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LUNG CHEONG INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 348)

PLACING OF EXISTING SHARES SUBSCRIPTION FOR NEW SHARES AND RESUMPTION OF TRADING

Placing Agent



VISION FINANCE
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睿智金融國際有限公司
VISION FINANCE INTERNATIONAL COMPANY LIMITED

On 18 September 2009, the Vendor and the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent have agreed, on a best efforts basis, to procure not fewer than six placees to purchase, and the Vendor has agreed to sell, up to 466,958,000 existing Shares at a price of HK\$0.15 per Share.

On the same day, the Vendor and the Company entered into the Subscription Agreement pursuant to which the Vendor has conditionally agreed to subscribe for up to 466,958,000 new Shares which are equal to the number of Placing Shares at a price of HK\$0.15 per Share.

The Placing Price represents (i) a discount of approximately 17.13% to the closing price of HK\$0.181 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 14.77% to the average closing price of approximately HK\$0.176 per Share as quoted on Stock Exchange for the last five trading days immediately prior to the date of the Placing Agreement; and (iii) a discount of approximately 15.25% to the average closing price of approximately HK\$0.177 per Share as quoted on Stock Exchange for the last ten trading days up to and including the Last Trading Day.

The Subscription Shares of 466,958,000 Shares represent approximately 18.75% of the existing issued share capital of the Company as at the date of this announcement and approximately 15.79% of the issued share capital of the Company as enlarged by the Subscription.

The gross proceeds from the Subscription are estimated to be approximately HK\$70.04 million and the net proceeds are estimated to be approximately HK\$68 million, which are intended to be used for the general working capital of the Group and potential investments to be identified.

SUSPENSION AND 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 18 September 2009 pending the issue of this announcement. Application has been made to the Stock Exchange for resumption in trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 21 September 2009.

THE PLACING AGREEMENT

Date

18 September 2009

Parties

- (a) the Vendor, a Shareholder and who is the legal and beneficial owner of approximately 60.18% of the existing issued share capital of the Company as at the date of this announcement;
- (b) the Company; and
- (c) the Placing Agent.

Basis of the Placing

The Placing Agent will place the Placing Shares on a best efforts basis.

Number of Placing Shares

Up to 466,958,000 Shares, representing approximately 18.75% of the existing issued share capital of the Company as at the date of this announcement or approximately 15.79% of the issued share capital of the Company as enlarged by the Subscription.

Placing Commission

Being 1.5% of the amount equal to the Placing Price multiplied by the number of Placing Shares.

The Placing Price

HK\$0.15 per Share. The Placing Price represents:

- (i) a discount of approximately 17.13% to the closing price of HK\$0.181 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 14.77% to the average closing price of approximately HK\$0.176 per Share as quoted on Stock Exchange for the last five trading days immediately prior to the date of the Placing Agreement; and
- (iii) a discount of approximately 15.25% to the average closing price of approximately HK\$0.177 per Share as quoted on Stock Exchange for the last ten trading days up to and including the Last Trading Day

The Placing Price was determined on 18 September 2009 and was agreed at after arm's length negotiations among the Vendor, the Company and the Placing Agent. The Directors consider that the Placing Price is fair and reasonable and the Placing is in the best interests of the Company and its Shareholders as a whole.

The net placing price of each Placing Share is approximately HK\$0.146 per Placing Share.

Rights

The Placing Shares will be sold free and clear of all liens, charges and encumbrances, claims, options and third party rights and together with all rights attaching thereto as at the date of completion of the Placing, including the right to receive all dividends or other distributions declared, made or paid on the Placing Shares at any time after the date of completion of the Placing.

Termination of the Placing

The Placing Agent has the right to terminate the Placing Agreement if, amongst other things, prior to completion of the Placing:

- (i) in the reasonable opinion of the Placing Agent there have been certain events as would be likely to prejudice materially the consummation of the Placing; or
- (ii) there is any material breach of any of the representations and warranties of the Company or the Vendor set out in the Placing Agreement; or
- (iii) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing; or
- (iv) any moratorium, suspension or material restriction on trading in Shares or securities generally or the establishment of minimum prices on the Stock Exchange.

Completion of the Placing

The Placing is expected to be completed on or before 25 September 2009 or such other date as the Vendor and the Placing Agent may agree in writing.

THE SUBSCRIPTION AGREEMENT**Date**

18 September 2009

Parties

- (a) the Vendor; and
- (b) the Company.

Number of Subscription Shares

Up to 466,958,000 Shares, which are equal to the number of Placing Shares, representing approximately 18.75% of the existing issued share capital of the Company as at the date of this announcement or approximately 15.79% of the issued share capital of the Company as enlarged by the issue of Subscription Shares. The Subscription Shares will be issued pursuant to the General Mandate granted by the Shareholders to the Directors. The aggregate nominal value of the Subscription Shares (or the Placing Shares) will be HK\$46,695,800.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares to be issued pursuant to the Subscription.

The Subscription price

HK\$0.15 per Share, which is equivalent to the Placing Price.

The gross proceeds from the Subscription are estimated to be approximately HK\$70.04 million and the net proceeds are approximately HK\$68 million. The net proceed of each Subscription Share is approximately HK0.146 per Subscription Share.

