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)

UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

The board of directors (the "Directors") of Lung Cheong International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2008 together with comparative figures for the corresponding period in 2007. These interim consolidated accounts have not been audited but have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For The Six Months Ended 30 September 2008

		Unaudited Six months ended 30 September	
	Note	**2008 HK$'000**	2007 HK$'000
Turnover	2	**384,904**	408,168
Cost of sales		**(290,581)**	(296,188)
Gross profit		**94,323**	111,980
Other revenues	2	**763**	6,333
Selling and distribution expenses		**(19,031)**	(20,704)
Administrative expenses		**(64,277)**	(74,095)
Finance costs	3	**(8,374)**	(12,973)
Profit before taxation	4	**3,404**	10,541
Taxation credit/(charge)	5	**73**	(276)
Profit for the period		**3,477**	10,265
Attributable to:			
Equity holders of the Company		**3,477**	10,265
Dividends	6	**–**	–
Earnings per share for the profit attributable to the equity holders of the Company during the period			
– Basic	7	**0.14 cents**	0.43 cents
– Diluted	7	**N/A**	N/A

* *For identification purposes only*

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

	Note	**Unaudited 30 September 2008 HK$'000**	Audited 31 March 2008 HK$'000
Non-current assets			
Leasehold land and land use rigths		**93,237**	97,356
Property, plant and equipment	8	**447,660**	441,085
Goodwill		**19,240**	19,240
Club memberships		**2,474**	2,474
Deferred tax assets		**2,230**	6,163
		564,841	566,318
Current assets			
Inventories		**263,033**	294,529
Trade and other receivables, deposits and prepayments	9	**211,180**	198,762
Derivative financial instruments	10	**451**	634
Tax recoverable		**1,109**	1,182
Cash and cash equivalents		**36,883**	51,504
		512,656	546,611
Current liabilities			
Trade payable	11	**98,539**	97,286
Other payable and accrued charges		**37,719**	65,538
Derivative financial instruments	10	**1,582**	1,002
Borrowings		**217,748**	200,696
Loans from immediate holding company		**50,000**	50,000
Tax payable		**2,705**	3,983
		408,293	418,505
Net current assets		**104,363**	128,106
Total assets less current liabilities		**669,204**	694,424
Non-current liabilities			
Borrowings		**92,159**	120,000
Provision for long service payment		**1,527**	1,476
Deferred tax liabilities		**6,906**	10,210
		100,592	131,686
Net assets		**568,612**	562,738
EQUITY			
Share capital		**246,480**	246,480
Reserves		**322,132**	316,258
Total equity		**568,612**	562,738

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. Basis of presentation and principal accounting policies

The unaudited consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirement of Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2008.

The following new amendments and interpretations are mandatory for the first time for the financial year beginning 1 April 2008 but are not currently relevant to the Group.

HKAS 39 & HKFRS 7, Amendments	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group has not early applied the following new standards or interpretations that have been issued but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 & 1, Amendments	Puttable Financial Instruments and Obligations arising on Liquidation	1 January 2009
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) – Int 15	Agreements for Construction of Real Estate	1 January 2009
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008

The Directors are currently assessing the impact of the above new standards, amendments and interpretations but are not yet in position to state whether they would have material impact on the unaudited condensed consolidated interim financial statements.

2. Turnover, revenue and segmental information

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

Revenues recognised during the periods are as follows:

	Unaudited Six months ended 30 September 2008 HK$'000	2007 HK$'000
Turnover		
Sale of goods	**381,646**	400,425
Mould income	**3,258**	7,743
	384,904	408,168
Other revenues		
Interest income	**108**	1,299
Other	**655**	5,034
	763	6,333
Total revenues	**385,667**	414,501

Primary reporting format – business segments

The Group's turnover and results are substantially derived from the manufacturing of toys. Accordingly, no analysis by business segment is presented.

Secondary reporting format – geographical segments

	Unaudited Six months ended 30 September 2008 HK$'000	2007 HK$'000
Turnover		
United States	**127,588**	172,284
Europe	**57,976**	89,694
Japan	**57,494**	45,653
Hong Kong/China	**84,883**	25,866
Other	**56,963**	74,671
	384,904	408,168

No analysis of contribution to operating profit by geographical segment has been prepared as no contribution to operating profit from any of the above segments is substantially out of line with the normal ratio of profit to turnover.

The turnover derived from Europe represents sales of toys to multiple customers with goods shipped directly to Europe under the instruction of these customers. Deliveries to Hong Kong and China eventually may be destined for US, Europe and Japan markets after consolidation process.

