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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)

(Stock Code: 255)

**PROPOSAL FOR
BONUS SHARE ISSUE
INCREASE IN AUTHORISED SHARE CAPITAL
GENERAL MANDATES TO
PURCHASE ITS OWN SHARES AND TO ISSUE SHARES
AND
AMENDMENTS TO BYE-LAWS**

The notice convening the annual general meeting of Lung Kee (Bermuda) Holdings Limited (the "Company") to be held at Peacock Room, 1st Floor, Mandarin Oriental Hotel, 5 Connaught Road Central, Hong Kong on Monday, 3rd May, 2004 at 3:30 p.m. (the "Annual General Meeting") is contained in the annual report of the Company for the year ended 31st December, 2003 dated 26th March, 2004 (the "Annual Report"). Shareholders are advised to read the notice and to complete and return the form of proxy enclosed with the 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 2nd Floor, Cheung Kong Electronic Building, 4 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the Annual General Meeting or adjournment thereof (as the case may be).

Hong Kong, 1st April, 2004

EXPECTED TIMETABLE

Last day of dealing in Shares cum entitlements to the Bonus Issue	Friday, 23rd April, 2004
First day of dealing in Shares ex-entitlements to the Bonus Issue	Monday, 26th April, 2004
Latest time for lodging transfer form for entitlements to the Bonus Issue in Hong Kong	4:00 p.m. on Tuesday, 27th April, 2004
Latest time for lodging transfer form for entitlements to the Bonus Issue in Singapore	5:00 p.m. on Tuesday, 27th April, 2004
Closure of register of members	from Wednesday, 28th April, 2004 to Monday, 3rd May, 2004 (both dates inclusive)
Proxy forms for the Annual General Meeting to be returned by	3:30 p.m. on Saturday, 1st May, 2004
Record date for determination of entitlement to the Bonus Issue	Monday, 3rd May, 2004
Annual General Meeting	3:30 p.m. on Monday, 3rd May, 2004
Register of members reopens	Tuesday, 4th May, 2004
Despatch and Receipt of the Global Share Certificate by the Singapore Central Depository (Pte) Limited ("Singapore CDP") for crediting Bonus Shares into the securities accounts of Singapore shareholders	Wednesday, 12th May, 2004
Despatch of share certificates to Hong Kong shareholders for their Bonus Shares	Thursday, 13th May 2004
Crediting the respective entitlements of Singapore Shareholders in respect of the Bonus Shares into their respective securities accounts by the Singapore CDP	Thursday, 13th May 2004
Expected first day of dealings in the Bonus Shares	Friday, 14th May, 2004

LETTER FROM THE CHAIRMAN



LUNG KEE (BERMUDA) HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Siu Tit Lung (*Chairman*)
Mr. Siu Yuk Lung (*Managing Director*)
Mr. Mak Koon Chi
Mr. Wai Lung Shing
Mr. Fung Wai Hing

Non-Executive Director:

Mr. Chan Chun Sing, Colin

Independent Non-Executive Directors:

Mr. Liu Wing Ting, Stephen, *JP*
Dr. Lee Tat Yee

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and

Principal Place of Business:

2nd Floor
Cheung Kong Electronic Building
4 Hing Yip Street
Kwun Tong
Kowloon
Hong Kong

1st April, 2004

To the shareholders of the Company

Dear Sir or Madam,

**PROPOSAL FOR
BONUS SHARE ISSUE
INCREASE IN AUTHORISED SHARE CAPITAL
GENERAL MANDATES TO
PURCHASE ITS OWN SHARES AND TO ISSUE SHARES
AND
AMENDMENTS TO BYE-LAWS**

INTRODUCTION

It was announced on 26th March, 2004 that the directors of the Company (“Directors”) recommended a proposal for a bonus issue of shares (“Bonus Issue”) to the shareholders of the Company (“Shareholders”) whose names appear on the register of members of the Company on 3rd May, 2004 (“Record Date”) on the basis of one new share of HK\$0.10 of the Company (“Share(s)”) for every four existing Shares held on the Record Date (“Bonus Share(s)”).

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

This circular also gives details of the proposed increase in authorised share capital of the Company, the general mandates to purchase and to issue its own Shares and amendments to the Bye-laws.

LETTER FROM THE CHAIRMAN

At the annual general meeting of the Company held on 5th May, 2003, 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.

