

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



LUNG KEE (BERMUDA) HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 255)

CONTINUING CONNECTED TRANSACTIONS

The Board is pleased to announce that on 22 December 2005, Heyuan Lung Kee and Dongguan Tin Cheung entered into the Products Sale and Purchase Agreement which sets out the framework within which the Products are to be sold and purchased by Heyuan Lung Kee to or from Dongguan Tin Cheung (as the case may be).

As at the date of this announcement, Dongguan Tin Cheung is the wholly-owned subsidiary of Sky Lucky, a subsidiary of the Company and Mr. Li is a director and a substantial shareholder who has direct and/or indirect control of 40% of the voting rights of Sky Lucky, which is owned as to 30% by Mr. Li and 10% by Zoto, a company owned as to 90% by Mr. Li. As Dongguan Tin Cheung is an associate of Mr. Li, who is a connected person of the Company, the transactions contemplated under the Products Sale and Purchase Agreement will constitute continuing connected transactions for the Company under the Listing Rules. As it is expected that the relevant percentage ratios (other than the profits ratio) in relation to the Sale Transactions will all be less than 2.5% for the year ending 31 December 2006, the Sale Transactions are exempt from the independent Shareholders' approval requirements. However, as one or more of the relevant percentage ratios in relation to the Sale Transactions will be 0.1% or more, the Sale Transactions are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules. Details of the Sale Transactions will be included in the Company's next published annual report and accounts.

The Directors (including the independent non-executive Directors) consider that the terms of the Products Sale and Purchase Agreement, the Continuing Connected Transactions and the amount of the Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE PRODUCTS SALE AND PURCHASE AGREEMENT

Date: 22 December 2005

Parties: Heyuan Lung Kee
Dongguan Tin Cheung

Duration: 1 January 2006 to 31 December 2006 (both dates inclusive)

Nature of transaction:

(1) Sale Transactions

Sale of (a) steel and (b) mould bases and components of mould bases manufactured by Heyuan Lung Kee by Heyuan Lung Kee to Dongguan Tin Cheung

(2) Purchase Transactions

Purchase of (a) steel and (b) mould bases and components of mould bases manufactured by Dongguan Tin Cheung by Heyuan Lung Kee from Dongguan Tin Cheung

Terms:

On normal commercial terms or if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Heyuan Lung Kee or Dongguan Tin Cheung than terms available to or from (as appropriate) Independent Third Parties for the relevant Products.

Annual Cap for the sale of the Products by Heyuan Lung Kee to Dongguan Tin Cheung for year ended 31 December 2006:

HK\$8,000,000

Basis of the Annual Cap:

There had previously been no purchase of steel nor mould bases and components of mould bases manufactured by Dongguan Tin Cheung by Heyuan Lung Kee from Dongguan Tin Cheung. However, the Directors anticipate that if and where commercially advantageous to Heyuan Lung Kee, Heyuan Lung Kee may purchase small quantities of the Products from Dongguan Tin Cheung on an on-and-off basis during the continuance of the Products Sale and Purchase Agreement which is not expected to exceed the de minimis threshold under the Listing Rules. Therefore, the Annual Cap has only been set in relation to the sale of the Products by Heyuan Lung Kee to Dongguan Tin Cheung. Although there is no annual cap in relation to the Purchase Transactions, Heyuan Lung Kee will monitor the amount of the Purchase Transactions and will ensure compliance with the Listing Rules.

The Annual Cap is determined by reference to (i) the nature of the transactions, and (ii) the estimated growth in the sale of the Products by Heyuan Lung Kee to Dongguan Tin Cheung based on the historical amounts or estimated amounts of the Products purchased from distributors by Dongguan Tin Cheung for the years ended 31 December 2003, 31 December 2004 and 31 December 2005, the increase of such amounts during such period of time and the expected volume of the Products required by Dongguan Tin Cheung from distributors of the Products for the year ending 31 December 2006.