3. Finance costs

	Unaudited Six months ended 30 September 2008 HK$'000	2007 HK$'000
Interest on loans from banks and financial institutions	**7,799**	11,976
Arrangement fees on bank loans	**575**	997
	8,374	12,973

4. **Operating profit**

Operating profit is stated after charging the following:

	Unaudited Six months ended 30 September 2008 HK$'000	2007 HK$'000
Charging:		
Depreciation of owned fixed assets	**20,175**	19,490
Amortisation of leasehold land and land use rights	**1,200**	560

5. **Taxation**

	Unaudited Six months ended 30 September 2008 HK$'000	2007 HK$'000
Taxation credit/(charge)	**73**	(276)

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. Taxation on profits of Mainland China subsidiaries has been calculated on the estimated assessable profit for the period at the rates of taxation as applicable to the local subsidiaries. No provision for taxation of the subsidiary in Indonesia has been made as it has tax losses as at 30 September 2008 and 30 September 2007.

6. **Dividends**

The Board of Directors does not recommend the payment of interim dividend for the six month ended 30 September 2008 (2007: Nil).

7. **Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 September 2008 HK$'000	2007 HK$'000
Profit attributable to equity holders of the Company	**3,477**	10,265
Weighted average number of ordinary shares in issue	**2,464,799,997**	2,370,373,767
Basic earnings per share (HK cents)	**0.14**	0.43

No dilutive earnings per share for the six months ended 30 September 2008 and 30 September 2007 has been presented as the share options outstanding during the periods had an anti-dilutive effect on the basic earnings per share for the periods.

8. **Property, plant and equipment**

	HK$'000
At 1 April 2008	441,085
Additions	27,723
Depreciation	(20,175)
Disposal	(865)
Exchange adjustment	(108)
At 30 September 2008	**447,660**

9. Trade and other receivables, deposits and prepayments

The carrying amounts of trade and other receivables, deposits and prepayments are as follows:

	Unaudited 30 September 2008 HK$'000	Audited 31 March 2008 HK$'000
Trade receivables	**176,556**	146,121
Other receivables, deposits and prepayments	**34,624**	52,641
	211,180	198,762

The ageing analysis of the trade receivables was as follows:

	Unaudited 30 September 2008 HK$'000	Audited 31 March 2008 HK$'000
0 – 90 days	**168,312**	126,962
91 – 180 days	**2,035**	6,625
181 – 365 days	**1,031**	5,724
Over 365 days	**5,178**	6,810
	176,556	146,121

The Group's sales are on letter of credit or open account terms. Credit terms are reviewed on a regular basis. The normal trade term is between 30 to 90 days but business partners with strong financial background may be offered longer credit terms.

10. Derivative financial instruments

	Unaudited 30 September 2008 HK$'000	Audited 31 March 2008 HK$'000
Assets		
Forward foreign exchange contracts – not qualifying as hedges (note)	**451**	634
Liabilities		
Forward foreign exchange contracts – not qualifying as hedges (note)	**70**	–
Interest-rate swaps – not qualifying as hedges	**1,512**	1,002

Note:

Note 13(b) set out details of commitments under these contracts as at 30 September 2008.

11. **Trade payables**

The ageing analysis of the trade payables was as follows:

	Unaudited 30 September 2008 HK$'000	Audited 31 March 2008 HK$'000
0 – 90 days	**56,207**	74,486
91 – 180 days	**30,758**	16,445
181 – 365 days	**9,557**	5,918
Over 365 days	**2,017**	437
	98,539	97,286

12. **Contingent liabilities**

At 30 September 2008, the Group had no material contingent liabilities.

13. **Commitments**

(a) ***Commitments under operating leases***

At 30 September 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Unaudited 30 September 2008 HK$'000	Audited 31 March 2008 HK$'000
Not later than one year	**4,516**	3,778
Later than one year but not later than five years	**7,813**	12,979
	12,329	16,757

(b) ***Commitments under forward foreign currency contracts***

As at 30 September 2008, the Group had maximum outstanding forward foreign currency contracts to purchase approximately US$66,300,000 (31 March 2008: approximately US$104,100,000) for approximately HK$517,140,000 (31 March 2008: approximately HK$811,980,000).

14. **Banking and other facilities**

As at 30 September 2008, the Group had a total banking and other facilities of approximately HK$382,387,000 (31 March 2008: HK$424,420,000), of which the following had been utilized:

(a) a syndication loan of HK$134,694,000 (31 March 2008: HK$150,000,000); and

(b) general banking facilities of approximately HK$210,464,000 (31 March 2008: HK$190,578,000).