BONUS ISSUE OF SHARES

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 (whether in Hong Kong, Singapore or overseas) 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 issued Shares except that they will not carry any right to receive the final dividend for the year ended 31st December, 2003. 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 exact total number of Bonus Shares to be issued under the Bonus Issue will not be capable of determination until the Record Date. Based on 491,298,643 Shares in issue on 29th March, 2004 (being the latest practicable date for determining the number of Shares in issue before the printing of this circular) (the "Latest Practicable Date"), and assuming no further Shares are or will be issued or repurchased after the Latest Practicable Date and up to the Record Date, a total of 122,824,660 Bonus Shares will be issued pursuant to the Bonus Issue and it is proposed that the Directors be authorised to capitalise the sum of HK\$12,282,466 being part of the amount standing to the credit of the share premium account of the Company and apply such sum in paying up in full the Bonus Shares.

An ordinary resolution set out as Resolution No. 9 in the notice of the Annual General Meeting will be proposed at the Annual General Meeting to approve the Bonus Issue.

CONDITIONS

The Bonus Issue is subject to the following conditions:

- the passing of the relevant ordinary resolution to approve the Bonus Issue at the Annual General Meeting;
- the passing of the relevant ordinary resolution to increase the authorised share capital at the Annual General Meeting;
- the granting by the Bermuda Monetary Authority of the relevant permissions in respect of the Bonus Issue (if required);
- the Listing Committee of The Stock Exchange of Hong Kong Limited ("HKSE") granting the listing of, and permission to deal in the Bonus Shares; and
- the Singapore Exchange Securities Trading Limited ("SGX-ST") granting listings of, and permission to deal in the Bonus Shares.

LETTER FROM THE CHAIRMAN

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from 28th April, 2004 to 3rd May, 2004, both days inclusive, for the purpose of determining entitlements to the Bonus Issue. During this period, no transfers of Shares will be registered.

In order for the Hong Kong shareholders of the Company to qualify for the Bonus Issue, all share certificates accompanied by the completed transfer forms either overleaf or separate or standard transfer form, must be lodged with the Hong Kong branch registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on 27th April, 2004.

Singapore Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5:00 p.m. on 27th April, 2004 will be entitled to the proposed Bonus Shares.

LISTING AND DEALINGS

Applications have been made to the HKSE and SGX-ST for the listings of and permission to deal in the Bonus Shares. It is expected that certificates for the Bonus Shares will be sent to the Company's Hong Kong shareholders by ordinary post on or about 13th May, 2004 at the risk of the persons entitled thereto. A Global Share Certificate representing the aggregate entitlements of the Company's Singapore shareholders will be dispatched and to be received by the Singapore CDP on 12th May, 2004 to enable the respective securities accounts of Singapore shareholders to be credited with their respective entitlements on 13th May, 2004. Dealings in the Bonus Shares are expected to commence on the HKSE and SGX-ST on or about 14th May, 2004, subject to the aforesaid.

The issued shares of the Company are listed and dealt in on the HKSE and SGX-ST. 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 on any other stock exchange being or proposed to be sought.

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

Dealings in Shares, in the case of Hong Kong Shareholders of the Company may be settled through the Central Clearing and Settlement System, and, in the case of the Singapore Shareholders of the Company, the Singapore CDP, and you should seek the advice of your stockbroker or other professional adviser for details of these settlement arrangements and how such arrangements will affect your rights and interests.

INCREASE IN AUTHORISED SHARE CAPITAL

In order to have a sufficient authorised and unissued share capital available for the issue of Bonus Shares, an ordinary resolution as Resolution No. 8 in the notice of the Annual General Meeting will be proposed at the Annual General Meeting to approve an increase in the authorised share capital of the Company from HK\$60,000,000 divided into 600,000,000 Shares to HK\$100,000,000 divided into 1,000,000,000 Shares by the creation of an additional 400,000,000 shares of HK\$0.10 each. The proposed increase in the authorised share capital of the Company is to meet the requirements on the exercise of the general mandate in the future. As at the Latest Practicable Date, 491,298,643 Shares were in issue.

LETTER FROM THE CHAIRMAN

GENERAL MANDATE TO PURCHASE ITS OWN SHARES

An ordinary resolution as Resolution No. 11 in the notice of the Annual General Meeting 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% 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 of Hong Kong Limited (the “Listing Rules”) to provide the requisite information is set out in the appendix hereto. Under the listing rules of the SGX-ST, as the Company has only a secondary listing in Singapore, the Company is not required to comply with the continuous listing obligations of the SGX-ST, subject to the requirement that any public announcements or disclosures made by the Company to the HKSE must be contemporaneously released to the SGX-ST.

GENERAL MANDATE TO ISSUE SHARES

There will also be proposed at the Annual General Meeting two ordinary resolutions as Resolutions 10 and 12 in the notice of the Annual General Meeting respectively granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding 20% 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 of the Company in general meeting (the “Share Issue Mandate”) and adding to such general mandate so granted to the Directors any Shares repurchased by the Company under the Share Repurchase Mandate.

