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

If you have sold all your shares in LUNG KEE (BERMUDA) HOLDINGS LIMITED, you should at once hand this circular together with the form of proxy 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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LUNG KEE (BERMUDA) HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

**PROPOSAL FOR BONUS SHARE ISSUE, GENERAL MANDATES TO
PURCHASE ITS OWN SHARES AND TO ISSUE SHARES**

The notice convening the annual general meeting of Lung Kee (Bermuda) Holdings Limited (the "Company") to be held at Mandarin Oriental Hotel, 4th Floor, Kublai Khan Room, 5 Connaught Road Central, Hong Kong at 3:30 p.m. on Friday, 1st September, 2000 (the "Annual General Meeting") was given on 30th June, 2000 and is contained in the 2000 Annual Report of the Company. Shareholders are advised to read the notice and to complete and return the form of proxy enclosed with the 2000 Annual Report in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the Annual General Meeting or adjourned meeting (as the case may be).

10th July, 2000

EXPECTED TIMETABLE

2000

Last date of dealing in Shares cum entitlements to bonus Shares	Wednesday, 23rd August
Latest time for lodging transfers for entitlements to the bonus Shares	4:00 p.m. on Friday, 25th August
Closure of register of members (both dates inclusive)	Monday, 28th August to Friday, 1st September
Proxy forms for the Annual General Meeting to be returned by	3:30 p.m. on Wednesday, 30th August
Record Date for entitlement to the bonus Shares	Friday, 1st September
Annual General Meeting	3:30 p.m. on Friday, 1st September
Despatch of share certificates for bonus Shares	Thursday, 7th September
First day of dealings in bonus Shares	Friday, 8th September

LETTER FROM THE CHAIRMAN



LUNG KEE (BERMUDA) HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Directors:

Siu Tit Lung (*Chairman*)
Siu Yuk Lung (*Managing Director*)
Mak Koon Chi
Wai Lung Shing
Liu Wing Ting, Stephen*
Chan Chun Sing, Colin*
Lee Tat Yee*

* *independent non-executive directors*

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and

principal place of business:

1st Floor,
Cheung Kong Electronic Building,
4 Hing Yip Street,
Kwun Tong,
Kowloon,
Hong Kong

10th July, 2000

To the shareholders of the Company

Dear Sir or Madam,

**PROPOSALS FOR BONUS SHARE ISSUE, GENERAL MANDATES
TO PURCHASE ITS OWN SHARES AND TO ISSUE SHARES**

INTRODUCTION

It was announced on 30th June, 2000 that the directors of the Company (“Directors”) recommended a proposal for a bonus issue of shares to the Company’s shareholders whose names appear on the register of members on 1st September, 2000 (“Record Date”) on the basis of one new share of HK\$0.10 of the Company (“Share”) for every four existing Shares held on the Record Date (“Bonus Share Issue”).

The purpose of this circular is to provide you with details regarding the Bonus Share Issue.

This circular also gives details of the proposed general mandates to purchase Shares and to issue Shares.

At the annual general meeting of the Company held on 30th July, 1999, a general mandate was given to the Directors to exercise the powers of the Company to purchase its own fully paid up shares (“Shares”). Another general mandate on 30th July, 1999 has given to the Directors to allot, issue and deal with shares. These general mandates will lapse at the conclusion of the Annual General Meeting.

LETTER FROM THE CHAIRMAN

BONUS SHARE ISSUE

The Directors recommended a bonus issue of Shares, credited as fully paid by way of capitalisation of part of the Company's share premium account, on the basis of one bonus Share for every four existing Shares held by shareholders whose names appear on the register of members of the Company on the Record Date, subject to the conditions mentioned below. The bonus Shares will rank pari passu in all respects with the existing Shares except that they will not carry any right to receive the final dividend of HK\$0.10 per Share in respect of the year ended 31st March, 2000. Fractional entitlements to the bonus Shares will not be allotted to shareholders and will be aggregated and sold, the net proceeds of sale being retained for the benefit of the Company.

The total number of bonus Shares to be issued under the Bonus Share Issue will not be capable of determination until the Record Date. Based on 384,689,375 Shares in issue on 3rd July, 2000 (being the latest practicable date for determining the number before the printing of this circular) (the "Latest Practicable Date"), and assuming no further Shares are issued or purchased after the Latest Practicable Date and up to the Record Date, a total of 96,172,343 bonus Shares will be issued and the Directors will be authorised to capitalise the sum of HK\$9,617,234 being part of the amount standing to the credit of the share premium account of the Company in paying up in full the bonus Shares.