Dongguan Tin Cheung had previously purchased the Products (mostly alloy steel) mostly from suppliers or competitors of the Group (which are, like Heyuan Lung Kee, distributors), which were all Independent Third Parties, and relatively small quantities from Heyuan Lung Kee and directly from suppliers respectively. The historical amounts of the sale of the Products by Heyuan Lung Kee to Dongguan Tin Cheung for the years ended 31 December 2003 and 31 December 2004 and the six months ended 30 June 2005 are approximately HK\$264,000, HK\$207,000 and HK\$459,000, and the estimated aggregate value of the sale of the Products by Heyuan Lung Kee to Dongguan Tin Cheung for the six months ended 31 December 2005 will be approximately HK\$1,000,000. The historical figures of the transactions were relatively low as the Group has set a limit on sales of the Products to Dongguan Tin Cheung so that the transactions were confined to the de minimis transactions under the Listing Rules. The amount of Products purchased by Dongguan Tin Cheung from distributors (including Heyuan Lung Kee and competitors) has steadily increased throughout these few years. From a commercial standpoint, where the Products may be

obtained from Heyuan Lung Kee at a price (available to all purchasers, including Dongguan Tin Cheung) which is lower or comparable to that which Independent Third Parties may offer, it is in the interest of the Group to minimize the amount of profit offered to competitors of the Group and to purchase the Products from Heyuan Lung Kee. Therefore, it is expected that the amount of sale of the Products by Heyuan Lung Kee to Dongguan Tin Cheung will increase to the anticipated amount of the Products required by Dongguan Tin Cheung from distributors. There have been no previous circumstances in which Dongguan Tin Cheung have not been satisfied with the quality of the Products purchased from Heyuan Lung Kee.

CONTINUING CONNECTED TRANSACTIONS

As at the date of this announcement, Dongguan Tin Cheung is the wholly-owned subsidiary of Sky Lucky, a subsidiary of the Company and Mr. Li is a director and a substantial shareholder who has direct and/or indirect control of 40% of the voting rights of Sky Lucky, which is owned as to 30% by Mr. Li and 10% by Zoto, a company owned as to 90% by Mr. Li. As Dongguan Tin Cheung is an associate of Mr. Li, who is a connected person of the Company, the transactions contemplated under the Products Sale and Purchase Agreement will constitute continuing connected transactions for the Company under the Listing Rules.

As it is expected that the relevant percentage ratios (other than the profits ratio) in relation to the Sale Transactions will all be less than 2.5% for the year ending 31 December 2006, the Sale Transactions are exempt from the independent Shareholders' approval requirements. However, as one or more of the relevant percentage ratios in relation to the Sale Transactions will be 0.1% or more, the Sale Transactions are subject to the reporting and announcement requirements set out in Chapter 14A of the Listing Rules and the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules. Details of the Sale Transactions will be included in the Company's next published annual report and accounts.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The Group (including Heyuan Lung Kee) is principally engaged in the manufacture and marketing of mould base and the trading of metal and parts.

Dongguan Tin Cheung is principally engaged in the manufacture and marketing of mould base.

Dongguan Tin Cheung had previously purchased the Products (mostly alloy steel) mostly from suppliers or competitors of the Group (which are distributors), which were all Independent Third Parties, and relatively small quantities from Heyuan Lung Kee. However, in order to ensure the quality of the Products sold and purchased and to minimize the amount of profit offered to competitors of the Group, Heyuan Lung Kee will increase the supply of the Products to Dongguan Tin Cheung and therefore, enters into the Products Sale and Purchase Agreement. It is expected that the amount of sale of the Products by Heyuan Lung Kee to Dongguan Tin Cheung will increase to the anticipated amount of the Products required by Dongguan Tin Cheung from distributors. The Products Sale and Purchase Agreement will not preclude the purchase of the Products by Dongguan Tin Cheung from Independent Third Parties if and when the terms available to Dongguan Tin Cheung for the purchase of the relevant Products from Independent Third Parties are more favourable than those from Heyuan Lung Kee.

Furthermore the minimum order quantity required by Heyuan Lung Kee as a distributor from Independent Third Parties in respect of steel is usually in kilogrammes and is generally lower than that required by suppliers of steel which are mostly manufacturers and usually sell steel in tonnes. Such requirement by Heyuan Lung Kee is more compatible with the comparatively small operation scale of Dongguan Tin Cheung as it no longer needs to raise its steel purchase volume in order to meet the minimum order quantity of suppliers of steel and thus avoids the potential over-stocking of steel.