AMENDMENTS TO THE EXISTING BYE-LAWS OF THE COMPANY

Certain amendments have been made to the Listing Rules to permit listed issuers to send or make available corporate communications to their shareholders using electronics means and in either the English or Chinese language and certain amendments have also been made to Appendix 3 of the Listing Rules to enhance the corporate governance standards of listed issuers.

As a result of the amendments to the Listing Rules, amongst others, (1) where the Company has actual knowledge, any shareholders who 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; (2) a minimum of 7 days’ period for lodgment by shareholder of the notice is required to nominate a Director other than the retiring of the notice of meeting appointed for such election, such period for lodgment of the notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting; and (3) a Director shall abstain from voting at the board meeting or any matter in which he or any of his associates has material interest and the Director shall not be counted towards the quorum of the relevant board meeting.

To align the bye-laws of the Company with the latest amendments to the Listing Rules, the Company proposes that the bye-laws of the Company be amended in the manner set out in the special resolution of the notice of the Annual General Meeting. The full text of the proposed amendments to the existing bye-laws are set out in the notice of the Annual General Meeting as set out in the Annual Report.

LETTER FROM THE CHAIRMAN

ANNUAL GENERAL MEETING

At the Annual General Meeting, ordinary resolutions will be proposed to approve, inter alia, the Bonus Issue, the increase in authorised share capital, the Share Repurchase Mandate and Share Issue Mandate and a special resolution will be proposed to amend the bye-laws of the Company.

The notice convening the Annual General Meeting and a form of proxy are contained in the Annual Report. Shareholders are advised to read the notice and to complete and return the form of proxy enclosed with the 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 2nd 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 adjournment thereof (as the case may be).

RECOMMENDATION

The Directors believe that the Bonus Issue, the increase in authorised share capital, the Shares Repurchase Mandate and the Share Issue Mandate and amendments to the bye-laws of the Company are in the best interests of the Company and the 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 Share Repurchase Mandate.

LISTING RULES RELATING TO THE REPURCHASE OF SHARES

The Listing Rules permit companies with a primary listing on HKSE to repurchase their shares on the HKSE subject to certain restrictions. The Shares proposed to be purchased by the company are fully paid up.

SHAREHOLDER'S APPROVAL

All proposed repurchases of shares by a company with a primary listing on the HKSE 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 Latest Practicable Date, there were 491,298,643 Shares in issue and not less than 122,824,660 Bonus Shares will be issued pursuant to the Bonus Issue.

Subject to the passing of the ordinary resolutions as Resolutions Nos. 10 and 11 in the notice of 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 49,129,864 Shares, being 10% of the issued share capital of the Company at the date of passing the resolution.

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, the bye-laws of the Company and any other applicable laws. 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 to be repurchased, funds of the Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of Shares 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 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 highest and lowest prices at which the Shares have been traded on the HKSE during each of the twelve months preceding the Latest Practicable Date were as follows:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2003		
March	2.300	1.900
April	2.200	1.980
May	2.725	2.100
June	3.075	2.475
July	3.625	2.850
August	3.550	3.150
September	3.475	2.950
October	3.750	3.100
November	4.100	3.725
December	4.525	4.000
2004		
January	4.650	4.100
February	4.975	3.950

UNDERTAKING

The Directors have undertaken to the HKSE that, so far as the same may be applicable, they will exercise the Share Repurchase Mandate in accordance with the Listing Rules, the applicable laws and regulations of Bermuda and the memorandum of association and the bye-laws of the Company.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell Shares to the Company or its subsidiaries in the event that the Share Repurchase Mandate is approved by the Shareholders.

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 authorised to make repurchases of Shares.

HONG KONG CODE ON TAKEOVER AND MERGERS

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 Rule 32 of The Hong Kong Code on Takeovers and Mergers (the "Hong Kong Code") and Rule 14 of the Singapore Code on Take-Overs and Mergers (the "Singapore 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 Hong Kong Code and Rule 14 of the Singapore Code.

As at the Latest Practicable Date, Mr. Siu Tit Lung and Mr. Siu Yuk Lung together with their respective associates are beneficially interested in 325,730,031 Shares representing approximately 66.30% of the issued share capital of the Company.

In the event that the Share Repurchase Mandate is exercised in full, the interests of Mr. Siu Tit Lung and Mr. Siu Yuk Lung and their associates in the Company would be increased to approximately 73.67% 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 Hong Kong Code and under Rule 14 of the Singapore Code. The Directors have no intention to exercise the Share Repurchase Mandate to such an extent.

SHARES PURCHASE BY THE COMPANY

Neither the Company nor any of its subsidiaries has purchased any of the Shares (whether on the HKSE or on the SGX-ST) in the six months preceding the Latest Practicable Date.