Except for the amount of HK$19,221,000 (31 March 2008: HK$4,182,000) which are secured by the Group's plant and machinery, the other general banking facilities are secured by the Group's freehold and leasehold land, land use rights and buildings, and are all supported by a corporate guarantee executed by the Company.

15. **Share based payment**

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. The Scheme, which was adopted by an ordinary resolution of the shareholders on 3 September 2002, constitutes a share option scheme governed by Chapter 17 of the Listing Rules.

Under the Scheme, share options can be exercised at any time during the periods to be determined and notified by the Directors to the grantees at the time of making offers to grant share options to them, provided that such periods shall not exceed the period of ten years from the date of grant. The scheme mandate limit of the Scheme was refreshed pursuant to a shareholders' resolution passed in the annual general meeting ("AGM") of the Company last held on 27 August 2007, details of which have been set out in the circular dated 3 August 2007. No options have been granted since 27 August 2007. Accordingly, as at 30 September 2008, the maximum number of shares available for issued under the Scheme is 82,159,999, representing 10% of the issued ordinary share capital of the Company as at the date of the AGM and approximately 3.33% of the issued ordinary share capital of the Company as at 30 September 2008. The subscription price for the shares under the Scheme shall be a price determined by the Directors at its discretion, provided that it shall not be less than the highest of (i) the closing price of the shares stated in the daily quotation sheets of the Stock Exchange of Hong Kong Limited ("Stock Exchange") on the date of grant; (ii) the average closing price of the shares stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of share options and (iii) the nominal value of the shares.

The terms and conditions of the grants that existed at 30 September 2008 are as follows, whereby all options are settled by physical delivery of shares:

	Balance as at 1 April 2008	**Granted during the period**	**Forfeited during the period**	**Balance as at 30 September 2008**	**Exercise price** HK$	**Closing price of each share at date of grant** HK$	**Exercise period**
Executive Directors	15,000,000	Nil	15,000,000	Nil	1.33	0.99	24/07/2007 to 23/07/2008
Other employees	600,000	Nil	Nil	600,000	1.00	0.99	24/07/2007 to 23/07/2009
Consultants	600,000	Nil	Nil	600,000	1.00	0.99	24/07/2007 to 23/07/2009
	16,200,000	Nil	15,000,000	1,200,000			

The fair value of services received in return for options granted is measured by reference to the fair value of options granted. The estimate of the fair value of the options granted is measured based on Black Scholes model. The contractual life of the options and expectations of early exercise are incorporated into the model.

Fair value of share options granted at 24 July 2007 and assumptions are as follows:

	Granted at 24 July 2007
Fair value at measurement date	HK$0.037
Share price at the date of grant	HK$0.990
Weighted average exercise price	HK$1.2442
Expected volatility	45%
Weighted average expected life	0.31 year
Expected dividends	0.00%
Risk-free interest rate	3.752%

The fair value of the options granted during the corresponding period of 2007 was approximately HK$3,202,000, all of which was recognised an equity-settled share-based expense during that period.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2008 (2007: Nil)

RESULTS, BUSINESS REVIEW AND PROSPECTS

Results

For the six months ended 30 September 2008, the Group's turnover decreased by 5.7% to HK$385 million, compared with HK$408 million for the corresponding period of last year. Gross profit margin was maintained at 25% while profit declined 16%. Profit attributable to equity holders of the Group was HK$3 million, representing a year-on-year decrease of 66% (2007: HK$10 million).

During the period under review, the US continued to be the largest customer market of the Group, accounting for approximately 33% of the Group's total turnover (2007: 45%). The other significant customer markets for the Group included Europe and Japan, which accounted for approximately 15% (2007: 18%) and 15% (2007: 13%) respectively.

Business Review

For the six months ended 30 September 2008, the Group's PRC manufacturing plants had to deal with increase in wages, social security contributions and other welfare benefits, common to all producers particularly those located in the Pearl River Delta Region. With the newly Labour Contract Law being implemented, a complementing social security system among workers was compulsory resulting in the amount of contributions to various schemes being increased in line with the wage increases. Furthermore, insufficient supply of migrant workers in the Region during the interim period has pushed up the wage levels of these workers as competition among manufacturers led to the need to offer above minimum wage in order to attract new workers or retain existing employees.

