

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

(1) LETTER OF INTENT AND (2) RESUMPTION OF TRADING

LETTER OF INTENT

The Board is pleased to announce that on 12 July 2010 (after trading hours), the Company and the Purchaser, being its wholly-owned subsidiary, entered into the Letter of Intent with the Vendor, an independent third party, which sets out the parties' intention in relation to the possible acquisition by the Purchaser from the Vendor the entire equity interests in the Target BVI.

After a shareholding restructuring, the Target BVI will be the holder of the entire equity interests in HK Company 1 and HK Company 2 which principally engage in aircraft leasing business.

The Proposed Acquisition is subject to, *inter alia*, the satisfaction of the Due Diligence Review and the negotiation and finalization of the terms and conditions of the Formal Agreement. **Accordingly, the Formal Agreement may or may not be entered into by the parties and the Proposed Acquisition may or may not proceed.**

This announcement is made pursuant to the general disclosure obligation of the Company under Rule 13.09(1) of the Listing Rules. Based on the total consideration for the Proposed Acquisition setting out in the Letter of Intent, the Proposed Acquisition will constitute a very substantial acquisition for the Company as at the date of this announcement since the consideration ratio prescribed under the Listing Rules exceeds 100%. Nonetheless, the percentage ratios under Rule 14.07 of the Listing Rules will be calculated upon the entering into of the legally binding Formal Agreement. Accordingly, the Proposed Acquisition, if materializes, may constitute a notifiable transaction for the Company under the Listing Rules and the Company will comply with the relevant disclosures and/or shareholders' approval requirements of the Listing Rules where appropriate.

Upon satisfaction of the Due Diligence Review, the parties to the Letter of Intent may enter into the Formal Agreement. Further announcement will be made by the Company in accordance with Chapter 14 of the Listing Rules if the Formal Agreement is entered into by the parties to the Letter of the Intent.

As the Proposed Acquisition may or may not proceed, shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

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 13 July 2010 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 14 July 2010.

THE LETTER OF INTENT

The Board announces that on 12 July 2010 (after trading hours), the Company and the Purchaser, being its wholly-owned subsidiary, entered into the Letter of Intent with the Vendor, an independent third party, which sets out the parties' intention in relation to the possible acquisition by the Purchaser from the Vendor the entire equity interests in the Target BVI.

After a shareholding restructuring, the Target BVI will be the holder of the entire equity interests in HK Company 1 and HK Company 2 which principally engage in aircraft leasing business.

Date:

12 July 2010

Parties:

Vendor: Robust Hero Limited, a company incorporated in the BVI with limited liability

Purchaser: Future Empire Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company

Company: the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Material Terms of the Letter of Intent:

A. Subject matter Pursuant to the Letter of Intent, the Purchaser may (subject to, *inter alia*, satisfaction of the Due Diligence Review and other conditions under the Formal Agreement) acquire from the Vendor the entire interests in the Target BVI which, after a shareholding restructuring, will in turn hold 100% equity interest in HK Company 1 and HK Company 2.

The Vendor currently owns 100% equity interest in the Target BVI. Based on the information provided by the Vendor, the Target Group is principally engaged in aircraft leasing business.

B. Consideration The total consideration for the Proposed Acquisition is HK\$6 billion.

The consideration was arrived at after arm's length negotiations between the Company and the Vendor and with reference to the Profit Guarantee of HK\$1.3 billion as more particularly described in the paragraph headed "G. Profit Guarantee" below.

C. Payment terms The total consideration shall be satisfied by a combination of (i) 1,212,000,000 new Shares, to be issued at an issue price of HK\$0.2 per new Share; and (ii) convertible notes of the Company in the principal amount of HK\$5.7576 billion, which can be converted into new Shares at a conversion price of HK\$0.2 per new Share (subject to anti-dilution adjustments as a result of sub-division and split of the Shares, consolidation of the Shares, rights issue, bonus issue and such other shareholding dilution events).

