



LUNG KEE (BERMUDA) HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 255)

CONTINUING CONNECTED TRANSACTIONS NEW PRODUCTS SALE AND PURCHASE AGREEMENT

Reference is made to:

1. the announcement of the Company dated 22nd December 2005 containing details of, among other things, the transactions under the 2005 Products Sale and Purchase Agreement entered into between Heyuan Lung Kee and Dongguan Tin Cheung 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) for a term of 1 year commencing on 1st January 2006 and expiring on 31st December 2006 (both dates inclusive); and
2. the announcement of the Company dated 8th September 2006 and the circular of the Company dated 29th September 2006 containing details of, among other things, the Agreement in relation to the disposal of LKM (BVI)'s 60% interests in Sky Lucky Metal, being its entire shareholding interest in Sky Lucky Metal, pursuant to the terms of the Agreement. Prior to the Completion Date, Sky Lucky Metal was owned as to (i) 60% by LKM (BVI), (ii) 30% by Mr. Li, and (iii) 10% by Zoto. Since the Completion Date, Sky Lucky Metal has become owned as to (i) 30% by Mr. Li, and (ii) 70% by Zoto, whereby Sky Lucky Metal has ceased to be a subsidiary of the Company.

As the term of the 2005 Products Sale and Purchase Agreement will be expiring on 31st December 2006 and in order to comply with the requirements under the Listing Rules, Heyuan Lung Kee, an indirectly wholly-owned subsidiary of the Company and Dongguan Tin Cheung, a wholly-owned subsidiary of Sky Lucky Metal, entered into the New Products Sale and Purchase Agreement on 28th November 2006 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) for a further term commencing on 1st January 2007 and expiring on 5th October 2007 (both dates inclusive).

As at the date of this announcement, Dongguan Tin Cheung is a wholly-owned subsidiary of Sky Lucky Metal, which is owned as to (i) 30% by Mr. Li (a director and substantial shareholder of Sky Lucky Metal), and (ii) 70% by Zoto (which is owned as to 90% by Mr. Li and as to 10% by the spouse of Mr. Li as at the date of this announcement). Although Sky Lucky Metal has ceased to be a subsidiary of the Company since the Completion Date, Mr. Li being a director and a substantial shareholder of Sky Lucky Metal continues to be a connected person of the Company at the subsidiary level for the 12-month period from the Completion Date to 5th October 2007 by virtue of Rule 14A.11 of the Listing Rules. Accordingly, Dongguan Tin Cheung is an associate of Mr. Li, who is a connected person of the Company at the subsidiary level, and the transactions contemplated under the New Products Sale and Purchase Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules for the period ending 5th October 2007.

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 period ending 5th October 2007, 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 under 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 New Products Sale and Purchase Agreement, the Continuing Connected Transactions and the amount of the Cap Amount are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BACKGROUND

Reference is made to:

1. the announcement of the Company dated 22nd December 2005 containing details of, among other things, the transactions under the 2005 Products Sale and Purchase Agreement entered into between Heyuan Lung Kee and Dongguan Tin Cheung 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) for a term of 1 year commencing on 1st January 2006 and expiring on 31st December 2006 (both dates inclusive); and
2. the announcement of the Company dated 8th September 2006 and the circular of the Company dated 29th September 2006 containing details of, among other things, the Agreement in relation to the disposal of LKM (BVI)'s 60% interests in Sky Lucky Metal, being its entire shareholding interest in Sky Lucky Metal, pursuant to the terms of the Agreement. Prior to the Completion Date, Sky Lucky Metal was owned as to (i) 60% by LKM (BVI), (ii) 30% by Mr. Li, and (iii) 10% by Zoto. Since the Completion Date, Sky Lucky Metal has become owned as to (i) 30% by Mr. Li, and (ii) 70% by Zoto, whereby Sky Lucky Metal has ceased to be a subsidiary of the Company.

As at the date of this announcement, Dongguan Tin Cheung is a wholly-owned subsidiary of Sky Lucky Metal, which is owned as to (i) 30% by Mr. Li (a director and substantial shareholder of Sky Lucky Metal), and (ii) 70% by Zoto (which is owned as to 90% by Mr. Li and as to 10% by the spouse of Mr. Li as at the date of this announcement). Although Sky Lucky Metal has ceased to be a subsidiary of the Company since the Completion Date, Mr. Li being a director and a substantial shareholder of Sky Lucky Metal continues to be a connected person of the Company at the subsidiary level for the 12-month period from the Completion Date to 5th October 2007 by virtue of Rule 14A.11 of the Listing Rules. Accordingly, Dongguan Tin Cheung is an associate of Mr. Li, who is a connected person of the Company at the subsidiary level, and the transactions contemplated under the New Products Sale and Purchase Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules for the period ending 5th October 2007.

