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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)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The board of directors (the "Directors") of Lung Cheong International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2011 together with comparative figures for the corresponding period in 2010. These interim consolidated accounts have not been audited but have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 September 2011

		Unaudited Six months ended 30 September	
	Notes	**2011 HK$'000**	2010 HK$'000
Turnover	2	**316,975**	313,150
Cost of sales		**(262,182)**	(263,210)
Gross profit		**54,793**	49,940
Other income and gains, net	2	**788**	2,373
Selling and distribution expenses		**(17,108)**	(20,257)
General and administrative expenses		**(34,378)**	(75,085)
Impairment of goodwill		**(9,620)**	–
Gain on disposal of subsidiaries	15	**92,049**	–
Operating profit/(loss)		**86,524**	(43,029)
Finance costs	3	**(1,397)**	(8,270)
Profit/(loss) before income tax	4	**85,127**	(51,299)
Income tax expense	5	**–**	–

	Notes	Unaudited Six months ended 30 September **2011** **HK$'000**	 2010 HK$'000
Profit/(loss) for the period attributable to owners of the Company		**85,127**	(51,299)
Other comprehensive income for the period, net of tax:			
– Exchange differences arising from translation of foreign operations		**(387)**	4,985
– Release of exchange fluctuation reserve arising from disposal of subsidiaries		**(66,918)**	–
		(67,305)	4,985
Total comprehensive income for the period attributable to owners of the Company, net of tax		**17,822**	(46,314)
Earnings/(loss) per share attributable to owners of the Company			
– Basic and diluted	7	**2.88 cents**	(1.73) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	Notes	**Unaudited 30 September 2011 HK$'000**	Audited 31 March 2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Land and buildings	8	**17,981**	17,533
Property, plant and equipment	9	**8,178**	9,067
Goodwill		**9,620**	19,240
Deferred tax assets		**1,700**	1,694
		37,479	47,534
Current assets			
Inventories		**26,344**	28,661
Trade and other receivables, deposits and prepayments	10	**74,046**	41,059
Amounts due from related companies	17	**6,355**	–
Tax recoverable		**171**	151
Cash and cash equivalents		**10,651**	13,723
		117,567	83,594
Assets of a disposal group classified as held for sale		**–**	351,294
		117,567	434,888
Current liabilities			
Trade payables	11	**8,151**	1,327
Other payables and accrued charges		**12,583**	15,601
Amounts due to related companies	17	**47,997**	–
Obligations under finance leases		**1,932**	3,721
Borrowings	12	**15,240**	18,190
Tax payable		**10**	3
		85,913	38,842
Liabilities of a disposal group classified as held for sale		**–**	391,772
		85,913	430,614
Net current assets		**31,654**	4,274
Total assets less current liabilities		**69,133**	51,808
Non-current liabilities			
Obligations under finance leases		**–**	604
Provision for long service payment		**1,593**	1,683
Loan from immediate holding company	17	**50,000**	50,000
Deferred tax liabilities		**2,586**	2,389
		54,179	54,676
Net assets/(liabilities)		**14,954**	(2,868)
EQUITY			
Share capital		**295,776**	295,776
Reserves		**(280,822)**	(298,644)
Total equity/(deficit)		**14,954**	(2,868)

NOTES TO THE UNAUDITED CONDENSED INTERIM ACCOUNT

1. Basis of presentation and principal accounting policies

The unaudited condensed 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 requirements of Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited. 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 2011.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments to HKAS and new Hong Kong (IFRIC) Interpretations ("HK(IFRIC) – Int") (collectively referred to as "new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2011.

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
Amendments to HKAS 32	Classification of Rights Issues
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC) – Interpretation 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The application of these new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Financial Statements[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (Revised 2011)	Employee Benefits[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013

The Directors anticipate that the application of these new and revised HKFRSs will have no material impact on the results or financial position of the Group.