Amid sluggishness of US and European markets, the operating environment remains competitive and challenging. The tougher testing requirements and slack US economy made customers more conservative in placing orders. The Group continues to strive for profitability under the prolonged appreciation of Renmenbi, currency of the PRC, ("RMB"), high crude oil price, reduction of the value added tax rebate on goods exported from the PRC and increase in costs of materials. The Group had to weather high production costs and the limited scope of price increases due to economic slowdown in our major markets. However, amid this deteriorating business environment, the Group's overall order position for of the period under review remained stable.

The Group's persistence in investing heavily in development on wireless and robotic innovations contributed to preserving margins. Production of the world's famous hobby grade radio control transmitters have been fully relocated to the Group's Changping factory. The Group's dedicated efforts toward the radio control (R/C) toy business segment, an area that has seen steady advances as reflected by its move from producing innovative aerodynamic planes, wing flapping flying insecticides, sensor based flying machine to probably the world's smallest helicopter. Overall, the Group's R/C toy business accounted for 75% of total sales during the review period, showing clear leadership and strength in this segment.

Due to the deteriorating manufacturing environment in the PRC in the first half of financial year 2008/09, the relocation of more production to the Group's South East Asian plant in Indonesia was necessary. By transferring more to Indonesia, the Group has alleviated part of the cost pressure stemming from the new labour law in China taking effect during the review period. The Serang factory in Indonesia, at peak production stage during the period under review, was employing over a thousand workers, including seasonal contract labour. The PRC factories, employed fewer workers compared to the same period of previous years.

The Indonesian factory continued to provide plentiful labor and favourable exchange rate for the Group but recent turmoil in the Southern China toy factories had provided customers with motivation to alternative sourcing. The Group's acquisition of the remaining 40% interests in our Indonesian subsidiary, PT. Lung Cheong Brothers Industrial set out in announcement dated 25 September 2008 should strengthen the Group's production ability and capacity during these uncertain times. One of our major customers strongly supported the move by transferring production of a long running product line down to Indonesia.

The Group's consolidation of its PRC facilities was almost completed in the first half of this financial year. The planned investment to enhance production facilities was also in place. These new equipment ought to ensure better efficiencies in producing innovative and quality products, in order to secure orders from reputable and financially able customers for the remaining financial period and going forward.

Prospects

Globally, the toy industry is expecting a difficult year ahead as the world economy cools and demand for non-essential items expecting to fall. The Group's management believes that toys would not be as negatively affected as traditional gifts for birthdays, parties, achievements and festive seasons. It will stay in place in the Group's major export markets but will probably be at lower price level compared to those in the past years. However, economic slowdown of the US and Europe continues to limit the scope of price increases that manufacturers have to absorb part of the increasing costs.

To reduce reliance on any particular geographical regions, the Group takes forward business development plans to expand into new markets and the businesses in certain areas of Europe. Specifically, the new distributors in European will market all Kid Galaxy brands and sale of educational robotic products will continue to grow in Mainland China.

However, being the category market leader which has scalable production capacity and capable of delivering quality products, the Group and its management look forward to growing power on price determination of our products in this consolidating environment. The Group will have to consolidate its customer base by putting its focus of resources, risks and survival management on two categories of customers: core customers which provide steadfast support during this uncertain period and strategic customers which provide outlets for the continued investment into innovative product development.

The Group has plan to reallocate resources and scale down production proportionately in the fourth quarter of this year as measures to control operating costs. The Group will endeavor to trim overhead, improve productivity and control production costs as the toy industry rides out the storm. In order to improve the overall toy manufacturing production efficiency, the Group has to review the viability of the Group's former main production plant in Zhouwu. Since most production is now consolidated within the new Changping factory, the Group's management continue to monitor the requirement of the leased Zhouwu factory as certain segments of the production such as metal component production, plastic injection and decoration are located within this facility. Decisions and arrangements will be fixed in line with to orders received in the coming toy fairs in first quarter of 2009. Reduced scale of the production will result in savings in transportation and administrative costs, but will have disadvantage the Group's overall capacity during forthcoming peak season. The Group's management will enhance the facility utilization and production efficiency of the two plants in the PRC. The Group will continue to restructure production process with the goal to lower manufacturing costs.

The Group's alternate production base in Indonesia enjoys the lower labour cost in addition to the current currency weakness. The soon to be wholly owned factory's prospects shall crystallize after toy fairs in early part of 2009 to see whether sufficient orders to keep Indonesian facilities fully occupied going forward. Apart from wholly own application in process, the Group would restructure the ownership of the Indonesian subsidiary under a wholly own subsidiary, being Lung Cheong Asia Holdings Ltd. The Group's management expects to complete this restructing process before financial year end 2008/09.

