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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Lung Cheong International Holdings Limited (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) takes no responsibility for the contents of this circular, 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 circular.

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**LUNG CHEONG INTERNATIONAL HOLDINGS LIMITED**  
**龍昌國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 348)

**PROPOSALS FOR  
RE-ELECTION OF DIRECTORS,  
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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Resolutions will be proposed at the annual general meeting of the Company (the “Annual General Meeting”) to be held at Unit 11, First Floor, Houston Centre, 63 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Tuesday, 23 September 2008 at 4:00 p.m. to approve the matters referred to in this circular.

The notice convening the Annual General Meeting together with the form of proxy for use at the Annual General Meeting are enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the Annual General Meeting or any adjournment thereof if you so wish.

31 July 2008

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## LETTER FROM THE BOARD

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# LUNG CHEONG INTERNATIONAL HOLDINGS LIMITED 龍昌國際控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 348)

*Directors:*

Mr Leung Lun (*Chairman*)  
Mr Leung Chung Ming (*Managing Director*)  
Mr Zhong Bingquan  
Ms Cheng Yun Tai  
Mr Wong, Andy Tze On  
Mr Ko Peter, Ping Wah\*  
Mr Wong Lam, O.B.E., J.P. \*\*  
Mr Ye Tian Liu\*\*  
Mr Lai Yun Hung\*\*

\* *Non-executive Director*

\*\* *Independent Non-executive Directors*

*Registered office:*

Ugland House  
South Church Street  
P.O. Box 309  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

*Head office and principal*

*place of business in Hong Kong:*

Lung Cheong Building  
1 Lok Yip Road  
Fanling  
New Territories  
Hong Kong

31 July 2008

*To shareholders of the Company (the "Shareholders")*

Dear Sir or Madam,

**PROPOSALS FOR  
RE-ELECTION OF DIRECTORS,  
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

### **1. INTRODUCTION**

The purpose of this circular is to provide you with information regarding the proposals for re-election of directors and the general mandates to issue and repurchase shares of the Company ("Proposals"). Your approval for the Proposals will be sought at the Annual General Meeting to be held at Unit 11, First Floor, Houston Centre, 63 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Tuesday, 23 September 2008 at 4:00 p.m..

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## LETTER FROM THE BOARD

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### 2. RE-ELECTION OF DIRECTORS

In accordance with Article 116 of the Company's Articles of Association (the "Articles"), the directors of the Company (the "Directors") retiring by rotation at the Annual General Meeting are Mr Zhong Bingquan, Mr Wong, Andy Tze On and Mr Lai Yun Hung. All the retiring Directors, being eligible, offer themselves for re-election as Directors at the Annual General Meeting. The particulars of these three Directors which are required to be disclosed by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are set out below:—

#### Executive Director

- (1) **Mr Zhong Bingquan**, aged 56, is one of the founders of Lung Cheong Toys Limited in September 1989. He is responsible for formulation of strategies and planning for the Mainland China production facilities. Mr Zhong is also responsible for liaison with the local authorities in Mainland China. He has been also the general manager of Dongguan City Supply, Marketing and Trading Company since 1979.

Mr Zhong has entered into a service agreement with the Company as an executive director for an initial fixed term of three years commencing from 1 September 1997 and the service agreement shall continue thereafter unless and until terminated by either the Company or Mr Zhong giving to the other party not less than six months' notice in writing to determine the same. Mr Zhong is also subject to the general requirement of retirement by rotation of director at each annual general meeting of the Company under the Articles. Pursuant to the service agreement, Mr Zhong is entitled to receive:—

- (i) a salary at the rate of HK\$336,000 per annum (including any sum receivable by him as director's fee from any company in the Group). Such salary shall be subject to an annual review and in case of an increment, at a rate to be determined by the board of Directors (the "Board") at its discretion, provided that such rate shall not exceed 15% of his then current salary; and
- (ii) reimbursement of expenses shall be subject to an annual review and in case of an increment, at a rate of not more than 15% of his then annual reimbursement as determined by a majority in number of the members of the board.

Mr Zhong's emoluments are determined by the Board after arm's length negotiation with reference to the prevailing market condition.