2. Turnover, other income and gains and segmental information

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

Turnover and revenues recognised during the period are as follows:

	Unaudited Six months ended 30 September 2011 HK$'000	2010 HK$'000
Turnover		
Sale of goods	**312,422**	308,058
Sale of moulds and materials	**4,553**	5,092
	316,975	313,150
Other income and gains, net		
Interest income	**2**	138
Others	**786**	2,235
	788	2,373
Total revenues	**317,763**	315,523

The Group has identified and prepared segment information based on the regular internal financial information reported to the Group's senior management for their assessment of performance and resource allocation. The Group's operation is managed as a single business segment.

a) Information about the Group's turnover by geographical region, according to the destination of orders is as follows:

	Unaudited Six months ended 30 September 2011 HK$'000	2010 HK$'000
Turnover		
North America	**181,763**	155,257
Europe	**80,625**	83,504
Mainland China	**11,857**	17,079
Indonesia	**9,363**	8,243
Japan	**8,700**	15,304
Hong Kong	**1,145**	18,686
Others	**23,522**	15,077
	316,975	313,150

b) Information on the Group's revenue by product type is as follows:

	Unaudited Six months ended 30 September 2011 HK$'000	2010 HK$'000
Radio control/wireless products	**73,928**	118,988
Electronic and plastic toys	**230,547**	183,909
Consumer electronic products	**12,500**	10,253
	316,975	313,150

c) Information on major customers is as follows:

For the period ended 30 September 2011, revenue from four external customers had contributed to more than 73 % of the Group's revenue amountings to HK$231,455,000. Other than these customers, there is no other customer whose revenue contributed to more than 10% of the Group's revenue.

For the period ended 30 September 2010, revenue from three external customers had contributed to more than 58% of the Group's revenue amounting to HK$182,574,000 . Other than these customers, there is no other customer whose revenue contributed to more than 10% of the Group's revenue.

3. Finance costs

	Unaudited Six months ended 30 September 2011 HK$'000	2010 HK$'000
Interest on loans	**1,397**	7,745
Arrangement fees	**–**	525
	1,397	8,270

4. Profit/(loss) before income tax

	Unaudited Six months ended 30 September 2011 HK$'000	2010 HK$'000
Profit/(loss) before income tax is stated after charging the following:		
Cost of inventories sold	**262,182**	263,210
Depreciation of property, plant and equipment	**1,980**	13,763
Amortisation of land and buildings	**72**	710

5. Income tax expense

No income tax expense has been provided as the Group has tax losses brought forward from previous years to set off the assessable profits for the period.

6. Dividends

The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2011 (2010: Nil).

7. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
Profit/(loss) attributable to owners of the Company	**85,127**	(51,299)
Weighted average number of ordinary shares in issue	**2,957,757,997**	2,957,757,997
Basic earnings/(loss) per share (HK cents)	**2.88**	(1.73)

The diluted earnings/(loss) per share for the six months ended 30 September 2011 and the six months ended 30 September 2010 were the same as basic earnings/(loss) per share as there was no diluting event existed during the periods.

8. Land and buildings

	HK$'000
At 1 April 2011	17,533
Additions	554
Depreciation charge	(72)
Exchange differences	(34)
At 30 September 2011	17,981

9. Property, plant and equipment

	HK$'000
At 1 April 2011	9,067
Additions	1,134
Depreciation charge	(1,980)
Exchange differences	(43)
At 30 September 2011	8,178

10. Trade and other receivables, deposits and prepayments

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

	Unaudited 30 September 2011 HK$'000	Audited 31 March 2011 HK$'000
Trade receivables	**70,894**	38,495
Other receivables, deposits and prepayments	**3,152**	2,564
	74,046	41,059

The ageing analysis of the trade receivables is as follows:

	Unaudited 30 September 2011 HK$'000	Audited 31 March 2011 HK$'000
0 – 90 days	**65,937**	31,133
91 – 180 days	**3,827**	2,456
181 – 365 days	**918**	4,126
Over 365 days	**212**	780
	70,894	38,495

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 ranges from 0 to 90 days but business partners with strong financial background may be offered better credit terms.

