



LUNG KEE (BERMUDA) HOLDINGS LIMITED

(Incorporated in the Bermuda with limited liability)

(Stock Code : 255)

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION FOR THE DISPOSAL OF INTERESTS IN SKY LUCKY METAL LIMITED AND SKY LUCKY STEEL LIMITED

The Board is pleased to announce that LKM (BVI) (a wholly-owned subsidiary of the Company) as vendor entered into the Agreement with Zoto as purchaser and Mr. Li as existing shareholder of Sky Lucky Metal and Sky Lucky Steel in relation to the Disposal, which constitutes a connected transaction for the Company under the Listing Rules.

Mr. Li is a director and a substantial shareholder of both Sky Lucky Metal and Sky Lucky Steel and hence a connected person of the Company under the Listing Rules. As at the date of this announcement, Mr. Li has direct and/or indirect control of 40% of the voting rights of Sky Lucky Metal, which is owned as to 30% by Mr. Li and 10% by Zoto (a company which is owned as to 90% by Mr. Li and as to 10% by his spouse). Sky Lucky Steel is an indirect non wholly-owned subsidiary of the Company which is owned as to 70% by LKM (BVI) and 30% by Mr. Li. Accordingly, the signing of the Agreement constitutes a connected transaction for the Company under Rule 14A.16(5) of the Listing Rules.

The value of the consideration under the Agreement is HK\$25,800,000. As the profits ratio (as defined in the Listing Rules) of the Disposal exceeds 5% but is less than 25%, such connected transaction also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

The Directors, including the independent non-executive Directors, consider that the Disposal is on normal commercial terms after arm's length negotiations and that the terms thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

No Shareholder would be required to abstain from voting if a general meeting of the Company is convened to approve the Disposal. The Company has obtained written approval of the Disposal from Pan Island Investments Limited, Rickdee Investments Limited and Robin Hill Investments Limited which together hold approximately 59.07% in nominal value of the securities giving the right to attend and vote at any general meeting of the Company. The Company has applied to the Stock Exchange for a waiver from the requirement to hold a general meeting of Shareholders and permission for the independent Shareholders' approval of the Disposal to be given in writing.

The Board has appointed the Independent Board Committee to consider and advise the independent Shareholders on the terms of the Disposal, an independent financial adviser will be appointed by the Company to advise the Independent Board Committee. A circular containing, among other things, (i) further information on the Disposal; (ii) the recommendation of the Independent Board Committee; (iii) an advice from the independent financial adviser on the terms of the Disposal; and (iv) other information on the Company will be despatched to Shareholders as soon as practicable in accordance with the Listing Rules.

I. THE DISPOSAL

The Board is pleased to announce that LKM (BVI) (a wholly-owned subsidiary of the Company) as vendor entered into the Agreement with Zoto as purchaser and Mr. Li as existing shareholder of Sky Lucky Metal and Sky Lucky Steel in relation to the Disposal, which constitutes a connected transaction for the Company under the Listing Rules.

DETAILS OF THE AGREEMENT

Date : 8 September 2006
Parties : (1) LKM (BVI) as vendor
(2) Zoto as purchaser
(3) Mr. Li as existing shareholder of Sky Lucky Metal and Sky Lucky Steel
Assets to be disposed of : (1) LKM (BVI)'s 60% interest in Sky Lucky Metal, being its entire shareholding interest in Sky Lucky Metal as at the date of this announcement; and
(2) LKM (BVI)'s 70% interest in Sky Lucky Steel, being its entire shareholding interest in Sky Lucky Steel as at the date of this announcement.

Sky Lucky Metal is a limited company incorporated in Hong Kong on 3 August 1993 and is owned as to (i) 60% by LKM (BVI), (ii) 30% by Mr. Li, (iii) 10% by Zoto as at the date of this announcement. Upon completion of the Agreement, Sky Lucky Metal will become owned as to (i) 30% by Mr. Li, and (ii) 70% by Zoto, whereby Sky Lucky Metal will cease to be a subsidiary of the Company.

Sky Lucky Steel is a limited company incorporated in Hong Kong on 17 September 1996 and is owned as to 70% by LKM (BVI) and 30% by Mr. Li as at the date of this announcement. Upon completion of the Agreement, Sky Lucky Steel will become owned as to (i) 30% by Mr. Li, and (ii) 70% by Zoto, whereby Sky Lucky Steel will cease to be a subsidiary of the Company.