As at 25 July 2008 (being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular (the "Latest Practicable Date")), Mr Zhong had no interest in the shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

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## LETTER FROM THE BOARD

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Mr Zhong holds the position of director in 11 subsidiaries of the Company, namely Kid Galaxy Global Limited, Lung Cheong Overseas Corporation, Lung Cheong (BVI) Holdings Limited, Kid Galaxy Corporation, Dongguan Lung Cheong Toys Co., Ltd., Kid Galaxy Inc., Lung Cheong Resources Management Limited, Kid Galaxy Limited, Lung Cheong Toys Limited, L C Technology Limited and Standard Tooling and Products Co., Limited.

Save as disclosed above, Mr Zhong held no other directorship in other public listed companies nor any major qualifications or appointments in the past three years and is not connected with any directors, senior management, management Shareholders, substantial or controlling Shareholders of the Company.

There is no other information which is disclosable pursuant to the Rule 13.51(2) of the Listing Rules (in particular, paragraphs (h) to (v) of that Rule).

There are no other matters concerning Mr Zhong that need to be brought to the attention of the Shareholders.

- (2) **Mr Wong, Andy Tze On**, aged 41, is responsible for formulation of corporate strategies, new business ventures and financial planning of the Group. He is also responsible for financier and investor relationship management as well as corporate communications of the Group. Mr Wong holds a business degree in accounting from the Curtin University of Technology, Western Australia. He joined the Group in June 1993. He is a member of the Australian Society of Certified Practising Accountants. Mr Wong was appointed as a Director in August 1997.

Mr Wong has entered into a service agreement with the Company as an executive director for an initial fixed term of three years commencing from 1 September 1997 and the service agreement shall continue thereafter unless and until terminated by either the Company or Mr Wong giving to the other party not less than six month's notice in writing to determine the same. Mr Wong is also subject to the general requirement of retirement by rotation of director at each annual general meeting of the Company under the Articles. Pursuant to the service agreement, Mr Wong is entitled to receive:—

- (i) a salary at the rate of HK\$1,116,000 per annum (including any sum receivable by him as director's fee from any company in the Group). Such salary shall be subject to an annual review and in case of an increment, at a rate to be determined by the Board at its discretion, provided that such rate shall not exceed 15% of his then current salary;
- (ii) reimbursement of expenses shall be subject to an annual review and in case of an increment, at a rate of no more than 15% of his then annual reimbursement as determined by a majority in number of the members of the Board; and

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## LETTER FROM THE BOARD

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- (iii) a management bonus to be determined by the Board at its absolute discretion having regard to the operating results of the Group provided that the aggregate amount of management bonuses payable to Mr Leung Lun, Mr Leung Chung Ming and Mr Wong in respect of any financial year shall not exceed 5% of the audited combined profit after taxation of the Group in respect of the same financial year. The amount payable to Mr Wong shall be decided by a majority number of the members of the Board.

Mr Wong's emoluments are determined with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

As at the Latest Practicable Date, Mr Wong had no interest in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Mr Wong holds the position of director in 12 subsidiaries of the Company, namely Kid Galaxy Global Limited, Lung Cheong (BVI) Holdings Limited, Lung Cheong Overseas Corporation, Kid Galaxy Corporation, Lung Cheong Asia Holdings Limited, PT. Lung Cheong Brothers Industrial, Kid Galaxy Inc., Lung Cheong Resources Management Limited, Kid Galaxy Limited, Lung Cheong Toys Limited, L C Technology Limited and Standard Tooling and Products Co., Limited.

Save as disclosed above, Mr Wong held no other directorship in other public listed companies nor any major qualifications or appointments in the past three years and is not connected with any directors, senior management, management Shareholders, substantial or controlling Shareholders.

There is no other information which is disclosable pursuant to the Rule 13.51(2) of the Listing Rules (in particular, paragraphs (h) to (v) of that Rule).

There are no other matters concerning Mr Wong that need to be brought to the attention of the Shareholders.

### **Independent Non-executive Director**

- (3) **Mr Lai Yun Hung**, aged 56, is a partner of Lai & Wong, Certified Public Accountants. He has over 28 years of working experience in audit and tax advice in audit firms, with exposure in listed and unlisted companies engaging in various industries including banks, financial institutions, manufacturing and trading companies, travel agencies and solicitors firms. Mr Lai is an associate member of the Institute of Chartered Accountants in England and Wales (ACA), a fellow member of the Association of Chartered Certified Accountants (FCCA) in the United Kingdom and a fellow member of the Hong Kong Institute of Certified Public Accountants (FCPA (Practising)) in Hong Kong.

