



LUNG KEE (BERMUDA) HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 255)

ANNOUNCEMENT CONNECTED TRANSACTION

The Board is pleased to announce that on 27 August 2004, LKM (BVI), a wholly-owned subsidiary of the Company, has entered into the Agreement with Zoto and Mr. Li whereby Zoto has agreed to acquire and LKM (BVI) has agreed to dispose of its 10% interest in Sky Lucky, a subsidiary of the Company in which LKM (BVI) holds a 70% interest as at the date of this announcement. The consideration for the Disposal is HK\$4,700,000.

As Mr. Li, a director and a substantial shareholder of Sky Lucky who holds 30% and 90% interest in Sky Lucky and Zoto respectively as at the date of this announcement, Zoto is thereby an associate of Mr. Li, who is a connected person of the Company at the subsidiary level. Therefore, the signing of the Agreement constitutes a connected transaction for the Company under Rule 14A.13 of the Listing Rules. However, as each of the percentage ratios (other than the profits ratio) is less than 2.5%, no independent shareholders' approval is required. Details of the Agreement will be disclosed in the next published annual report of the Company pursuant to Rule 14A.45 of the Listing Rules.

SALE AND PURCHASE AGREEMENT DATED 27 AUGUST 2004

Parties

- (1) Zoto as purchaser
- (2) LKM (BVI) as vendor
- (3) Mr. Li as existing shareholder of Sky Lucky

Assets to be disposed of

LKM (BVI)'s 10% interest in Sky Lucky.

Sky Lucky is a limited company incorporated in Hong Kong on 3 August 1993 and has since its incorporation been owned as to 70% by LKM (BVI) and 30% by Mr. Li. Upon completion of the Agreement, Sky Lucky will become owned as to 60%, 30% and 10% by LKM (BVI), Mr. Li and Zoto, respectively, whereby Mr. Li will have direct and/or indirect control of 40% of the voting rights of Sky Lucky.

Sky Lucky is principally engaged in the trading of metal and the manufacturing and marketing of mould bases. As at the date of this announcement, Sky Lucky has only one subsidiary, namely 東莞天祥五金製品有限公司 (Dongguan Tin Cheung Metal Products Co. Ltd.*), a company incorporated in the People's Republic of China and is principally engaged in the manufacturing and marketing of mould bases.

In order for the financial year end date of Sky Lucky to be in line with those subsidiaries of the Group incorporated in the People's Republic of China, Sky Lucky has changed its financial year end date from 31 March to 31 December in the year 2002. Therefore the audited financial statements of Sky Lucky for the year 2002 only covered for the period of nine months from 1 April 2002 to 31 December 2002. The audited consolidated net profit before and after tax of Sky Lucky for the period of nine months from 1 April 2002 to 31 December 2002 were HK\$8,258,565 and HK\$8,271,565 respectively, and the audited consolidated net profit before and after tax of Sky Lucky for the year ended 31 December 2003 were HK\$13,155,471 and HK\$11,584,235 respectively. There were no extraordinary items for the same periods. Based on the audited consolidated net asset value of Sky Lucky as at 31 December 2003, the value of the Disposal is HK\$4,263,360.

Consideration and completion

The consideration for the Disposal is HK\$4,700,000, payable by Zoto in cash upon completion which is currently expected to be on 3 September 2004.

The consideration for the Disposal was arrived at after arm's length negotiations between the parties. The parties have agreed to base the consideration for the Disposal on the latest audited consolidated net asset value of Sky Lucky, which was HK\$42,633,595, being the audited consolidated net asset value of Sky Lucky as at 31 December 2003.

REASONS FOR AND EFFECTS OF THE DISPOSAL

The board of directors of Sky Lucky comprises of 3 directors, 2 of which (including the chairman) are nominated by LKM (BVI) and the remaining director is Mr. Li. Therefore, LKM (BVI) will retain control over the board of directors of Sky Lucky and will remain as the majority shareholder of Sky Lucky upon completion of the Disposal. The Board considers that the Disposal will further improve the performance of Sky Lucky as Mr. Li, the minority shareholder of Sky Lucky and being in charge of the daily operation and management of Sky Lucky and its subsidiary, will have more incentive to promote the performance of Sky Lucky after the Disposal.

CONNECTED TRANSACTION

As Mr. Li, a director and a substantial shareholder of Sky Lucky who holds 30% and 90% interest in Sky Lucky and Zoto respectively as at the date of this announcement, Zoto is thereby an associate of Mr. Li, who is a connected person of the Company at the subsidiary level. Therefore, the signing of the Agreement constitutes a connected transaction for the Company under Rule 14A.13 of the Listing Rules. However, as each of the percentage ratios (other than the profits ratio) is less than 2.5%, no independent shareholders' approval is required. Details of the Agreement will be disclosed in the next published annual report of the Company pursuant to Rule 14A.45 of the Listing Rules.

The Board, including the independent non-executive Directors, is of the view that the Agreement is entered into on normal commercial terms after arm's length negotiations and that the terms thereof are fair and reasonable and in the interests of the Company so far as the shareholders of the Company as a whole are concerned.

GENERAL

The Company is an investment holding company and provides corporate management services to its subsidiaries. The Group is principally engaged in the manufacturing and marketing of mould bases and trading of metal and parts. As at the date of this announcement, the executive Directors are Mr. Siu Tit Lung, 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 and Dr. Lee Tat Yee.

Zoto is an investment holding company as at the date of this announcement.

DEFINITIONS

"the Agreement"	an agreement in Chinese writing dated 27 August 2004 entered into between LKM (BVI), Zoto and Mr. Li in respect of the Disposal
"associate(s)"	as such term is defined under the Listing Rules
"Board"	the board of Directors
"connected person"	as such term is defined under the Listing Rules
"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
"Director(s)"	the director(s) of the Company
"the Disposal"	the disposal of 10% interests in Sky Lucky by LKM (BVI) pursuant to the Agreement
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"LKM (BVI)"	LKM (BVI) Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability and is an investment holding company holding 70% interests 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 and a substantial shareholder of Sky Lucky holding 30% interests as at the date of this announcement, and a connected person of the Company at the subsidiary level
"percentage ratios"	as such term is defined under the Listing Rules
"Sky Lucky"	Sky Lucky Metal Limited, a company incorporated in Hong Kong with limited liability, which is owned as to 70% by LKM (BVI) and 30% by Mr. Li as at the date of this announcement
"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 an associate of Mr. Li
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

By order of the Board
LUNG KEE (BERMUDA) HOLDINGS LIMITED
Wai Lung Shing
Director and Company Secretary

Hong Kong, 27 August 2004

* For identification only