial owner of 3,628,010 shares of the Company.

Note (d)

Mr. LEE Shu Kuan holds 33.3% of the entire issued share capital of Wah Hang Kimon Investments Limited which in turn holds 630,624 shares of the Company.

Note (e)

Mr. LEE Shu Kuan holds 51% of the entire issued share capital of Wah Hang Kimon Holdings Limited which in turns holds 1,956,000 shares of the Company.

Note (f)

Mr. LEE Shu Kuan's spouse, Ms. FONG Chi Ling, holds 735,650 shares of the Company.

II. Long positions in shares and underlying shares of Luk Fook Control, the ultimate holding company

Name of Director	Beneficial Owner	Child under 18 or Spouse	Controlled Corporation	Beneficiary of Trust	Total Interest	% of Shares
Mr. WONG Wai Sheung	478,111	-	-	33,977,450 <i>note (a)</i>	34,455,561	34.46%
Mr. TSE Moon Chuen	-	82,853 <i>note (b)</i>	1,916,100 <i>note (c)</i>	-	1,998,953	2.00%
Mr. POON Kam Chi	162,435	-	-	-	162,435	0.16%
Mr. LAU Kwok Sum	1,600	-	-	-	1,600	0.002%
Mr. WONG Koon Cheung	4,553,433	-	-	-	4,553,433	4.55%
Mr. CHAN Wai	6,427,843	-	-	-	6,427,843	6.43%
Mr. LEE Shu Kuan	6,613,544	645,307 <i>note (d)</i>	1,093,575 <i>note (e)</i>	-	8,352,426	8.35%
Miss YEUNG Po Ling, Pauline	60,000	-	-	-	60,000	0.06%

Note (a)

Mr. WONG Wai Sheung and his family are discretionary beneficiaries of the WONG's family Trust (the "Trust"). The Trust is the beneficial owner of the entire issued share capital of Kwai Kee Cheung Jewellery & Goldsmith Co., Ltd. which is the beneficial owner of 33,977,450 shares of Luk Fook Control.

Note (b)

Mr. TSE Moon Chuen's spouse, Ms. FONG Anissa King, holds 82,853 shares of Luk Fook Control.

Note (c)

Mr. TSE Moon Chuen holds 100% of the entire issued share capital of Moon Chuen Investment Limited which in turn holds 1,916,000 shares of Luk Fook Control.

Note (d)

Mr. LEE Shu Kuan's spouse, Ms. Fong Chi Ling, holds 645,307 shares of Luk Fook Control.

Note (e)

Mr. LEE Shu Kuan holds 33.3% of the entire issued share capital of Wah Hang Kimon Investments Limited which in turn holds 1,093,575 shares of Luk Fook Control.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, save as disclosed below, so far as is known to any director or chief executive of the Company, no person, other than a director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Name of Shareholder	Beneficial Owner	Controlled Corporation	Total Interest	% of Shares
Luk Fook (Control) Limited	231,858,000	–	231,858,000	48.21%
Value Partners Limited	53,932,000 <i>Note (a)</i>	–	53,932,000	11.21%
Mr. CHEAH Ching Hye	–	53,932,000 <i>Note (a)</i>	53,932,000	11.21%
First State Investments (Hong Kong) Limited	29,384,000 <i>Note (b)</i>	–	29,384,000	6.11%
Commonwealth Bank of Australia	–	29,384,000 <i>Note (b)</i>	29,384,000	6.11%
First State Investment Management (UK) Limited	2,194,000 <i>Note (b)</i>	–	2,194,000	0.46%

Note (a)

Mr. CHEAH is a 31.82% controlling shareholder of Value Partners Limited which in turn holds 53,932,000 shares of the Company in the capacity as investment manager. By virtue of the SFO, he is deemed to be interested in those shares of the Company and relevant disclosures are therefore duplicated.

Note (b)

Commonwealth Bank of Australia is a 100% indirect controlling shareholder of First State Investments (Hong Kong) Limited ("FSHK") and First State Investment Management (UK) Limited ("FSUK"). In turn FSHK holds 29,384,000 shares, while FSHK and FSUK are deemed to jointly hold 2,194,000 shares, of the Company in the capacity as investment managers. By virtue of the SFO, Commonwealth Bank of Australia is deemed to be interested in those shares of the Company and relevant disclosures are therefore duplicated.

As at the Latest Practicable Date, save as disclosed below, so far as is known to any director or chief executive of the Company, no person was, directly or indirectly, interested in ten (10) per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and any options in respect of such capital.

Name of Shareholder	Subsidiary of the Company	% of Shares
Splendid Diamond Limited	Jewellworld.com Limited	42.63%
Gold Reach Corporation Limited	Success Era Investments Limited	49.00%
Mr. CHEUNG Kwong Sang	Union Advertising & Production Company Limited	30.00%
Wah Cheong Global Investment Limited	Instant Win Investment Limited	20.00%

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the employer within a year without payment of any compensation (other than statutory compensation).

6. MISCELLANEOUS

- (a) The Secretary and the Qualified Accountant of the Company is Mr. LAW Tim Fuk, Paul, a member of the Association of Chartered Certified Accountants, the Chartered Institute of Management Accountants, the Hong Kong Society of Accountants and the Institute of Chartered Secretaries and administrators. Mr. Law also holds a Bachelor's Degree with honours in Accountancy.
- (b) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (c) The head office and principal place of business of the Company is 19th Floor, Sino Centre, 582-592 Nathan Road, Kowloon, Hong Kong.
- (d) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.