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## LETTER FROM THE BOARD

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Mr Lai was appointed as an independent non-executive director in September 2004. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. Mr Lai is also an independent non-executive director of Chi Cheung Investment Company Limited, whose shares are listed on the Stock Exchange.

Save as disclosed above, Mr Lai held no other directorship in other public listed companies nor any major qualifications or appointments in the past three years and is not connected with any directors, senior management, management Shareholders, substantial or controlling Shareholders.

As at the Latest Practicable Date, Mr Lai had no interest in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

There is no service contract between the Company and Mr Lai. Mr Lai is subject to the general requirement of retirement by rotation of director at each annual general meeting of the Company under the Articles. The director's fee for Mr Lai has been fixed by the Board at HK\$60,000 per annum upon mutual agreement reached with reference to the range of prevailing range of director's fee for independent non-executive director of listed companies in Hong Kong.

There is no information which is disclosable pursuant to Rule 13.51(2) of the Listing Rules (in particular, paragraphs (h) to (v) of that Rule).

There are not other matters concerning Mr Lai that need to be brought to the attention of the Shareholders.

### 3. GENERAL MANDATE TO ISSUE SHARES

Approval is being sought from the Shareholders to grant a general mandate to the Directors to exercise the powers of the Company to allot, issue or otherwise deal with new ordinary shares in the capital of the Company of up to 492,959,999 ordinary shares, being 20% of the aggregate nominal amount of the ordinary share capital of the Company in issue as at the date of passing of an ordinary resolution at the Annual General Meeting, on the basis that no further shares are issued or repurchased prior to the Annual General Meeting. In the event that it becomes desirable for the Company to issue any new ordinary shares, on that basis the Directors are given flexibility and discretion to allot, issue or otherwise deal with new ordinary shares of up to 492,959,999 ordinary shares, being 20% of the issued ordinary share capital of the Company as at the date of passing of the ordinary resolution (the "Issue Mandate") and, if separately approved by the Shareholders, by adding to such mandate the aggregate nominal amount of ordinary shares repurchased by the Company pursuant to the Repurchase Mandate (as hereinafter defined) (the "Extension Mandate"). Such authority will only continue in force until the earliest of (i) the conclusion of the next annual general meeting of the Company, or (ii) the end of the period within which the Company is required by the laws of the Cayman Islands or the Articles to hold its next annual general meeting or (iii) when revoked or varied by ordinary resolution of the Shareholders in general meeting.

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## LETTER FROM THE BOARD

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### 4. GENERAL MANDATE TO REPURCHASE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed to approve the granting of a general mandate to the Directors to exercise the powers of the Company to repurchase ordinary shares representing up to 246,479,999 ordinary shares, being 10% of the aggregate nominal amount of the ordinary share capital of the Company in issue as at the date of the passing of the ordinary resolution (the “Repurchase Mandate”), on the basis that no further shares are issued or repurchased prior to the Annual General Meeting. Such authority will only continue in force until the earliest of (i) the conclusion of the next annual general meeting of the Company or (ii) the end of the period within which the Company is required by the laws of the Cayman Islands or the Articles to hold its next general meeting or (iii) when revoked or varied by ordinary resolution of the Shareholders in general meeting.

An explanatory statement as required under the Listing Rules to provide the requisite information for your consideration of the Repurchase Mandate is set out in the Appendix hereto.

### 5. ANNUAL GENERAL MEETING

Notice of the Annual General Meeting is set out on pages 11 to 15 of this circular. At the Annual General Meeting, resolutions, where applicable, will be proposed to approve, inter alia, the re-election of Directors, the granting of the Issue Mandate, the Repurchase Mandate and the Extension Mandate.

A form of proxy for use at the Annual General Meeting is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the Annual General Meeting or any adjournment thereof if you so wish.

### 6. RIGHTS TO DEMAND A POLL

Pursuant to Article 80 of the Articles, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:—

- (a) the Chairman of the meeting; or
- (b) at least five members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote; or



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## LETTER FROM THE BOARD

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- (c) any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (d) any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Unless a poll is so demanded and not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Company's book containing the minutes of proceedings of meetings of the Company shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

### 7. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

### 8. RECOMMENDATION

The Directors consider that the re-election of Directors, the Issue Mandate, the Repurchase Mandate and the Extension Mandate mentioned above are all in the best interests of the Company and its Shareholders and accordingly recommend all Shareholders to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

Yours faithfully,  
For and on behalf of the Board  
**LEUNG LUN**  
*Chairman*

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide Shareholders with all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the granting of the Repurchase Mandate.

