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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)

COMPLETION OF THE DISPOSAL AND RESIGNATION OF DIRECTOR AND CONTINUING CONNECTED TRANSACTIONS

Completion of the Disposal and resignation of Director

Reference is made to the announcements of the Company dated 28 January 2011 and 24 March 2011 in respect of the disposal of the Group's PRC production business.

The Board is pleased to announce that the conditions precedent under the Agreements have been fulfilled and the Agreements were completed on 29 April 2011. In accordance with terms of the Agreements, Mr. Leung Chung Ming has resigned as an executive Director of the Company with effect from 9 May 2011.

Continuing connected transactions

The Board is pleased to announce that on 9 May 2011, the Purchaser, a wholly-owned subsidiary of the Company, and the Supplier entered into the Master Purchase Agreement pursuant to which the Supplier Group agreed to sell the Products to the Purchaser Group and the Purchaser agreed to purchase the Products from Supplier Group during the period commencing 1 May 2011 until 31 March 2014.

Implication of the Listing Rules

As at the date of this announcement, the Supplier would be ultimately held by Brisk Mark Holdings Limited which is owned as to 30% by Mr. Leung Chung Ming and 70% by Mr. Leung, Kenneth Yuk Wai. Since Mr. Kenneth Leung Yuk Wai is a son of Mr. Leung Lun, a substantial Shareholder and an executive Director of the Company, and Mr. Leung Chung Ming is a substantial Shareholder of the Company, the Supplier is therefore a connected person of the Company. As such, the transactions under the Master Purchase Agreement would constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Given that the relevant applicable percentage ratios are more than 5% and the annual consideration payable under the Master Purchase Agreement by the Group exceeds HK\$10,000,000, the Master Purchase Agreement is subject to the reporting, announcement and Independent Shareholders' approval under the Listing Rules. The Supplier and its associates are required to abstain from voting on the resolution for approving the Master Purchase Agreement including the Annual Caps.

Reference is made to the announcements of the Company dated 28 January 2011 and 24 March 2011 in respect of the disposal of the Group's PRC production business.

Completion of the Disposal and resignation of Director

The Board is pleased to announce that the conditions precedent under the Agreements have been fulfilled and the Agreements were completed on 29 April 2011.

The Board also announces that in accordance with terms of the Agreements, Mr. Leung Chung Ming ("Mr. Leung") has resigned as an executive Director of the Company with effect from 9 May 2011. In addition, Mr. Leung and the Board confirmed that there was no disagreement with the each other and were not aware of any matter in relation to his resignation that need to be brought to the attention of the Shareholders. The Board takes this opportunity to express its gratitude to Mr. Leung for his valuable contribution during his service with the Company.

Continuing connected transactions

The Board is also pleased to announce that on 9 May 2011, the Purchaser, a wholly-owned subsidiary of the Company, and the Supplier entered into the Master Purchase Agreement pursuant to which the Supplier Group agreed to sell the Products to the Purchaser Group and the Purchaser agreed to purchase the Products from Supplier Group during the period commencing 1 May 2011 until 31 March 2014.

Summarised below are the principal terms of the Master Purchase Agreement.

THE MASTER PURCHASE AGREEMENT

Date

9 May 2011

Parties

Purchaser: LC Global Holdings Corporation

Supplier: Lung Cheong (BVI) Holdings Limited

Major terms of the Master Purchase Agreement

Pursuant to the terms of the Master Purchase Agreement, the Supplier agreed to sell the Products to the Purchaser Group and the Purchaser agreed to purchase the Products from the Supplier Group during the period commencing 1 May 2011 until 31 March 2014.

The prices of the products to be offered to the Group under the Master Purchase Agreement will be determined after arm's length negotiations between the parties from time to time with reference to the prevailing market price of similar product and will be no less favourable to the Company than terms available from independent third parties to the Company having regard to the quantity, specifications and/or other conditions of the products to be offered.

The payment terms of the individual transactions under the Master Purchase Agreement will be determined by the parties at the time of entering into transactions with reference to factors such as the relevant transactions amount, nature and specification requirement for the particular transactions.

Annual Caps

It is expected that the total value of the Products to be supplied and sold by the Supplier Group to the Purchaser Group pursuant to the terms of the Master Purchase Agreement shall not exceed the amounts set out below:

Period ending 31 March	2012 (Note)	2013	2014
Annual Caps (HK\$ million)	330	310	290

Note: The period commences from 1 May 2011 until 31 March 2012

The Annual Caps were arrived at based upon (a) the estimated volume of the products required by the Group; (b) the prevailing market prices of such products; and (c) the estimated costs for the supply of such products for each of the relevant financial years under the Master Purchase Agreement.

Conditions precedent

The Master Purchase Agreement is conditional upon:

- i. the passing of the resolution of the Independent Shareholders at the EGM to approve the entering into the Master Purchase Agreement and the transactions contemplated thereunder; and
- ii. in relation to the transactions contemplated in the Master Purchase Agreement, all relevant regulatory requirements on the part of the Supplier Group (including but not limited to those under the Listing Rules and all relevant regulatory requirements in Hong Kong) having been complied with and satisfied.

If the above conditions are not fulfilled on or before on 31 August 2011 or such later date as agreed between the Supplier and the Purchaser, the Master Purchase Agreement shall terminate with immediate effect, neither party shall have any rights or obligations against the other under the Master Purchase Agreement except for any antecedent breach.