Consideration and completion : The consideration for Disposal is HK\$25,800,000, payable by Zoto in cash in the following manner:
(a) HK\$12,000,000, being the first installment of the consideration, payable by Zoto on the Completion Date;
(b) HK\$2,760,000, being the second installment of the consideration, payable by Zoto before 1 January 2007;
(c) HK\$2,760,000, being the third installment of the consideration, payable by Zoto before 1 July 2007;
(d) HK\$2,760,000, being the fourth installment of the consideration, payable by Zoto before 1 January 2008;
(e) HK\$2,760,000, being the fifth installment of the consideration, payable by Zoto before 1 July 2008; and
(f) HK\$2,760,000, being the balance of the consideration, payable by Zoto before 31 December 2008.

The consideration for the Disposal was arrived at after arm's length negotiations between the parties. The parties have agreed to determine the consideration with reference to the unaudited consolidated net asset value of Sky Lucky Metal as at 31 December 2005 of approximately HK\$67,821,000 and the audited net asset value of Sky Lucky Steel as at 31 December 2005 of approximately HK\$102,000. In July 2006, Sky Lucky Metal has declared a cash dividend in the amount of HK\$30,000,000 to its shareholders in accordance with their respective shareholding interests in Sky Lucky Metal as at the date thereof. Such cash dividend will be paid before the completion of the Agreement. The Agreement is currently expected to be completed on 6 October 2006.

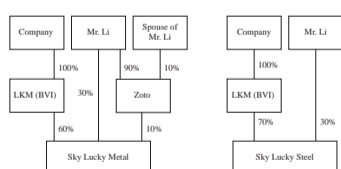
Condition : The Agreement is conditional on a resolution of the independent shareholders of the Company passed at a general meeting or a written approval by the majority shareholders (i.e. Pan Island Investments Limited, Rickdee Investments Limited and Robin Hill Investments Limited which together hold approximately 59.07% of the issued share capital of the Company) of the Company pursuant to the Listing Rules, in either case, approving the Agreement and the transactions contemplated thereunder. As at the date of this announcement, the condition has been fulfilled.

Guarantee : Under the Agreement, Mr. Li has irrevocably and unconditionally guaranteed the liabilities, obligations and promises of Zoto under the Agreement.

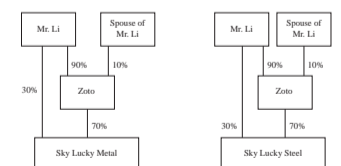
SHAREHOLDING STRUCTURE

The shareholding structure of Sky Lucky Metal and Sky Lucky Steel before and after completion of the Disposal is summarised as follows:

Before completion of the Disposal



After completion of the Disposal



II. REASONS FOR AND BENEFITS OF THE DISPOSAL

The focus of the business of Sky Lucky Metal is on the Guangdong region, whose target customers are different from those of the Group. The Group takes the view that there will not be substantial growth in the market in the Guangdong region in the foreseeable future. The Board believes that the Disposal represents a good opportunity for the Group to realize its investment and to streamline its business structure to focusing its resources on the development of other market segments, such as markets in the Eastern and North-Western China.

The consideration for the Disposal is calculated primarily on the net book value of Sky Lucky Metal and Sky Lucky Steel, therefore, there is no material gain or loss to be expected from the Disposal.

The proceeds from the Disposal will be used as general working capital for the Group.

Upon completion of the Disposal, the Group will cease to have any interest in Sky Lucky Metal or Sky Lucky Steel.

The Directors, including the independent non-executive Directors, consider that the Disposal is on normal commercial terms after arm's length negotiations and that the terms thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

III. FINANCIAL EFFECTS OF THE DISPOSAL

The audited consolidated net profit before and after tax of Sky Lucky Metal for the financial year ended 31 December 2004 were approximately HK\$20,555,000 and HK\$15,388,000 respectively, and the unaudited consolidated net profit before and after tax of Sky Lucky Metal for the year ended 31 December 2005 were approximately HK\$18,349,000 and HK\$13,469,000 respectively. There were no extraordinary items for the same periods.

The audited net loss before and after tax of Sky Lucky Steel for the financial year ended 31 December 2004 was approximately HK\$13,000 and the audited net loss before and after tax of Sky Lucky Steel for the year ended 31 December 2005 was approximately HK\$49,000. There were no extraordinary items for the same periods.

Based on the unaudited consolidated net asset value of Sky Lucky Metal as at 31 December 2005 and the audited net asset value of Sky Lucky Steel as at 31 December 2005, the combined net assets value of the Disposal is approximately HK\$67,923,000.