### **1. SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,464,799,997 ordinary shares of HK\$0.10 each.

Subject to the passing of resolution no. 5 set out in the notice of the Annual General Meeting in respect of the granting of the Repurchase Mandate and on the basis that no further ordinary shares are issued or repurchased prior to the Annual General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase up to a maximum of 246,479,999 ordinary shares.

### **2. REASONS FOR REPURCHASES**

Although the Directors have no present intention of repurchasing any existing ordinary shares of the Company, the Directors believe that the Repurchase Mandate is in the best interests of the Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per share of the Company and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

### **3. FUNDING OF REPURCHASES**

Repurchases would be funded entirely from the Company's available cash flow or working capital facilities which will be funds legally available for the purpose as well as in accordance with its memorandum and articles of association and the laws of the Cayman Islands. 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 ordinary shares to be repurchased, profits otherwise available for distribution and sums standing to the share premium account of the Company.

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited consolidated financial statements contained in the annual report of the Company for the year ended 31 March 2008) in the event that the proposed share repurchases were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the 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.

#### 4. SHARE PRICES

The highest and lowest prices at which the ordinary shares of the Company had been traded on the Stock Exchange during each of the previous twelve months immediately before, and in the current month up to, the Latest Practicable Date were as follows:—

|  | <b>Highest</b><br><i>HK\$</i> | <b>Lowest</b><br><i>HK\$</i> |
|--|-------------------------------|------------------------------|
| <b>2007</b>                              |                               |                              |
| July                                     | 1.3530                        | 0.2970                       |
| August                                   | 1.3400                        | 0.4830                       |
| September                                | 1.1800                        | 0.6100                       |
| October                                  | 0.9600                        | 0.7100                       |
| November                                 | 0.8600                        | 0.6500                       |
| December                                 | 0.7700                        | 0.4350                       |
| <b>2008</b>                              |                               |                              |
| January                                  | 0.6200                        | 0.3500                       |
| February                                 | 0.6400                        | 0.3400                       |
| March                                    | 0.5600                        | 0.2700                       |
| April                                    | 0.4000                        | 0.3250                       |
| May                                      | 0.4300                        | 0.3250                       |
| June                                     | 0.3700                        | 0.2400                       |
| July (up to the Latest Practicable Date) | 0.2500                        | 0.1950                       |

#### 5. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

#### 6. DISCLOSURE OF INTERESTS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, have any present intention to sell any shares to the Company under the Repurchase Mandate if such is approved by the Shareholders.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell shares to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders and exercised.

**7. HONG KONG CODE ON TAKEOVERS AND MERGERS**

If on the exercise of the power to repurchase shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). As a result, a Shareholder or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, 1,499,082,240 ordinary shares representing approximately 60.82% of the issued ordinary shares of the Company were owned by Lung Cheong Investment Limited, which is the only substantial Shareholders holding more than 10% of the issued ordinary shares of the Company. Lung Cheong Investment Limited is wholly owned by Rare Diamond Limited, which in turn is beneficially owned as to 70% by Mr Leung Lun and 30% by Mr Leung Chung Ming. Mr Leung Lun and Mr Leung Chung Ming are Directors. In the event that the Directors exercise in full the power to repurchase shares which is proposed to be granted pursuant to the Repurchase Mandate, the shareholding of Lung Cheong Investment Limited in the Company would be increased to approximately 67.58% of the issued ordinary shares of the Company and such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code.

Save as disclosed above, Mr Leung Lun and Mr Leung Chung Ming had no other interest in the shares of the Company.

The Directors are not aware of any consequences which would arise under the Takeovers Code as a result of any repurchases pursuant to the Repurchase Mandate.

The Directors wish to state that they have no intention to exercise the power to repurchase shares pursuant to the Repurchase Mandate to the extent that would render the aggregate amount of the issued ordinary share capital of the Company in public hands to less than 25%.

**8. SHARE REPURCHASE MADE BY THE COMPANY**

The Company had not purchased any of its ordinary shares (whether on the Stock Exchange or otherwise) in the six months immediately preceding the Latest Practicable Date.