CONDITIONS

The Bonus Share Issue is subject to the following conditions:

- the passing of the relevant ordinary resolution to approve the Bonus Share Issue at the Annual General Meeting;
- the granting by the Bermuda Monetary Authority of the relevant permissions in respect of the Bonus Share Issue; and
- the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listings of, and permission to deal in the bonus Shares.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 28th August, 2000 to Friday, 1st September, 2000, both dates inclusive, for the purpose of determining entitlements to the Bonus Share Issue. During this period, no transfers of Shares can be registered.

In order to qualify for the Bonus Share Issue, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Registrars of the Company, Central Registration Hong Kong Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Friday, 25th August, 2000.

LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for listings of, and permission to deal in the bonus Shares. It is expected that certificates for the bonus Shares will be sent to shareholders by ordinary post on or about Thursday, 7th September, 2000 at the risk of the persons entitled thereto.

The issued shares of the Company are listed and dealt in on the Stock Exchange. Save as disclosed herein, no equity or debt securities of the Company are listed or dealt in on any other stock exchange nor is listing or permission to deal in such securities on any other stock exchange being or proposed to be sought.

LETTER FROM THE CHAIRMAN

Dealings in bonus Shares will be subject to Hong Kong stamp duty.

Subject to the granting of listings of, and permission to deal in the bonus Shares on the Stock Exchange, the bonus Shares will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in the Central Clearing and Settlement System (“CCASS”) with effect from the commencement date of dealings in the bonus Shares on the Stock Exchange or such other date as shall be determined by Hong Kong Securities Clearing Company Limited. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

GENERAL MANDATE TO PURCHASE ITS OWN SHARES

An ordinary resolution will be proposed at the Annual General Meeting to approve a fresh general mandate to be given to the Directors to exercise the powers of the Company to purchase at any time until the next annual general meeting of the Company or such earlier period as stated in the ordinary resolution, Shares up to a maximum of 10 percent of the share capital of the Company in issue (the “Share Repurchase Mandate”).

An explanatory statement as required under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) to provide the requisite information is set out in the appendix hereto.

GENERAL MANDATE TO ISSUE SHARES

There will also be proposed at the Annual General Meeting two ordinary resolutions respectively granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding 20 percent of the share capital of the Company in issue until the next annual general meeting of the Company or such earlier period as stated in the ordinary resolution (the “Share Issue Mandate”) and adding to such general mandate so granted to the Directors any Share purchased by the Company under the Share Repurchase Mandate.

ANNUAL GENERAL MEETING

At the Annual General Meeting, ordinary resolutions will be proposed to approve the Bonus Share Issue, Share Repurchase Mandate and Share Issue Mandate.

The notice convening the Annual General Meeting was given on 30th June, 2000 and is contained in the 2000 Annual Report of the Company. Shareholders are advised to read the notice and to complete and return the form of proxy enclosed with the 2000 Annual Report in accordance with the instructions printed thereon and return the same to the head office and principal place of business of the Company at 1st Floor, Cheung Kong Electronic Building, 4 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the Annual General Meeting or adjourned meeting (as the case may be).

RECOMMENDATION

The Directors believe that the Bonus Share Issue, the Shares Repurchase Mandate and the Share Issue Mandate are in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of the resolutions relating to such matters to be proposed at the Annual General Meeting.

Yours faithfully,
Siu Tit Lung
Chairman

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide all the information reasonably necessary to enable shareholders to make an informed decision on whether to vote for or against the resolution to approve the purchase by the Company of its own Shares.

LISTING RULES

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholder's approval

All proposed repurchases of securities by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Repurchases must be made out of funds legally available for the purpose in accordance with the company's constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established. It is envisaged that the funds required for any repurchase would be derived from those funds of the Company legally permitted to be utilised in this connection, including capital paid up on the shares of the Company to be repurchased, funds of the Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares of the Company and any premium payable on a repurchase shall be provided out of funds of the Company otherwise available for dividend or distribution or sums standing to the share premium account of the Company.

(iii) Maximum number of securities to be repurchased and subsequent issues

A maximum of 10 percent of the outstanding fully paid issued share capital at the date of passing the relevant resolution may be repurchased on the Stock Exchange. A company may not, without the prior approval of the Stock Exchange, issue or announce a proposed new issue of shares and/or warrants for a period of 30 days immediately following a repurchase, whether on the Stock Exchange or otherwise (other than an issue of shares pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue shares which were outstanding prior to such repurchase).

(iv) Trading restriction

All repurchases of securities on the Stock Exchange in any calendar month are limited to a maximum of 25 percent of the trading volume of such securities on the Stock Exchange in the immediately preceding calendar month. The Listing Rules also prohibit a company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public being reduced to less than 25 percent. A company may not repurchase its securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(v) Status of repurchased securities

The Listing Rules provide that the listings of all repurchased securities are automatically cancelled upon purchase and the certificates for the securities must be cancelled and destroyed. Under the laws of Bermuda, repurchased shares of a company shall be treated as cancelled.

