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If you have sold all your shares in Yue Fung International Group Holding Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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YUE FUNG INTERNATIONAL GROUP HOLDING LIMITED

裕豐國際集團控股有限公司*

(Incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Lee Wing Kan (*Chairman and Managing Director*)

Mr. Lee Wing Chan (*Deputy Chairman*)

Ms. Ching Mei Yee

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Independent non-executive Directors:

Mr. Leung Hok Lim

Ms. Tan Fu Yun

Head office and principal

place of business in Hong Kong:

Units 11-12, 32nd Floor

Cable TV Tower

9 Hoi Shing Road

Tsuen Wan

New Territories

Hong Kong

27 September 2002

To the shareholders

Dear Sir or Madam,

REPURCHASES BY THE COMPANY OF ITS OWN SHARES

At the forthcoming annual general meeting (“Annual General Meeting”) of the shareholders (“Shareholders”) of Yue Fung International Group Holding Limited (the “Company”) to be held on 13 November 2002, an ordinary resolution will be proposed to grant to the directors of the Company (“Directors”) a general mandate (“Repurchase Mandate”) to exercise the powers of the Company to undertake repurchases of the Company’s fully paid-up ordinary shares (“Shares”) of HK\$0.01 each in the capital of the Company representing up to a maximum of 10 per cent. of the issued share capital of the Company as at the date of passing such resolution.

* *For identification purposes only*

The Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) contain provisions to regulate the repurchase by companies with primary listings on the Stock Exchange of their own securities on the Stock Exchange.

In accordance with the Listing Rules, this circular serves as the explanatory statement to provide you with requisite information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to approve the Repurchase Mandate to be proposed at the Annual General Meeting.

LISTING RULES

- (i) As at 26 September 2002 (“Latest Practicable Date”), being the latest practicable date prior to the printing of this circular, the number of Shares in issue was 4,621,088,000. On the basis of such figure and that no further Shares will be issued or repurchased prior to the date of the Annual General Meeting, the Directors would be authorised to repurchase up to a maximum of 462,108,800 shares during the proposed repurchase period had the Repurchase Mandate been obtained from the Shareholders.
- (ii) The Directors believe that the ability to repurchase Shares is in the interests of the Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in net assets value and/or earnings per Share. The Directors are seeking the Repurchase Mandate to give the Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.
- (iii) Repurchases must be made out of funds which are legally available for such purpose in accordance with the memorandum and the bye-laws of the Company and the laws of Bermuda. It is envisaged that the funds required for any repurchase would be derived from the distributable profits of the Company.
- (iv) There may be an adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the financial year ended 31 May 2002) in the event that the proposed share repurchases were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, having a material adverse effect on the working capital of the Company or its gearing level which in the opinion of the Directors is from time to time appropriate for the Company.
- (v) There are no Directors or (to the best of the knowledge of the Directors, having made all reasonable enquiries) any associates (as defined in the Listing Rules) of the Directors who have a present intention, in the event that the Repurchase Mandate is granted by the Shareholders, to sell Shares to the Company.

- (vi) The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the Repurchase Mandate only in accordance with the Listing Rules and the laws of Bermuda.
- (vii) A repurchase of Shares by the Company may result in an increase in the proportionate interests of a substantial shareholder of the Company in the voting rights of the Company, which could give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “Code”).

As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, Simply Noble Limited, who held 32% of the issued share capital of the Company, is the only substantial shareholder of the Company holding more than 10% of the issued share capital of the Company. In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the resolution, the shareholding of Simple Noble Limited in the Company would be increased to approximately 35.55% of the issued share capital of the Company. Such increase would give rise to an obligation to make a mandatory offer under Rule 26 of the Code in relation to Simply Noble Limited. However, the Directors have no present intention to repurchase Shares.

- (viii) No repurchase has been made by the Company of Shares in the six months prior to the date of this circular.
- (ix) No connected person (as defined in the Listing Rules) of the Company has notified it of a present intention to sell Shares to the Company and no such person has undertaken not to sell any such Shares to the Company in the event that the Repurchase Mandate is granted by the Shareholders.
- (x) The highest and lowest adjusted prices at which Shares have traded on the Stock Exchange in each of the twelve months preceding the Latest Practicable Date are as follows:

	Per Share	
	Highest <i>(HK\$)</i>	Lowest <i>(HK\$)</i>
September 2001	0.041	0.027
October 2001	0.044	0.036
November 2001	0.055	0.039
December 2001	0.055	0.039
January 2002	0.051	0.040
February 2002	0.054	0.039
March 2002	0.055	0.036
April 2002	0.042	0.034
May 2002	0.041	0.033
June 2002	0.036	0.027
July 2002	0.031	0.012
August 2002	0.017	0.010
September 2002 up to the date of this circular	0.010	0.010

RECOMMENDATION

The Directors consider that the granting of the Repurchase Mandate is in the interests of the Company and the Shareholders and accordingly recommend you to vote in favour of the resolution to be proposed at the Annual General Meeting.

Yours faithfully,
Lee Wing Kan
Chairman and Managing Director