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## NOTICE OF ANNUAL GENERAL MEETING

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### LUNG CHEONG INTERNATIONAL HOLDINGS LIMITED 龍昌國際控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 348)

**NOTICE IS HEREBY GIVEN** that an annual general meeting of Lung Cheong International Holdings Limited (the “Company”) will be held at Unit 11, First Floor, Houston Centre, 63 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Tuesday, 23 September 2008 at 4:00 p.m. for the following purposes:—

1. To receive and adopt the audited consolidated financial statements of the Company and the reports of the directors of the Company (the “Directors”) and the auditors of the Company for the year ended 31 March 2008;
2. Each as a separate resolution, to re-elect each retiring Director and to authorise the Directors to fix their remuneration;
3. To re-appoint the auditors of the Company and to authorise the Directors to fix their remuneration;
4. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:—

**“THAT**

- (1) subject to paragraph (3) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional ordinary shares in the share capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for ordinary shares in the capital of the Company, which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (2) the approval in paragraph (1) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (3) the aggregate nominal amount of ordinary share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) issued or dealt with by the Directors pursuant to the approval in paragraph (1) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of ordinary shares in lieu of the whole or part of a dividend on ordinary shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of ordinary shares upon the exercise of rights of subscription on conversion under the terms of any warrants of the Company or any securities which are convertible into ordinary shares, shall not exceed 20% of the aggregate nominal amount of the ordinary share capital of the Company in issue at the date of the passing of this resolution and the said approval shall be limited accordingly; and
- (4) for the purposes of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:—

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Company’s articles of association to be held; or
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.

“Rights Issue” means an offer of ordinary shares, or offer or issue of warrants, options or other securities giving rights to subscribe for ordinary shares open for a period fixed by the Directors to holders of ordinary shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

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## NOTICE OF ANNUAL GENERAL MEETING

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5. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:—

**“THAT**

- (1) subject to paragraph (2) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase ordinary shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the ordinary shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (2) the aggregate nominal amount of ordinary shares of the Company which may be purchased by the Company pursuant to the approval in paragraph (1) above shall not exceed 10% of the aggregate nominal amount of the ordinary share capital of the Company in issue at the date of passing of this resolution and the said approval shall be limited accordingly; and
- (3) for the purpose of this resolution, “Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:—
  - (i) the conclusion of the next annual general meeting of the Company; or
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Company’s articles of association to be held; or
  - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.”

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## NOTICE OF ANNUAL GENERAL MEETING

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6. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:—

“**THAT** subject to the passing of resolutions no. 4 and no. 5 set out in the notice convening this meeting, the general mandate granted to the Directors to allot, issue or otherwise deal with additional ordinary shares pursuant to resolution no. 4 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of ordinary shares in the capital of the Company repurchased by the Company under the authority granted pursuant to resolution no. 5 set out in the notice convening this meeting, provided that such amount of ordinary shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of passing the said resolution.”

By Order of the board of Directors  
**Lung Cheong International Holdings Limited**  
**Wong, Andy Tze On**  
*Executive Director*

Hong Kong, 31 July 2008

*Notes:*

1. The register of members of the Company will be closed from 20 September 2008 to 23 September 2008 (both dates inclusive), during which period no transfer of shares will be effected.
2. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant shares certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 19 September 2008.
3. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (who must be an individual or individuals) to attend and vote instead of him. A proxy need not be a member of the Company.
4. To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
5. Concerning resolutions no. 4 and 6 above, approval is being sought from members as a general mandate in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, in order to ensure flexibility and discretion to the Directors in the event that it becomes desirable to allot, issue or otherwise deal with ordinary shares of the Company up to 20 per cent of the issued ordinary share capital of the Company as at the date of passing of the relevant resolutions.



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## NOTICE OF ANNUAL GENERAL MEETING

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6. In relation to resolution no. 5 above, the Directors wish to state that they will exercise the powers conferred thereby to purchase shares of the Company in circumstances which they deem appropriate for the benefit of the shareholders of the Company.
7. The existing board of Directors comprises five executive Directors, namely, Mr Leung Lun, Mr Leung Chung Ming, Mr Zhong Bingquan, Ms Cheng Yun Tai and Mr Wong, Andy Tze On, a non-executive Director, namely, Mr Ko Peter, Ping Wah and three independent non-executive Directors, namely, Mr Wong Lam, O.B.E., J.P., Mr Ye Tian Liu and Mr Lai Yun Hung.
8. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.