REASONS FOR AND THE BENEFITS OF ENTERING INTO THE MASTER PURCHASE AGREEMENT

Further to the Disposal as announced by the Company on 28 January 2011, the manufacturing in respect of the Group's OBM business is currently conducted at the Indonesia factory or subcontracted to the PRC factories (the "PRC Factories") and/or other independent third parties. Following completion of disposal of the PRC Factories, the Group intends to reduce the reliance on the PRC Factories by (i) transferring a major portion of the Group's requisite manufacturing orders from the PRC Factories to the Indonesia factory; or (ii) engaging other independent subcontractors for its manufacturing requirements.

Currently, most of Group's OBM business is being conducted by the PRC Factories. Since the Directors are of the view that the reduction on the reliance on the PRC Factories' manufacturing capacity may require certain time, the Directors considered entering into the Master Purchase Agreement will enable the Group to maintain the normal course of business, whilst offering management sufficient time to engage other independent subcontractors for its manufacturing requirements and/or transfer production orders to its Indonesia factory.

Given that the Master Purchase Agreement was entered into during the ordinary and usual course of business of the Group, the Directors (excluding the independent non-executive Directors, who will form their view after considering the advice from an independent financial adviser to be appointed) consider that the terms of the Master Purchase Agreement, including the Annual Caps, are fair and reasonable and is in the interest of the Company and Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group is principally engaged in the development, engineering, manufacture and sale of toys, moulds and materials. Its products include radio control/wireless products, electronic and plastic toys and consumer electronic products.

The Supplier Group is principally engaged in the manufacturing, distribution and trading of toys and related products, including but not limited to consumer electronic products, radio control/wireless products, and electronic and plastic toys.

IMPLICATION OF THE LISTING RULES

As the date of this announcement, the Supplier is ultimately held by Brisk Mark Holdings Limited which is owned as to 30% by Mr. Leung Chung Ming and 70% by Mr. Leung, Kenneth Yuk Wai. Since Mr. Kenneth Leung Yuk Wai is a son of Mr. Leung Lun, a substantial Shareholder and an executive Director of the Company, and Mr. Leung Chung Ming is a substantial Shareholder, the Supplier is therefore a connected person of the Company. As such, the transactions under the Master Purchase Agreement would constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Given that the relevant applicable percentage ratios are more than 5% and the annual consideration payable under the Master Purchase Agreement by the Group exceeds HK\$10,000,000, the Master Purchase Agreement is subject to the reporting, announcement and Independent Shareholders' approval under the Listing Rules. The Supplier and its associates are required to abstain from voting on the resolution for approving the Master Purchase Agreement including the Annual Caps.

GENERAL

A circular containing, among other things, details of the Master Purchase Agreement, a letter from the independent financial adviser containing its advice to the Independent Board Committee on the Master Purchase Agreement, including the Annual Caps, the recommendation of the Independent Board Committee regarding the Master Purchase Agreement, including the Annual Caps, to the Independent Shareholders and the notice of the EGM is expected to be despatched to the Shareholders on or before 31 May 2011 in accordance with the Listing Rules.

DEFINITIONS

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

“Agreements”	the disposal agreement and supplemental agreement announced by the Company on 28 January 2011 and 24 March 2011 respectively in relation to the disposal of the PRC production business
“Annual Caps”	the annual aggregate maximum amount of purchase of the Products payable by the Purchaser Group to the Supplier Group under the Master Purchase Agreement

“associate(s)”	has the meaning ascribed to this term under the Listing Rule
“Board”	the board of Directors
“Company”	Lung Cheong International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the main board of the Stock Exchange
“connected person”	has the same meaning as defined in the Listing Rules
“Disposal”	the disposal of the PRC production business as announced by the Company on 28 January 2011 and 24 March 2011
“Director(s)”	the director(s) of the Company
“EGM”	extraordinary general meeting of the Company for the purpose of approving the Master Purchase Agreement including the Annual Caps
“Group”	the Company and its subsidiaries as at the date of this announcement
“Independent Board Committee”	the independent board committee of the Company to be established and will comprise all the independent non-executive Directors for the purpose of advising the Independent Shareholders in relation to the Master Purchase Agreement, including the Annual Caps, and the transactions contemplated thereunder
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Shareholders”	Shareholders other than the Supplier and its respective associates
“Indonesia”	the Republic of Indonesia
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Purchase Agreement”	the framework purchase agreement dated 9 May 2011 entered into between the Purchaser and the Supplier in relation to the purchase of the Products from Purchaser Group to the Supplier Group
“OBM”	Original Brand Manufacturing
“PRC”	People’s Republic of China
“Products”	consumer electronic products, radio control/wireless products, electronic and plastic toys of the Supplier Group
“Purchaser”	LC Global Holdings Corporation, being a wholly-owned subsidiary of the Company as at the date of this announcement

“Purchaser Group”	the Purchaser and its subsidiaries
“RMB”	RMB, the lawful currency of PRC
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Supplier”	Lung Cheong (BVI) Holdings Limited, being ultimately held by Brisk Mark Holdings Limited which is owned as to 30% by Mr. Leung Chung Ming and 70% by Mr. Leung, Kenneth Yuk Wai as at the date of this announcement
“Supplier Group”	the Supplier and its subsidiaries
“%”	Percentage

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

Hong Kong, 9 May 2011

As at the date of this announcement, the executive Directors are Mr. Leung Lun and Mr. Wong, Andy Tze On, the independent non-executive Directors are Mr. Ye Tian Liu, Mr. Wong Lam, O.B.E., J.P. and Mr. Lai Yun Hung.