The obligations of the Company under the convertible notes will be secured by pledge of the shares of the Target BVI.

The issue price of the new Shares and the conversion price of the convertible notes were determined between the Company and the Vendor, among others, after arms' length negotiations having taken into account the Group's business and current asset base, and the Company's past stock price performance.

D. Due Diligence Subject to the full provision of the required due diligence documents, both the Purchaser and the Vendor shall use their best efforts to complete the Due Diligence Review within four months after the date of the Letter of Intent.

- E. Formal Agreement
- If the parties are satisfied with the results of the Due Diligence Review and agreed upon detailed terms of the Formal Agreement, the parties shall use their best efforts to enter into the Formal Agreement (including thereto the terms of the convertible notes to be issued by the Company) within 10 business days after satisfaction of the results of the Due Diligence Review (or such other date as the parties may agree) in accordance with the principles set forth in the Letter of Intent, and complete the transfer of the entire equity interest of the Target BVI and payment of the consideration in accordance with the terms of the Formal Agreement and within a reason time (but not later than 45 days after the entering into of the Formal Agreement or such other date as the parties may agree).
- F. Lapse of the Letter of Intent
- In the event that (i) either the Purchaser or the Vendor is not satisfied with the result of the Due Diligence Review on the Target Group or the Group (as the case may be) on or before the expiry of the Due Diligence Review Period; or (ii) the Formal Agreement cannot be reached within six months from the date of the Letter of Intent, the Letter of Intent will lapse and neither party shall have any obligations towards the other party nor has any claims against the other party.
- G. Profit Guarantee
- The Vendor guarantees to the Purchaser that the aggregate profits after tax as shown in the audited consolidated accounts of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards for the two financial years ending 31 December 2010 and 2011 shall not be less than HK\$1.3 billion (the “Profit Guarantee”). Compensation payable to the Purchaser for failure of achieving the Profit Guarantee by the Vendor shall be negotiated and finalized upon completion of the Due Diligence Review and provided for in the Formal Agreement.
- H. Confidentiality
- Unless it is required under the applicable laws or rules of any relevant stock exchange, the parties to the Letter of Intent shall keep confidential the Letter of Intent, the information discussed during the negotiation of the Proposed Acquisition and all information acquired during the Due Diligence Review.

I. Exclusivity

The Vendor undertakes to the Purchaser that during the Due Diligence Review Period, the Purchaser shall have the exclusive right to negotiate and execute the Formal Agreement in respect of the acquisition of the Target Group and its business of aircraft leasing. The Purchaser and the Company undertake to the Vendor that during the Due Diligence Review Period, the Purchaser, the Company and/or its subsidiaries shall not acquire any company or business similar to the business of the Target Group or enter into any major acquisition or very substantial acquisition (as defined in the Listing Rules).

J. Legal Effect

Except for paragraphs F(ii) (Lapse of the Letter of Intent), H (Confidentiality) and I (Exclusivity) above, the other terms of the Letter of Intent are non-legally binding.

The Proposed Acquisition is subject to, *inter alia*, the satisfaction of the Due Diligence Review and the negotiation and finalization of the terms and conditions of the Formal Agreement. **Accordingly, the Formal Agreement may or may not be entered into by the parties and the Proposed Acquisition may or may not proceed.**

Upon satisfaction of the results of the Due Diligence Review, the parties to the Letter of Intent may enter into the Formal Agreement. Further announcement will be made by the Company in accordance with Chapter 14 of the Listing Rules if the Formal Agreement is entered into by the parties to the Letter of Intent.

INFORMATION ON THE VENDOR

The Vendor, namely Robust Hero Limited (雄堅有限公司), is indirectly wholly-owned by 海航集團有限公司 (HNA Group Co., Ltd.) (“HNA Group”). HNA Group was incorporated in January 2000 under the approval by the State Administration of Industry and Commerce (國家工商行政管理局). HNA Group is a large conglomerate with interests in air transportation as core business and covering other industries including airport management, logistics, hotel management, financial services, real estate, retailing, flight catering, tourism services and other related business.

