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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 TRANSACTIONS IN RELATION TO THE DISPOSAL OF THE CHINA PROPERTIES

The Board is pleased to announce that on 29 September 2008, the Vendor, a wholly-owned subsidiary of the Company, entered into the Agreements with the Purchaser pursuant to which the Vendor agreed to dispose of and the Purchaser agreed to purchase the China Properties at an aggregate consideration of RMB4 million.

The Purchaser is a company beneficially owned by Mr. Leung, the Chairman, an executive Director and one of the beneficial owners of the controlling shareholder of the Company. The Disposals constitute connected transactions of the Company under the Listing Rules. As the applicable percentage ratios set out in the Listing Rules for the Disposals are less than 2.5%, the Disposals are subject to reporting and announcement requirements and exempt from independent shareholders' approval requirements under the Listing Rules.

THE FUXIANG AGREEMENT

Date

29 September 2008

Parties

1. Purchaser : 東莞市科昌房地產開發有限公司, which is principally engaged in property development and is beneficially owned by Mr. Leung
2. Vendor : Dongguan Lung Cheong Toys Co., Ltd., a wholly-owned subsidiary of the Company

Assets to be sold

The Fuxiang Properties

Consideration

The Fuxiang Consideration of RMB1.6 million shall be satisfied by the Purchaser by payment in cash in the following manner:

- (i) an initial amount of 10% of the Fuxiang Consideration shall be payable within three days from the date of the Fuxiang Agreement; and
- (ii) the remaining 90% of the Fuxiang Consideration shall be payable within two months from the date of the Fuxiang Agreement.

The Fuxiang Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor and on normal commercial terms. The Fuxiang Consideration was agreed with reference to the valuation amount of the Fuxiang Properties of approximately RMB1.594 million as at 23 September 2008 based on a valuation report prepared by an independent valuer, namely Dongguan Hengxin Real Estate Appraisal Co., Ltd., by using the market approach.

Completion

Completion under the Fuxiang Agreement will take place within two months from the date of the Fuxiang Agreement.

THE YUYUAN AGREEMENT

Date

29 September 2008

Parties

1. Purchaser : 東莞市科昌房地產開發有限公司, which is principally engaged in property development and is beneficially owned by Mr. Leung
2. Vendor : Dongguan Lung Cheong Toys Co., Ltd., a wholly-owned subsidiary of the Company

Assets to be sold

The Yuyuan Property

Consideration

The Yuyuan Consideration of RMB2.4 million shall be satisfied by the Purchaser by payment in cash in the following manner:

- (iii) an initial amount of 10% of the Yuyuan Consideration shall be payable within three days from the date of the Yuyuan Agreement; and
- (iv) the remaining 90% of the Yuyuan Consideration shall be payable within two months from the date of the Yuyuan Agreement.

The Yuyuan Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor and on normal commercial terms. The Yuyuan Consideration was agreed with reference to the valuation amount of the Yuyuan Property of approximately RMB2.385 million as at 23 September 2008 based on a valuation report prepared by an independent valuer, namely Dongguan Hengxin Real Estate Appraisal Co., Ltd., by using the income approach.

Completion

Completion under the Yuyuan Agreement will take place within two months from the date of the Yuyuan Agreement. After the completion of the Yuyuan Agreement, the Vendor will be entitled to use the Yuyuan Property rent-free for a period of three years and a first right to acquire in the event of the disposal of the Yuyuan Property by the Purchaser during the rent-free period.

REASONS FOR THE DISPOSALS

The Group is principally engaged in development, engineering, manufacture and sales of toys and moulds.

The China Properties are residential units and used by the Group as staff quarters since the first acquisition of the Fuxiang Properties and the Yuyuan Property by the Group in or about 1995 and 2001 respectively. Pursuant to the terms of the Facility Agreement and the subsequent agreement between the Company and the parties thereunder, the China Properties shall be disposed of on or before 30 September 2008 and the net proceeds thereof shall be applied for repayment of the outstanding amount under the Facility Agreement. As at 30 September 2008, the outstanding amount of the loan under the Facility Agreement was approximately HK\$134.69 million. As no independent purchasers in respect of the China Properties could be located by the Group, it was agreed that the China Properties to be disposed of by the Group to the Purchaser. According to the audited accounts of the Group as at 31 March 2008, the book value of the Fuxiang Properties and the Yuyuan Property was approximately HK\$2.96 million and HK\$6.24 million respectively. The Disposals at an aggregate consideration of RMB4 million will give rise to an estimated loss of approximately HK\$4.68 million.

The net proceeds (after deducting the legal fees, stamp duty, if any) from the Disposals will be used for repayment of the outstanding amount under the Facility Agreement, which will result in interest saving and improvement of the debt gearing position of the Group.

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

GENERAL

The Purchaser is a company beneficially owned by Mr. Leung, the Chairman, an executive Director and one of the beneficial owners of the controlling shareholder of the Company. The Disposals constitute connected transactions of the Company under the Listing Rules. As the applicable percentage ratios set out in the Listing Rules for the Disposals are less than 2.5%, the Disposals are subject to reporting and announcement requirements and exempt from independent shareholders' approval requirements under the Listing Rules.

DEFINITIONS

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

“Agreements”	the Fuxiang Agreement and the Yuyuan Agreement
“Board”	board of Directors
“China Properties”	the Fuxiang Properties and the Yuyuan Property
“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 Disposals in accordance with the Agreements
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Directors”	directors of the Company
“Disposals”	the disposal of the Fuxiang Properties by the Vendor to the Purchaser pursuant to the Fuxiang Agreement and the disposal of the Yuyuan Property by the Vendor to the Purchaser pursuant to the Yuyuan Agreement

“Facility Agreement”	the facility agreement entered into by, amongst others, the Company and a syndicate of banks on 21 August 2007
“Fuxiang Agreement”	the sale and purchase agreement dated 29 September 2008 entered into between the Purchaser and the Vendor in relation to the disposal of the Fuxiang Properties by the Vendor
“Fuxiang Consideration”	RMB1.6 million, the consideration for the Fuxiang Properties pursuant to the Fuxiang Agreement
“Fuxiang Properties”	Units 402-403, 405, 413, 511-513, 611-614, 711-714 & 814, Fuxiang Building, Yinfeng Road, Huangcun District, Dongguan City, Guangdong Province, the PRC
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Leung”	Mr. Leung Lun, an executive Director, the Chairman of the Board and the beneficially owner as to 70% of interest in the controlling shareholder of the Company
“PRC”	the People’s Republic of China
“Purchaser”	東莞市科昌房地產開發有限公司, a company incorporated in the PRC and is beneficially owned by Mr. Leung
“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
“Vendor”	Dongguan Lung Cheong Toys Co., Ltd. (東莞龍昌玩具有限公司), a company incorporated in the PRC and is a wholly-owned subsidiary of the Company
“Yuyuan Agreement”	the sale and purchase agreement dated 29 September 2008 (as supplemented by the supplemental agreement thereto dated 29 September 2008) entered into between the Purchaser and the Vendor in relation to the disposal of the Yuyuan Property by the Vendor

“Yuyuan Consideration”	RMB2.4 million, the consideration for the Yuyuan Property pursuant to the Yuyuan Agreement
“Yuyuan Property”	House No. 28, Yuyuan Villa, Xinyuan Road, Lixin Village, Dongcheng District, Dongguan City, Guangdong Province, the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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

Hong Kong, 10 October 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.