The Continuing Connected Transactions are consistent with the normal business and commercial objectives of the Group. As the Products currently sold and to be sold by Heyuan Lung Kee to Dongguan Tin Cheung are and will be on normal commercial terms and the prices charged or to be charged by Heyuan Lung Kee are and will continue to be at rates comparable to rates at which Independent Third Parties may charge Dongguan Tin Cheung for the relevant Products, the revenue and profit of the Group will therefore be expected to increase as a result of the increase in the amount of sales of the Products to Dongguan Tin Cheung.

The Directors (including the independent non-executive Directors) consider that the Continuing Connected Transactions will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms. The Directors (including the independent non-executive Directors) are also of the view that the terms of the Products Sale and Purchase Agreement, the Continuing Connected Transactions and the amount of the Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

“Annual Cap”	the maximum aggregate annual value of the sale of the Products by Heyuan Lung Kee to Dongguan Tin Cheung for the year ended 31 December 2006
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Lung Kee (Bermuda) Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are primarily listed on the Stock Exchange and secondarily listed on The Singapore Exchange Securities Trading Limited as at the date of this announcement
“Continuing Connected Transactions”	the sale and purchase of the Products by Heyuan Lung Kee to or from Dongguan Tin Cheung (as the case may be) contemplated under the Products Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company (from time to time)
“Dongguan Tin Cheung”	東莞天祥五金製品有限公司 (Dongguan Tin Cheung Metal Products Co., Ltd.*), a company incorporated in the PRC and a wholly-owned subsidiary of Sky Lucky
“Group”	means the Company and its subsidiaries from time to time, excluding Dongguan Tin Cheung
“Heyuan Lung Kee”	河源龍記金屬製品有限公司 (Heyuan Lung Kee Metal Products Co., Ltd.*), a company incorporated in the PRC and an indirectly wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, a third party independent of the Company and its connected persons (as defined in the Listing Rules)
“LKM (BVI)”	LKM (BVI) Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability and an investment holding company holding 60% interest in Sky Lucky as at the date of this announcement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Siu Cheung (李兆祥), a director of and a substantial shareholder who has direct and/or indirect control of 40% of the voting rights of Sky Lucky as at the date of this announcement
“PRC”	the People’s Republic of China
“Products”	products in relation to the Group’s business including but not limited to (a) steel and (b) mould bases and components of mould bases manufactured by Heyuan Lung Kee or Dongguan Tin Cheung (as the case may be)
“Products Sale and Purchase Agreement”	the Products Sale and Purchase Agreement dated 22 December 2005 entered into between Heyuan Lung Kee and Dongguan Tin Cheung in relation to the sale and purchase of the Products by Heyuan Lung Kee to or from Dongguan Tin Cheung (as the case may be)
“Purchase Transactions”	the purchase of (a) steel and (b) mould bases and components of mould bases manufactured by Dongguan Tin Cheung by Heyuan Lung Kee from Dongguan Tin Cheung
“Sale Transactions”	the sale of (a) steel and (b) mould bases and components of mould bases manufactured by Heyuan Lung Kee from Heyuan Lung Kee to Dongguan Tin Cheung
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sky Lucky”	Sky Lucky Metal Limited, a company incorporated in Hong Kong, an indirect non wholly-owned subsidiary of the Company and owned as to (i) 60% by LKM (BVI), (ii) 30% by Mr. Li and (iii) 10% by Zoto as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	as such term is defined under the Listing Rules
“Zoto”	Zoto Company Limited, a company incorporated in the British Virgin Islands with limited liability, which is owned as to 90% by Mr. Li and 10% by the spouse of Mr. Li as at the date of this announcement.

As at the date of this announcement, the executive Directors are Mr. Siu Tit Lung (*Chairman*), Mr. Siu Yuk Lung, Mr. Mak Koon Chi, Mr. Wai Lung Shing and Mr. Fung Wai Hing; the non-executive Director is Mr. Chan Chun Sing, Colin and the independent non-executive Directors are Mr. Liu Wing Ting, Stephen, Dr. Lee Tat Yee and Mr. Lee Joo Hai.

By Order of the Board
Wai Lung Shing
Director and Company Secretary

Hong Kong, 22 December 2005

* For identification purposes only

Please also refer to the published version of this announcement in **South China Morning Post**.