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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)**

#### **CONNECTED AND SHARE TRANSACTION IN RELATION TO THE ACQUISITION OF THE REMAINING 40% INTEREST IN PT. LUNG CHEONG BROTHERS INDUSTRIAL**

The Board is pleased to announce that on 24 September 2008, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors pursuant to which the Purchaser agreed to purchase and the Vendors agreed to sell the Sale Shares at an aggregate consideration of HK\$3,900,000, which shall be satisfied by the issue and allotment of an aggregate 26,000,000 Consideration Shares to the Vendors or their nominees upon Completion. The Consideration Shares represents approximately 1.055% of the issued share capital of the Company as at the date of this announcement and approximately 1.044% of the enlarged issued share capital of the Company immediately following the Completion.

Immediately prior to the entering into the Agreement, the Company owned approximately 60% indirect interest in PTLC through Lung Cheong Toys and the Vendors in aggregate held approximately 40% interest in PTLC. Upon Completion, PTLC will become an indirect wholly-owned subsidiary of the Company. Mr. Jimmy Sumitro, being one of the Vendors, is a director of PTLC and the other four Vendors are brothers of Mr. Jimmy Sumitro. As such, the Acquisition constitutes a connected transaction for the Company under the Listing Rules.

As the applicable percentage ratios set out in the Listing Rules for the Acquisition are less than 2.5%, the Acquisition constitutes a connected and share transaction of the Company under the Listing Rules and is subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

As no Shareholder is required to abstain from voting in respect of the Acquisition and LC Investment, which owns approximately 60.82% of the issued share capital of the Company as at the date of this announcement, has confirmed to vote in favour of the Acquisition, the Company will apply to the Stock Exchange for a waiver of the requirement of holding a general meeting and to accept the written independent shareholders' approval pursuant to Rule 14A.43 of the Listing Rules. If the Stock Exchange grants the waiver under Rule 14A.43 of the Listing Rules to the Company, no shareholders' meeting will be held to consider and approve the Agreement and the transaction contemplated thereunder.

A circular giving details of the Agreement will be sent to Shareholders as soon as practicable.

### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 25 September 2008 pending the issue of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 26 September 2008.

## **THE AGREEMENT**

### **Date**

24 September 2008

### **Parties**

1. Purchaser: Lung Cheong Asia Holdings Limited, a wholly-owned subsidiary of the Company
2. Vendors: Mr. Jimmy Sumitro, Mr. Ng Soegiarto Hanafi, Mr. Goenarto Waluyo Ng, Mr. Norman Purnomo Ng and Mr. Amin Widdhiarta Ng, each of them has no shareholding interest in the Company.

### **Assets to be sold and purchased**

The Sale Shares, representing approximately 40% of the entire issued share capital of PTLC. The Vendors' original purchase costs of the 40% shareholding in PTLC represent the initial subscription fund in respect of the Sale Shares.

### **Consideration**

The aggregate Consideration is HK\$3,900,000, which shall be satisfied by the issue and allotment of the Consideration Shares at an issue price of HK\$0.15 each to the Vendors or its nominees at Completion.

The issue price of HK\$0.15 per Consideration Shares represents (i) a premium of approximately 15.38% to the closing price of HK\$0.13 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a premium of approximately 20.39% to the average closing price of approximately HK\$0.1246 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day.