11. Trade payables

The ageing analysis of the trade payables is as follows:

	Unaudited 30 September 2011 HK$'000	Audited 31 March 2011 HK$'000
0 – 90 days	**8,146**	1,150
91 – 180 days	**–**	161
181 – 365 days	**–**	16
Over 365 days	**5**	–
	8,151	1,327

12. Borrowings

The borrowings represent trust receipt loans at the end of reporting period. The borrowings are secured by the Group's certain land and buildings. Borrowings were repayable on demand or within one year as at the date of statement of financial position.

13. Contingent liabilities

As 30 September 2011 and 31 March 2011, the Group had no contingent liabilities, except for the corporate guarantee provided by the Company in respect of the finance leases of the Group.

14. Commitments under operating leases

At 30 September 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Unaudited 30 September 2011 HK$'000	Audited 31 March 2011 HK$'000
Not later than one year	**637**	322
Later than one year but not later than five years	**896**	705
	1,533	1,027

15. Gain on disposal of subsidiaries

Pursuant to an agreement dated 28 January 2011 and a supplemental agreement dated 24 March 2011 (the "Agreements") entered between the Company and Brisk Mark Holdings Limited (the "Purchaser"), which is owned by Mr. Leung Chung Ming and Mr. Leung Yuk Wai Kenneth, the Company would dispose of its entire interests in certain subsidiaries (the "Disposal Group") to the Purchaser. The details of the disposal are set out in the circular of the Company dated 25 March 2011 (the "Disposal"). The disposal was completed on 12 April 2011, the date on which the control of the Disposal Group passed to the acquirer. The net liabilities of the Disposal Group at the date of disposal were as follows:

	Unaudited HK$'000	Unaudited HK$'000
Leasehold land and land use rights	88,141	
Property, plant and equipment	126,698	
Club memberships	2,001	
Inventories	84,517	
Trade and other receivables, deposits and prepayments	13,884	
Tax recoverable	1,760	
Cash and cash equivalents	37,314	
Trade and other payables and accrued charges	(90,550)	
Obligations under finance leases	(564)	
Borrowings	(300,618)	
Tax payable	(6,363)	
Provision for long service payment	(262)	(44,042)
Release of exchange fluctuation reserve		(66,918)
Balance payable by the Company (Note)		18,911
Gain on disposal of subsidiaries		92,049
Nil consideration		–
Net cash outflow arising on disposal:		
Cash and cash equivalents disposed of		37,314

Note: Pursuant to the Agreements, as the net amount due from Disposal Group of approximately HK$263,089,000, is less than HK$282,000,000 as at 12 April 2011, the difference of approximately HK$18,911,000 will be payable by the Company to the Disposal Group.

16. 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 held on 25 September 2009, the maximum number of shares available for issue under the Scheme is 295,775,799, representing 10% of the issued ordinary share capital of the Company as at the date of the said AGM, 25 September 2009 and thereafter. 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.

No share options were granted during the current and prior period.

As at 30 September 2011 and 31 March 2011, there was no outstanding share options previously granted under the Scheme.

17. Related party transactions

During the period, the Group had transactions and balance with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules. Besides, transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The significant transactions with these companies during the period, and balances with them at the end of reporting period, are as follows:

(a)

	Unaudited For the six months ended 30 September	
	2011 HK$'000	2010 HK$'000
Sales to related companies	**78**	–
Purchases from related companies	**228,096**	–

These related companies are beneficially owned by Mr. Leung Chung Ming, a substantial shareholder of the Company, and Mr. Leung Yuk Wai Kenneth, a son of Mr. Leung Lun, a substantial shareholder and executive director of the Company.

(b) Amounts due from/(to) related companies are unsecured, interest-free and have no fixed term of repayment.