IV. LISTING RULES REQUIREMENTS

Mr. Li is a director and a substantial shareholder of both Sky Lucky Metal and Sky Lucky Steel and is thus a connected person of the Company under the Listing Rules. As at the date of this announcement, Mr. Li has direct and/or indirect control of 40% of the voting rights of Sky Lucky Metal, which is owned as to 30% by Mr. Li and 10% by Zoto (a company which is owned as to 90% by Mr. Li and as to 10% by his spouse). Sky Lucky Steel is an indirect non wholly-owned subsidiary of the Company which is owned as to 70% by LKM (BVI) and 30% by Mr. Li. Accordingly, the signing of the Agreement constitutes a connected transaction for the Company under Rule 14A.16(5) of the Listing Rules.

The value of the consideration under the Agreement is HK\$25,800,000. As the profits ratio (as defined in the Listing Rules) of the Disposal exceeds 5% but is less than 25%, such connected transaction also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

The Company has obtained from Pan Island Investments Limited, Rickdee Investments Limited and Robin Hill Investments Limited which together holds 366,210,937 Shares (approximately 59.07% in nominal value of the securities giving the right to attend and vote at any general meeting of the Company) a written approval of the transactions under the Disposal. None of the Shareholders is interested in the transactions under the Disposal and, as such, none of them would be required to abstain from voting if a general meeting of the Company is convened to approve the transactions under the Disposal. Pursuant to Rule 14A.43 of the Listing Rules, the Company has applied to the Stock Exchange for a waiver from the requirement to hold a general meeting of Shareholders and permission for the independent Shareholders' approval of the transactions under the Disposal to be given in writing.

Pan Island Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Mr. Siu Tit Lung and Mr. Siu Yuk Lung other than Mr. Siu Tit Lung and Mr. Siu Yuk Lung themselves are beneficiaries, holds 249,023,437 Shares. Rickdee Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Mr. Siu Tit Lung other than Mr. Siu Tit Lung himself are beneficiaries, holds 58,593,750 Shares. Robin Hill Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Mr. Siu Yuk Lung other than Mr. Siu Yuk Lung himself are beneficiaries, holds 58,593,750 Shares.

The Board has appointed the Independent Board Committee to consider and advise the independent Shareholders on the terms of the Disposal, an independent financial adviser will be appointed by the Company to advise the Independent Board Committee. A circular containing, among other things, (i) further information on the Disposal; (ii) the recommendation of the Independent Board Committee; (iii) an advice from the independent financial adviser on the terms of the Disposal; and (iv) other information on the Company will be despatched to Shareholders as soon as practicable in accordance with the Listing Rules.

V. GENERAL

The Group is principally engaged in the manufacturing and marketing of mould bases, metal and parts.

Sky Lucky Metal is principally engaged in the manufacturing and marketing of mould bases. As at the date of this announcement, the only subsidiary of Sky Lucky Metal is 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 wholly-owned by Sky Lucky Metal which is principally engaged in the manufacturing and marketing of mould bases.

Sky Lucky Steel does not currently carry on any business and was previously engaged in the trading of steel.

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

VI. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meaning:

“Agreement”	an agreement in Chinese writing dated 8 September 2006 entered into between LKM (BVI) and Zoto and Mr. Li in respect of the Disposal
“associate(s)”	has the meaning ascribed to it under 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
“Completion Date”	the date of completion of the Agreement, which shall be on 6 October 2006 or such other date as agreed between LKM (BVI) and Zoto in writing, provided that the condition to the Agreement has been fulfilled
“connected person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 60% interest in Sky Lucky Metal and 70% interest in Sky Lucky Steel 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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising of Mr. Liu Wing Ting, Stephen, Dr. Lee Tat Yee and Mr. Lee Joo Hai
“LKM (BVI)”	LKM (BVI) Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands and is an investment holding company holding 60% and 70% interests in Sky Lucky Metal and Sky Lucky Steel respectively as at the date of this announcement
“Mr. Li”	Mr. Li Siu Cheung (李兆祥), a director and a substantial shareholder of Sky Lucky Metal and Sky Lucky Steel and a connected person of the Company at the subsidiary level
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Sky Lucky Metal”	Sky Lucky Metal Limited, a company incorporated in Hong Kong with limited liability and an indirect non wholly-owned subsidiary of the Company which is 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
“Sky Lucky Steel”	Sky Lucky Steel Limited, a company incorporated in Hong Kong with limited liability and an indirect non-wholly-owned subsidiary of the Company 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
“substantial shareholder”	has the meaning ascribed to it 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 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, 8 September 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