The Consideration Shares represents approximately 1.055% of the issued share capital of the Company as at the date of this announcement and approximately 1.044% of the enlarged issued share capital of the Company immediately following the Completion. The Consideration Shares will be issued under the general mandate granted to the Directors at the annual general meeting held on 23 September 2008, which as at the date of this announcement, allows the Company to allot, issue or otherwise deal with up to a maximum of 492,959,999 new Shares. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

There is no restriction for the subsequent sale of the Consideration Shares and the Consideration Shares will rank pari passu in all respects with all other Shares in issue on Completion.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendors and on normal commercial terms. The Consideration was agreed with reference to the financial position and prospects of PTLC, including its net liabilities of approximately Rp.100,334.97 million (equivalent to approximately HK\$84.74 million) and net asset value (excluding the long term loan due to its shareholder, Lung Cheong Toys) of approximately Rp.33,032.99 million (equivalent to approximately HK\$27.90 million) as at 31 March 2008 according to its audited accounts as at 31 March 2008. Having considered the above and the factors described under the section headed "Reasons for the Acquisition" below, the Directors (including the independent non-executive Directors) are of the opinion that the Consideration is fair and reasonable and on normal commercial terms.

## **Completion**

Completion under the Agreement will take place on or before the 7th day after the fulfillment or waiver of the conditions under the Agreement but in any event shall not be later than the date falling on 6 months after (but excluding) the date of the Agreement or at such other date as may be agreed by the parties.

After the Completion, PTLC will become a wholly-owned subsidiary of the Company.

## **CONDITIONS**

Completion is conditional upon, among other things, the following conditions precedent having been fulfilled or, as the case may be, waived:

- (1) all relevant regulatory requirements (including but not limited to those stipulated by BKPM and under the Listing Rules and all relevant regulatory requirements in Hong Kong and Indonesia) having been complied with and satisfied;

- (2) all formalities (including the relevant approval, including but not limited to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Consideration Shares, registration and filing with the relevant Hong Kong and Indonesian authorities) necessary to effect the change in shareholding in PTLC having been completed;
- (3) the warranties given by the Vendors and the Purchaser having remained true and accurate in all material respects; and
- (4) no material adverse change or prospective material adverse change in PTLC's business, operations, financial conditions or prospects has occurred since the date of signing the Agreement.

The Purchaser may at any time by notice in writing waive the above conditions (save for conditions (1) and (2)). In the event that the above conditions are not fulfilled or waived on or before the date falling on 3 months from the date of the Agreement (or such other date as the parties may agree in writing), the Agreement shall be terminated and neither party shall have any rights or obligations against each other under the Agreement except for any antecedent breach.

## **INFORMATION ON PTLC**

PTLC was established in Indonesia with an authorized share capital of Rp.10,000,000,000 divided into 10,000,000 shares of Rp.1,000 each and is principally engaged in the manufacture of plastic and electronic products.

According to the audited financial statements prepared under the generally accepted accounting principles in Indonesia as at 31 March 2008, PTLC's total value of assets was approximately Rp.52,277.81 million (equivalent to approximately HK\$44.15 million and its net liabilities was approximately Rp.100,334.97 million (equivalent to approximately HK\$84.74 million. The net loss for both before and after corporate income taxation and extraordinary items of PTLC for the years ended 31 March 2008 and 2007 amounted to approximately Rp.7,635.50 million (equivalent to approximately HK\$6.45 million) and approximately Rp.6,312.59 million (equivalent to approximately HK\$5.41 million) respectively.

## **REASONS FOR THE ACQUISITION**

The Group is principally engaged in development, engineering, manufacture and sales of toys and moulds whilst PTLC is engaged in the manufacture of plastic and electronic products.

In view of lower manufacturing and production costs in Indonesia as compared to other countries in Asia, the Directors decided to shift part of the Group's production of middle to low end products to manufacturing plants in Indonesia so as to take advantage of the comparative cost advantage in Indonesia. The Directors are of the view that the Acquisition provides a good opportunity for the Company to increase its interest in PTLC by acquiring the remaining 40% shareholding in PTLC and thus enable the Group to exercise absolute and more effective control over the business and operations of PTLC and further enhance its manufacturing and production capabilities of toys, moulds and electronic products, which is in line with the production strategy of the Company.