(c) The loan from immediate holding company is unsecured and interest bearing at HIBOR plus certain percentage. At 30 September 2011, Lung Cheong Investment Limited had provided a letter of financial support to the Company to indicate that they had no intention to call for repayment in whole of the loan on or before 30 September 2012.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2011 (2010: Nil).

RESULTS, BUSINESS REVIEW AND PROSPECTS

Results

For the six months ended 30 September 2011 (the "Period"), the Group's turnover slightly increased by 1% to approximately ("approx") HK$317 million, compared with approx HK$313 million for the corresponding period last year. Gross profit margin increased to approx 17% and profit attributable to owners of the Company was approx HK$85 million, compared with a loss of approx HK$51 million in the corresponding period ended 30 September 2010 ("corresponding period").

Business Review

In April 2011 the Group completed the disposal of Lung Cheong (BVI) Holdings Limited (the "Disposal Group"). It was then released from the relatively high operating costs for the People's Republic of China ("PRC") manufacturing plants and the net liabilities position of the Disposal Group. Currently, the Group's core business are its Original Brand Manufacturing ("OBM") business and Original Equipment Manufacturing ("OEM") business, with Indonesia becoming its primary manufacture area.

When finalizing the Completion Accounts of Disposal Group as at 12 April 2011 (i.e. the "Completion Date"), it is noted that the net liabilities of the Disposal Group as at the Completion Date increased when compared to the net liabilities of the Disposal Group as at 30 November 2010 due to continuing losses of the Disposal Group for the period from 1 December 2010 to Completion Date. Accordingly, there were no consideration received from the Purchaser but a gain of approx HK$25 million on the Disposal resulted.

The gain on disposal also included the exchange gain of approx HK$67 million released from the exchange fluctuation reserve which represented the cumulative exchange differences arising from translation of currency relating to PRC operation of the Disposal Group since incorporation. The exchange gain released from the exchange fluctuation reserve is the reclassification adjustment to the consolidated financial statements of the Group in accordance with Hong Kong Financial Reporting Standards. The exchange difference under "reserves" in the consolidated statement of financial position was a cumulative result of the net assets in the PRC operation of the Disposal Group since incorporation of which the Group had actually recognized in its financial statements in prior years. However, the release of exchange gain has no effects on the net assets values to the Group and the release of exchange gain has no cash flow effects on the Group as result of the Disposal.

During the Period, the Group's major export destinations were United States ("US") of America and Canada ("North America"), Europe and Japan. Despite a challenging market environment, the Group was able to preserve its main customers due to its long-standing reputation and unparalleled experience in the industry. Therefore, the Group's turnover recorded a slight increase. Benefiting from a shift in its strategy, the Group's existing core business took advantage of its reduced scale to strengthen its competitive advantages. As a result, sales with improved average selling prices and margins were secured, and the Group's gross profit margin was enhanced.

Further, North America continued to be the largest export destinations for the Group, accounting for approx 57% of total turnover (2010: 50%). Other significant overseas markets for the Group included Europe and Japan, which accounted for approx 25% (2010: 27%) and approx 3% (2010: 5%) respectively. The Group's continued investments into the development of innovative electronic and plastic toys targeted at the lower-priced segment have been rewarded in this Period. The major portion shipped were less complex, medium-to-low priced products during the period ended 30 September 2011, increased to approx 73% of sales (2010: 59%). Shipment of radio control toys continued to be low, therefore the Group's radio control ("R/C") toy business segment continued to be affected. Overall, the Group's R/C toy business accounted for approx 23% of total sales during the Period, lower than the approx 38% recorded in this segment as compared with that in the Corresponding Period. Fewer sales of premium priced items were mainly due to economic uncertainties affecting the products of our customers world wide. However, amid this uncertain business environment, the Group's operations contributed approx HK$3 million (2010: loss $51 million) in operating profit for period ended 30 September 2011.