CONTINUING CONNECTED TRANSACTIONS

As the term of the 2005 Products Sale and Purchase Agreement will be expiring on 31st December 2006 and in order to comply with the requirements under the Listing Rules, Heyuan Lung Kee and Dongguan Tin Cheung entered into the following agreement which constitute continuing connected transactions for the Company under the Listing Rules and the major terms and conditions of which are similar to that of the 2005 Products Sale and Purchase Agreement:

New Products Sale and Purchase Agreement

- Date : 28th November 2006
- Parties : (1) Heyuan Lung Kee
(2) Dongguan Tin Cheung
- Term : From 1st January 2007 and expiring on 5th October 2007 (both dates inclusive)
- Nature of Transaction : (1) Sale Transactions
Sale transactions from Heyuan Lung Kee to Dongguan Tin Cheung relating to (a) steel and (b) mould bases and components of mould bases manufactured by Heyuan Lung Kee
(2) Purchase Transactions
Purchase transactions by Heyuan Lung Kee from Dongguan Tin Cheung relating to (a) steel and (b) mould bases and components of mould bases manufactured by Dongguan Tin Cheung
- Terms : On normal commercial terms and 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.
- Cap Amount : The Directors anticipate that the sale of the Products by Heyuan Lung Kee to Dongguan Tin Cheung for the period from 1st January 2007 to 5th October 2007 will not exceed HK\$9,000,000.
- Basis of Cap Amount : (1) Historical figures of the sale of the Products by Heyuan Lung Kee to Dongguan Tin Cheung are as follows:

**Total amount of sale
of the Products by
Heyuan Lung Kee to
Dongguan Tin Cheung**

Year ended 31st December 2004	HK\$207,000
Year ended 31st December 2005	HK\$1,259,000
Six months ended 30th June 2006	HK\$3,652,000

- (2) From 1st January 2006 to 28th November 2006, no Purchase Transactions had been made by Heyuan Lung Kee from Dongguan Tin Cheung and the Directors anticipate no Purchase Transactions for the year ending 31st December 2006. Therefore, in relation to the transactions under the New Products Sale and Purchase Agreement, the Cap Amount has only been set in relation to the sale of the Products by Heyuan Lung Kee to 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 Products from Dongguan Tin Cheung on an on-and-off basis during the continuance of the New Products Sale and Purchase Agreement which is not expected to exceed the de minimis threshold under the Listing Rules. Although there is no cap amount in relation to the Purchase Transactions, Heyuan Lung Kee will monitor the amount of Purchase Transactions and will ensure compliance with the Listing Rules.
- (3) The Cap Amount was arrived at based on the upcoming possible amount of sale of the Products by Heyuan Lung Kee to Dongguan Tin Cheung for the period ending 5th October 2007 and taking into account the actual amount of sale of the Products by Heyuan Lung Kee to Dongguan Tin Cheung for each of the two years ended 31st December 2004 and 2005 and the six months ended 30th June 2006.
- (4) In determining the Cap Amount, the Company has taken into account (i) the annual cap amount for the year ending 31st December 2006 in the amount of HK\$8,000,000 and the upcoming possible amount of sale of the Products by Heyuan Lung Kee to Dongguan Tin Cheung for the period ending 5th October 2007; (ii) the nature of the transactions; and (iii) 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 each of the two years ended 31st December 2004 and 2005 and the six months ended 30th June 2006, the increase of such amounts during such period of time and the expected volume of Products required by Dongguan Tin Cheung from distributors of the Products for the period ending 5th October 2007.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Dongguan Tin Cheung had previously purchased the Products (principally alloy steel) mostly from suppliers or competitors of the Group (who are mainly distributors), which were all Independent Third Parties, and purchased relatively small quantities from Heyuan Lung Kee. By entering into the New Products Sale and Purchase Agreement, the Group will be able to ensure the quality of the Products sold and purchased, and to minimize the amount of profit offered to competitors of the Group, and Heyuan Lung Kee will continue to increase the supply of the Products to Dongguan Tin Cheung. 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 New Products Sale and Purchase Agreement will not preclude the purchase of 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 relatively 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) believe that the transactions under the New Products Sale and Purchase Agreement are conducted in the usual and ordinary course of business of the Group, and are based on normal commercial terms. The Directors (including the independent non-executive Directors) consider that the terms of the New Products Sale and Purchase Agreement, the Continuing Connected Transactions and the Cap Amount are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