(vi) Suspension of repurchases

The Listing Rules prohibit any repurchase of securities at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of a company's interim report, the company may not purchase securities on the Stock Exchange, unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(vii) Reporting requirement

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. on the following business day. In addition, it is a requirement for a company to disclose details regarding securities repurchased during the year in its annual report, including a monthly breakdown on the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases and the aggregate prices paid. A company must procure that any broker it appoints to effect the repurchase must disclose to the Stock Exchange such information with respect to purchase made on behalf of the company as the Stock Exchange may direct.

(viii) Connected parties

The Listing Rules prohibit a company from knowingly repurchasing shares of the company on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or an associate of any of them (as defined in the Listing Rules) and a connected person shall not knowingly sell his shares to the company on the Stock Exchange.

EXERCISE OF THE SHARE REPURCHASE MANDATE

As at the Latest Practicable Date, there were 384,689,375 Shares in issue.

Subject to the passing of the ordinary resolution nos. 6 and 7 set out in the notice convening the Annual General Meeting and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the Company would be allowed under the Share Repurchase Mandate to repurchase a maximum of 38,468,937 Shares.

REASONS FOR THE REPURCHASE OF SHARES

The Directors believe that the Share Repurchase Mandate is in the best interest of the Company and its shareholders. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such repurchase will benefit the Company and its shareholders.

FUNDING OF REPURCHASE

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the laws of Bermuda and the Memorandum of Association and the Bye-laws of the Company.

There might be a material adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited consolidated accounts contained in the annual report for the year ended 31st March, 2000 in the event that Share Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Share Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

SHARE PRICES

The monthly highest and lowest prices at which the Shares had traded on the Stock Exchange during the twelve months preceding the Latest Practicable Date were as follows:

	Shares	
	Highest HK\$	Lowest HK\$
1999		
June	1.320	0.940
July	1.380	1.170
August	1.200	0.940
September	1.150	1.020
October	1.180	1.080
November	1.670	1.100
December	1.780	1.280
2000		
January	1.540	1.280
February	1.420	1.310
March	1.500	1.290
April	1.400	1.300
May	1.450	1.380

DISCLOSURE OF INTEREST

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell the Shares to the Company or its subsidiaries.

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 the applicable laws of Bermuda.

TAKEOVER CODE

If as a result of repurchase of Shares by the Company, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers ("Takeover Code"). Accordingly, a shareholder, or group of shareholders acting in concert, could obtain or consolidate control of the Company or become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code.

SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, according to the register of interests required to be kept by the Company under Section 16(1) of the Securities (Disclosure of Interests) Ordinance of Hong Kong, the shareholders of the Company who were interested in 10 percent or more of the issued share capital of the Company were as follows:

Name	No. of Shares
Pan Island Investments Limited	159,375,000
Rickdee Investments Limited	37,500,000
Robin Hill Investments Limited	37,500,000

Pan Island Investments Limited is wholly-owned by a discretionary trust, The Lung Kee Family Trust (LK Trust), of which families members of Siu Tit Lung and Siu Yuk Lung other than Siu Tit Lung and Siu Yuk Lung themselves are beneficiaries. Rickdee Investments Limited is wholly-owned by a discretionary trust, The Tungsum Family Trust (TF Trust) of which family members of Siu Tit Lung other than Siu Tit Lung himself are beneficiaries. Robin Hill Investments Limited is wholly-owned by a discretionary trust, The Hangsum Family Trust (HF Trust), of which family members of Siu Yuk Lung other than Siu Yuk Lung himself are beneficiaries. Together with the interests in the LK Trust, TF Trust and HF Trust, Mr. Siu Tit Lung and Mr. Siu Yuk Lung and their associates were interested in aggregate approximately 68 percent of the issued share capital of the Company.

Save as disclosed herein, there was no person known to the Directors and the chief executive of the Company who, as at the Latest Practicable Date, was directly or indirectly interested in 10 percent or more of the nominal value of any class of share capital rights to vote in the circumstances at general meeting 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 ordinary resolution no. 7 set out in the notice convening the Annual General Meeting, the interests of Mr. Siu Tit Lung and Mr. Siu Yuk Lung and their associates in the Company would be increased to 75 percent of the issued share capital of the Company and such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeover Code. The Directors have no intention to exercise the Share Repurchase Mandate to such an extent.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell the Shares to the Company, or has undertaken not to do so.

SHARES PURCHASE BY THE COMPANY

Neither the Company nor any of its subsidiaries has purchased any of the Shares in the six months preceding the Latest Practicable Date.