Mandate to Issue new Shares

The Subscription Shares will be issued under the General Mandate given to the Directors at the Company's annual general meeting held on 23 September 2008. Up to the date of the Placing Agreement and the Subscription, 26,000,000 Shares have been issued in July 2009 under the General Mandate and the remaining new Shares to be issued under the General Mandate is 466,959,999 Shares.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank equally with the existing Shares.

Conditions of the Subscription

Completion of the Subscription is conditional upon:

- (a) the completion of the Placing; and
- (b) the Stock Exchange granting the listing of, and permission to deal in, all of the Subscription Shares.

Completion of the Subscription

Under Rule 14A.31(3)(d) of the Listing Rules, completion of the Subscription shall take place within 14 days after the date of the Placing Agreement, i.e. not later than the Friday, 2 October 2009.

INDEPENDENCE OF PLACEEES AND THE PLACING AGENT

Each of the Placing Agent and the placees are third parties independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules). There will not be less than six independent placees which will be professional, institutional and/or individual investors. It is expected that none of the placees will become a Substantial Shareholder (as defined in the Listing Rules) upon completion of the Placing.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that the Placing and the Subscription represent an opportunity to raise capital for the Company while broadening the Shareholder base and the capital base of the Company. In addition, the Board considers that it is a valuable opportunity to raise funds in the current market situation.

The Directors have considered other types of fund raising arrangement and consider that the current arrangement is the most efficient way in terms of time and cost for the Company to take advantage of current market opportunity.

Assuming 466,958,000 new Shares are issued by the Company and subscribed for by the Vendor under the Subscription, and the placing commission, professional fees and all related expenses incurred in relation to the Placing and the Subscription are estimated to be approximately HK\$2.04 million, the gross proceeds from the Subscription are estimated to be approximately HK\$70.04 million and the net proceeds are estimated to be approximately HK\$68 million, which are intended to be used for the general working capital of the Group and potential investments to be identified.

The Directors consider that the terms of the Placing and the Subscription, which have been negotiated on an arm's length basis in accordance with normal commercial terms, are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

SHAREHOLDING STRUCTURE

Set out below are tables showing the existing shareholding structure of the Company, the shareholding structure immediately after completion of the Placing but before the Subscription and the shareholding structure immediately after completion of the Placing and the Subscription (*Note 1*):

	As at the date of this announcement		Immediately after completion of the Placing but before the Subscription		Immediately after completion of the Placing and the Subscription	
	Number of Shares	Approximate %	Number of Shares (<i>Note 2</i>)	Approximate %	Number of Shares (<i>Note 3</i>)	Approximate %
Vendor (<i>Note 4</i>)	1,499,082,240	60.18	1,032,124,240	41.43	1,499,082,240	50.68
Public						
– Placees	–	–	466,958,000	18.75	466,958,000	15.79
– Others	991,717,757	39.82	991,717,757	39.82	991,717,757	33.53
TOTAL	<u>2,490,799,997</u>	<u>100.00</u>	<u>2,490,799,997</u>	<u>100.00</u>	<u>2,957,757,997</u>	<u>100.00</u>

Note:

1. Assuming no Shares are issued or repurchased between the date of this announcement and completion of the Placing and the Subscription.
2. Assuming the maximum number of 466,958,000 Placing Shares have been placed.
3. Assuming the maximum number of 466,958,000 Subscription Shares have been subscribed.
4. The Vendor is wholly and beneficially owned by Rare Diamond Limited, which is in turn beneficially owned as to 70% by Mr. Leung Lun, an Executive Director and the Chairman of the Company, and 30% by Mr. Leung Chung Ming, an Executive Director.

GENERAL

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in development, engineering, manufacture and sales of toys, moulds and materials.

FUND RAISING ACTIVITIES OF THE GROUP IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising exercise in the past twelve months immediately before the date of this announcement.

SUSPENSION AND RESUMPTION OF TRADING

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DEFINITIONS

“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the 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
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the annual general meeting, held on 23 September 2008, subject to the limit up to 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing the resolution at the annual general meeting
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	17 September 2009, being the last full trading day for the Shares prior to this announcement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares pursuant to the Placing Agreement
“Placing Agent”	Vision Finance International Company Limited, a corporation licensed to carry on types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement dated 18 September 2009 entered into between the Vendor, the Placing Agent and the Company in relation to the Placing
“Placing Price”	HK\$0.15 per Placing Share
“Placing Shares”	up to 466,958,000 existing Shares beneficially owned by the Vendor and to be placed pursuant to the Placing Agreement
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Subscription Shares by the Vendor pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 18 September 2009 entered into between the Vendor and the Company in relation to the Subscription
“Subscription Price”	HK\$0.15 per Placing Share
“Subscription Shares”	up to 466,958,000 new Shares, which are equal to the number of Placing Shares, to be subscribed by the Vendor pursuant to the Subscription Agreement

“Vendor”	Lung Cheong Investment Limited, a company incorporated in British Virgin Islands with limited liability and the entire issued share capital of which is wholly owned by Rare Diamond Limited, a company incorporated in British Virgin Islands with limited liability, the entire issued share capital of Rare Diamond Limited is owned as to 70% by Mr. Leung Lun, as to 30% by Mr. Leung Chung Ming, both being Directors
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 18 September 2009

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.