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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 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 GENERAL MANDATES TO  
PURCHASE ITS OWN SHARES AND TO ISSUE SHARES**

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The notice convening the annual general meeting of Lung Kee (Bermuda) Holdings Limited (the "Company") to be held at Mandarin Oriental Hotel, 10th Floor, Ivy Room, 5 Connaught Road Central, Hong Kong at 3:30 p.m. on Thursday, 9th August, 2001 (the "Annual General Meeting") was given on 22nd June, 2001 and is contained in the 2001 Annual Report of the Company. Shareholders are advised to read the notice and to complete and return the form of proxy enclosed with the 2001 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).

28th June, 2001

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LETTER FROM THE CHAIRMAN

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**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  
Chan Chun Sing, Colin  
Liu Wing Ting, Stephen\*  
Lee Tat Yee\*

\* *independent non-executive directors*

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and*

*principal place of business:*

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

28th June, 2001

*To the shareholders of the Company*

Dear Sir or Madam,

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

**INTRODUCTION**

This circular gives details of the proposed general mandates to purchase its own fully paid up shares ("Shares") and to issue Shares.

At the annual general meeting of the Company held on 1st September, 2000, a general mandate was given to the Directors to exercise the powers of the Company to purchase Shares and another general mandate was given to the Directors to allot, issue and deal with Shares. These general mandates will lapse at the conclusion of the Annual General Meeting.

**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 date on which the authority given under this resolution is revoked or varied by ordinary resolution of the Shareholders of the Company in general meeting, Shares up to a maximum of 10 percent of the share capital of the Company in issue (the "Share Repurchase Mandate").

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## LETTER FROM THE CHAIRMAN

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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 date on which the authority given under this resolution is revoked or varied by ordinary resolution of the Shareholders in general meeting (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 Share Repurchase Mandate and Share Issue Mandate.

The notice convening the Annual General Meeting was given on 22nd June, 2001 and is contained in the 2001 Annual Report of the Company. Shareholders are advised to read the notice and to complete and return the form of proxy enclosed with the 2001 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 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. The Shares proposed to be purchased by a company are fully paid up.

#### **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.

### **EXERCISE OF THE SHARE REPURCHASE MANDATE**

As at 26th June, 2001, the latest practicable date prior to printing of this circular for ascertaining certain information contained in this circular (the "Latest Practicable Date"), there were 481,327,343 Shares in issue.

Subject to the passing of the ordinary resolution nos. 5 and 6 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 48,132,734 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. 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.

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 latest published audited consolidated accounts contained in the annual report for the year ended 31st March, 2001 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\$
<b>2000</b>		
June	1.280(A)	1.152(A)
July	1.424(A)	1.288(A)
August	1.440(A)	1.250
September	1.260	1.060
October	1.280	1.090
November	1.280	1.210
December	1.360	1.230
<b>2001</b>		
January	1.290	1.210
February	1.330	1.220
March	1.320	1.220
April	1.400	1.220
May	1.650	1.350

*Note:* The Share Prices of June, July and August 2000 were adjusted for the effect of bonus issue of shares which was approved at the annual general meeting of the Company held on 1st September, 2000.

### 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 in the event that the Share Repurchase Mandate is approved by the Shareholders.

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:

<b>Name</b>	<b>No. of Shares</b>
Pan Island Investments Limited	199,218,750
Rickdee Investments Limited	46,875,000
Robin Hill Investments Limited	46,875,000

Pan Island Investments Limited is wholly-owned by a discretionary trust, The Lung Kee Family Trust (“LK Trust”), of which family members of Mr. Siu Tit Lung and Mr. Siu Yuk Lung (directors of the Company) 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 Mr. 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 Mr. 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. 6 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 75.3 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. The Directors also would not exercise the Share Repurchase Mandate to an extent that the Company will infringe the minimum 25 percent public float requirement under the Listing Rules.

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 in the event that the Company is authorized to make purchases of Shares.

**SHARES PURCHASE BY THE COMPANY**

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