LISTING RULES REQUIREMENTS

As at the date of this announcement, Dongguan Tin Cheung is a wholly-owned subsidiary of Sky Lucky Metal, which is owned as to (i) 30% by Mr. Li (a director and substantial shareholder of Sky Lucky Metal), and (ii) 70% by Zoto (which is owned as to 90% by Mr. Li and as to 10% by the spouse of Mr. Li as at the date of this announcement).

Prior to the Completion Date, Sky Lucky Metal was owned as to (i) 60% by LKM (BVI), (ii) 30% by Mr. Li, and (iii) 10% by Zoto. Since the Completion Date, Sky Lucky Metal has become owned as to (i) 30% by Mr. Li, and (ii) 70% by Zoto, whereby Sky Lucky Metal has ceased to be a subsidiary of the Company. Although Sky Lucky Metal has ceased to be a subsidiary of the Company since the Completion Date, Mr. Li being a director and a substantial shareholder of Sky Lucky Metal continues to be a connected person of the Company at the subsidiary level for the 12-month period from the Completion Date to 5th October 2007 by virtue of Rule 14A.11 of the Listing Rules. Accordingly, Dongguan Tin Cheung is an associate of Mr. Li, who is a connected person of the Company at the subsidiary level, and the transactions contemplated under the New Products Sale and Purchase Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules for the period ending 5th October 2007.

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 period ending 5th October 2007, 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 under 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.

GENERAL

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 bases, metal and parts.

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

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“2005 Products Sale and Purchase Agreement”	the products sale and purchase agreement entered into between Heyuan Lung Kee and Dongguan Tin Cheung dated 22nd December 2005 in relation to the sale and purchase of Products by Heyuan Lung Kee to or from Dongguan Tin Cheung (as the case may be)
“Agreement”	an agreement in Chinese writing dated 8th September 2006 entered into between LKM (BVI) and Zoto and Mr. Li in relation to, among other things, the disposal of 60% interest in Sky Lucky Metal
“Board”	the board of Directors
“Cap Amount”	the maximum aggregate value of the sale of the Products by Heyuan Lung Kee to Dongguan Tin Cheung for the period from 1st January 2007 to 5th October 2007
“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
“Completion Date”	6th October 2006, being the date of completion of the Agreement
“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 New Products Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“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 Metal
“Group”	the Company and its subsidiaries from time to time
“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 and is an investment holding company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Siu Cheung (李兆祥), a director and a substantial shareholder Sky Lucky Metal and a connected person of the Company at the subsidiary level
“New Products Sale and Purchase Agreement”	the products sale and purchase agreement entered into between Heyuan Lung Kee and Dongguan Tin Cheung dated 28th November 2006 in relation to the sale and purchase of Products by Heyuan Lung Kee to or from Dongguan Tin Cheung (as the case may be)
“PRC”	the People’s Republic of China
“Products”	products in relation to the Group’s business including but not limited (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)
“Purchase Transactions”	purchase transactions by Heyuan Lung Kee from Dongguan Tin Cheung relating to (a) steel and (b) mould bases and components of mould bases manufactured by Dongguan Tin Cheung
“Sale Transactions”	sale transactions from Heyuan Lung Kee to Dongguan Tin Cheung relating to (a) steel and (b) mould bases and components of mould bases manufactured by Heyuan Lung Kee
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Sky Lucky Metal”	Sky Lucky Metal Limited, a company incorporated in Hong Kong with limited liability which is owned as to (i) 30% by Mr. Li, and (ii) 70% by Zoto as at the date of this announcement
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 as to 10% by the spouse of Mr. Li as at the date of this announcement
“%”	per cent.

By order of the Board
Lung Kee (Bermuda) Holdings Limited
Wai Lung Shing
Director and Company Secretary

Hong Kong, 28th November 2006

As at the date of this announcement, the executive directors of the Company 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 of the Company is Mr. Chan Chun Sing, Colin and the independent non-executive directors of the Company are Mr. Liu Wing Ting, Stephen, Dr. Lee Tat Yee and Mr. Lee Joo Hai.

** for identification purpose only*

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