At the end of 2009, the total assets of HNA Group was approximately RMB149.7 billion. Within the HNA Group, there are currently six listed companies and 13 full service airliners. As part of its core business, HNA Group currently manages 12 airports throughout China and operates and manages 240 aircrafts. HNA Group also possesses around 50 cargo vessels and 10 cargo aircrafts. HNA Group is also engaged in investment activities and manages an asset portfolio of approximately RMB30 billion.

In January 2010, HNA Group also expanded into foreign aircraft leasing market with the acquisition of the aircraft leasing business of the Australian Allco Finance Group (“Allco Business”). This deal marked the first step for HNA Group to become an international player in the aviation sector.

INFORMATION ON THE TARGET GROUP

After shareholding restructuring, Target BVI will be the holder of the entire equity interests in each of HK Company 1 and HK Company 2. HK Company 1 currently owns 90% of the Allco Business, which principally engages in aircraft leasing business and owns 68 aircrafts leased to various internationally well known airlines. HK Company 2 currently owns 9 aircrafts which are leased to Hong Kong Express and Hong Kong Airlines.

GENERAL

This announcement is made pursuant to the general disclosure obligation of the Company under Rule 13.09(1) of the Listing Rules. Based on the total consideration for the Proposed Acquisition setting out in the Letter of Intent, the Proposed Acquisition will constitute a very substantial acquisition for the Company as at the date of this announcement since the consideration ratio prescribed under the Listing Rules exceeds 100%. Nonetheless, the percentage ratios under Rule 14.07 of the Listing Rules will be calculated upon the entering into of the legally binding Formal Agreement. Accordingly, the Proposed Acquisition, if materializes, may constitute a notifiable transaction for the Company under the Listing Rules and the Company will comply with the relevant disclosures and/or shareholders' approval requirements under the Listing Rules where appropriate.

As the Proposed Acquisition may or may not proceed, shareholders and investors of the Company should exercise caution in dealing in the Shares.

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 13 July 2010 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 14 July 2010.

DEFINITIONS

In this announcement, unless context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors
“BVI”	British Virgin Islands
“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)”	director(s) of the Company

“Due Diligence Review”	a due diligence review of the financial condition, legal and business affairs of the Target Group and the Group to the satisfaction of the Purchaser and the Vendor respectively
“Due Diligence Review Period”	four months from the date of the Letter of Intent
“Formal Agreement”	a legally binding conditional sales and purchase agreement to be entered into by the parties to the Letter of Intent
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“HK Company 1”	HNA Group (Hong Kong) Co., Limited (海航集團(香港)有限公司), a company incorporated in Hong Kong and after a shareholding restructuring, will be owned as to 100% by the Target BVI
“HK Company 2”	Hong Kong International Aviation Leasing Company Limited (香港國際航空租賃有限公司), a company incorporated in Hong Kong and after a shareholding restructuring, will be owned as to 100% by Target BVI
“Letter of Intent”	the letter of intent dated 12 July 2010 entered into between the Vendor, the Purchaser and the Company in relation to the Proposed Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, but for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Acquisition”	the proposed acquisition of the entire equity interests of the Target BVI from the Vendor by the Purchaser
“Purchaser”	Future Empire Limited, a company incorporated in BVI with limited liability and a direct wholly owned subsidiary of the Company
“Shares”	ordinary share(s) of nominal value of HK\$0.10 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target BVI”	Flying Pace Limited (飛捷有限公司), a company incorporated in BVI with limited liability and is wholly owned by the Vendor

“Target Group”	Target BVI comprising HK Company 1 (together with its various subsidiaries) and HK Company 2
“Vendor”	Robust Hero Limited (雄堅有限公司), a company incorporated in the BVI with limited liability
“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, 13 July 2010

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., Dr. Ko Peter, Ping Wah and Mr. Lai Yun Hung.