The Directors (including the independent non-executive Directors) consider the terms of the Agreement to be fair and reasonable as far as the Shareholders are concerned and that the Agreement is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Immediately prior to the entering into the Agreement, the Company owned approximately 60% indirect interest in PTLC through Lung Cheong Toys and the Vendors in aggregate owned approximately 40% interest in PTLC. Upon Completion, PTLC will become an indirect wholly-owned subsidiary of the Company. Mr. Jimmy Sumitro, being one of the Vendors, is a director of PTLC and the other four Vendors are brothers of Mr. Jimmy Sumitro. As such, the Acquisition constitutes a connected transaction for the Company under the Listing Rules.

As the applicable percentage ratios set out in the Listing Rules for the Acquisition are less than 2.5%, the Acquisition constitutes a connected and share transaction of the Company under the Listing Rules and is subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

As no Shareholder is required to abstain from voting in respect of the Acquisition and LC Investment, which owns approximately 60.82% of the issued share capital of the Company as at the date of this announcement, has confirmed to vote in favour of the Acquisition, the Company will apply to the Stock Exchange for a waiver of the requirement of holding a general meeting and to accept the written independent shareholders' approval pursuant to Rule 14A.43 of the Listing Rules. If the Stock Exchange grants the waiver under Rule 14A.43 of the Listing Rules to the Company, no shareholders' meeting will be held to consider and approve the Agreement and the transaction contemplated thereunder.

A circular containing, among others, details of the Agreement, the recommendation of the independent board committee and the advice of the independent financial adviser will be sent to Shareholders as soon as practicable.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 25 September 2008 pending the issue of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 26 September 2008.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Acquisition”                      acquisition of approximately 40% interest in PTLC by the Purchaser from the Vendors pursuant to the Agreement

“Agreement”	the sale and purchase agreement dated 24 September 2008 entered into between the Purchaser and the Vendors in relation to the Acquisition
“BKPM”	Indonesia Investment Coordinating Board
“Board”	board of Directors
“Company”	Lung Cheong International Holdings Limited, a company incorporated in the Cayman Islands with limited liabilities, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the Agreement
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	HK\$3,900,000, the consideration for the Acquisition pursuant to the Agreement
“Consideration Shares”	26,000,000 new Shares to be issued and allotted by the Company to the Vendors or their nominees upon Completion
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Indonesia”	the Republic of Indonesia
“Last Trading Day”	24 September 2008, the last trading day on which the Shares were traded on the Stock Exchange immediately preceding the publication of this announcement
“LC Investment”	Lung Cheong Investment Limited, a company incorporated in the British Virgin Islands with limited liabilities and is beneficially owned as to 70% by Mr. Leung Lun and as to 30% by Mr. Leung Chung Ming, owns approximately 60.82% of the issued share capital of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lung Cheong Toys”	Lung Cheong Toys Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“PTLC”	PT. Lung Cheong Brothers Industrial, a company incorporated under the laws of Indonesia and is owned as to approximately 40% by the Vendors and as to approximately 60% by Lung Cheong Toys

“Purchaser”	Lung Cheong Asia Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Sale Shares”	collectively 2,291,000 shares of Rp.1,000 each in PTLC, representing approximately 40% of the entire issued share capital of PTLC as at the date of the Agreement
“Share(s)”	ordinary share(s) with nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Mr. Jimmy Sumitro, Mr. Ng Soegiarto Hanafi, Mr. Goenarto Waluyo Ng, Mr. Norman Purnomo Ng and Mr. Amin Widdhiarta Ng; and “Vendor” means any of them
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Rp.”	rupiah, the lawful currency of Indonesia
“%”	per cent

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

Hong Kong, 25 September 2008

*As at the date of this announcement, the directors of the Company are Mr. Leung Lun, Mr. Leung Chung Ming, Mr. Zhong Bingquan, Ms. Cheng Yun Tai, Mr. Wong, Andy Tze On, Mr. Ye Tian Liu, Mr. Wong Lam, O.B.E., J.P., Mr. Ko Peter, Ping Wah and Mr. Lai Yun Hung.*