Looking ahead, operational conditions are challenging but manufacturing costs can be maintained in stable situation. The world's economies have been hard hit by the fallout of the financial crises resulting in unprecedented credit crunch. The Group would still be facing adverse factors, such as the fluctuation of the RMB and increased costs in administering testing of toys to enhance products safety. Hopefully the drop in crude oil price would continue in the second half year, so that raw material costs would be reduced accordingly. Seeing signs of certain macroeconomic factors improving, such as slower appreciation of the RMB and certain material prices declining, the Group remains cautiously optimistic about the market environment in the second half of financial year 2008/09.

GROUP RESOURCES AND LIQUIDITY

As at 30 September 2008, the Group's cash and bank balances were approximately HK$37 million (31 March 2008: approximately HK$52 million). The Group's total borrowings were HK$360 million (31 March 2008: HK$371 million). The gearing ratio, calculated as the total borrowings less cash and bank balances and divided by shareholders' equity, was approximately 57% (31 March 2008: approximately 57%). As at 30 September 2008, the Group recorded total current assets of approximately HK$513 million (31 March 2008: approximately HK$547 million) and total current liabilities of approximately HK$408 million (31 March 2008: approximately HK$419 million). The current ratio of the Group, calculated by dividing the total current assets by total current liabilities, was approximately 1.26 (31 March 2008: approximately 1.31). The Group recorded an increase in shareholders' funds from approximately HK$563 million as at 31 March 2008 to approximately HK$569 million as at 30 September 2008. The increase was mainly derived from the profit after tax. The Group's continue operations is relied upon the support from the financial institutions. Facilities are provided on the basis of which certain financial and operational undertakings are complied with. In the opinion of the Board, the Group has sufficient financial resources to meet the future operational needs.

EMPLOYEES

As at 30 September 2008, the Group had approximately 6,350 employees. Approximately 60, 6,079, 200 and 11 employees were based in Hong Kong, Dongguan factories, Indonesia factory and the U.S. office respectively. The number of workers employed by the Group varies from time to time depending on production needs and the workers are remunerated based on industry practice.

SUBSEQUENT EVENT

Connected and share transaction in relation to the acquisition of the remaining 40% interest in PT. Lung Cheong Brothers Industrial

On 24 September 2008, Lung Cheong Asia Holdings Limited ("LC Asia"), a wholly-owned subsidiary of the Company, entered into the agreement with Mr. Jimmy Sumitro, Mr. Ng Soegiarto Hanafi, Mr. Goenarto Waluyo Ng, Mr. Norman Purnomo Ng and Mr. Amin Widdhiarta Ng (collectively the "Vendors") pursuant to which LC Asia agreed to purchase and the Vendors agreed to sell approximately 40% of the entire issued share capital of PT. Lung Cheong Brothers Industrial ("PTLC") at a consideration of HK$3,900,000, which shall be satisfied by the issue and allotment of an aggregate 26,000,000 shares of the Company to the Vendors. Immediately prior to the entering into the agreement, the Company owned approximately 60% indirect interest in PTLC through Lung Cheong Toys Limited whereas 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, thereby rendering the transaction a connected and share transaction for the Company under the Listing Rules. For details of the transaction, please refer to the Company's announcement dated 25 September 2008.

Connected transactions in relation to the disposal of the China Properties

On 29 September 2008, Dongguan Lung Cheong Toys Co., Ltd. ("Dongguan LC"), a wholly-owned subsidiary of the Company, entered into the agreements with 東莞市科昌房地產開發有限公司 ("東莞市科昌") pursuant to which the Dongguan LC agreed to dispose of and 東莞市科昌 agreed to purchase certain land properties in the PRC at an aggregate consideration of RMB4 million. 東莞市科昌 is a company beneficially owned by Mr. Leung Lun, being the chairman, and executive Director and one of the beneficial owners of the controlling shareholder of the Company, and thereby the transactions constitute connected transactions of the Company under the Listing Rules. For details of the transactions, please refer to the Company's announcement dated 10 October 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities throughout the accounting period covered by the interim report.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). The Company has made specific enquiry of its Directors. All Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the accounting period covered by the interim report.

AUDIT COMMITTEE

The Company has an audit committee in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process including a review of the unaudited condensed interim financial statements for the six months ended 30 September 2008, this interim report and the Group's internal controls.

PUBLICATION OF RESULTS ANNOUNCEMENT

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk under "Latest Listed Companies Information" and the website of the Company at www.e-lci.com under "Investor Relations".

On behalf of the Board of
Lung Cheong International Holdings Limited

Leung Lun
Chairman

12 December 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.