However, due to delayed orders caused by subdued worldwide economies and the ongoing debt crisis in Europe, turnover of the Group's manufacturing plants in Indonesia decreased from approx HK$55 million for the corresponding period last year to approx HK$33 million, and accounted for approx 10% (2010: 18%) of Group's turnover. Attributed to higher average selling prices, the Group's gross profit margin for the period ended 30 September 2011, was approx 17%, an slightly increased from approx 16% in the corresponding period last year. Purchases from the Disposal Group amounted to approx HK$228 million for the Period. The Directors and senior executives ("Management") believes Indonesia's plentiful supply of labour and reasonable labour costs would eventually be beneficial to the Group, and provides it with a stable environment to reduce reliance on PRC manufacturing plant of the Disposal Group.

The Group's strategy is to focus on the design, development, sales and marketing of its own brands of products and gradually positioning itself as an OBM operator. During the period, Kid Galaxy enriched its product mix with new product lines such as "Big Wheelie Cycle", "Ratchet Racers", "Slick Drifter" and "Dyna Rides" received an encouraging market response. It has launched several new product lines as a result of our strong development efforts.

Apart from continuous research and development, the Group has also actively expanded its distribution channels in North America and Europe for Kid Galaxy products by increasing its attendance at exhibitions and opening new sales channels such as supermarkets, wholesalers, Internet and other specialty retailers. With marketing programs for Kid Galaxy products in place, the turnover of Kid Galaxy products was approx HK$55 million, remain constant compared with approx HK$56 million for the corresponding period last year. Its revenue derived mainly from its own brands such as Elite Fleet, Morphibians, GoGo Auto, World of Wheels, My First RC and the recently licensed Ford GoGo Auto.

However, in view of the relatively heavy investment in developing and promoting new products which affected OBM margins during the Period, plus the uncertainties potentially affecting Kid Galaxy primary market being North America as well as weakening European economies due to few nations' debt issues, being Kid Galaxy's major developing market, an impairment of goodwill relating to the previous acquisition of Kid Galaxy amounting to approx HK$10 million has been provided during the period under review.

PLANS AND PROSPECTS

Management takes a cautious view of its business for the second half of financial year 2011/2012 ("FY11/12"). As market fluctuations and economic uncertainties such as the European debt crisis affect product demand and the amount of customer orders, Management is concerned that the global toy industry will still face challenges in the second half of FY11/12. Factors such as the volatility of raw materials prices, ever increasing energy costs, the weakness of the US dollar and fluctuation of the Indonesian Rupiah may lead to increasing production costs which would impact the Group's operations.

In addition, as existing OEM customers may place orders directly with the Disposal Group or request production to be carried out in the PRC factories, subsequent to the Group's disposal and changes in its business structure, Management foresees that its total sales and turnover will be affected in remaining period. As such, measures will be taken to attract existing OEM customers to place orders directly with the Group, and allocate more production to the Indonesia factory. At the same time, the Management will aim to lower the overall manufacturing overhead, transportation and administrative costs in order to maintain its margins, as well as enhance the production efficiency of the Indonesian plant.

Looking forward, the Group will focus on the research and development of more OBM products, expand marketing tactics for Kid Galaxy products to establish a solid foundation for the future development. Management will actively look into all possibilities of mergers, acquisitions and divestments to further reduce the Group's reliance on primarily OBM and OEM income streams so as to seek alternate sources of revenue from new ventures to add value to shareholders.

GROUP RESOURCES AND LIQUIDITY

As at 30 September 2011, the Group's cash and bank balances were approx HK$11 million (31 March 2011: approx HK$14 million). The Group's total borrowings excluding shareholder's loan were approx HK$17 million (31 March 2011: approx HK$22 million). The gearing ratio, calculated as the total borrowings less cash and bank balances and divided by shareholders' equity, was approx 44% (31 March 2011: Nil). As at 30 September 2011, the Group recorded total current assets of approx HK$118 million (31 March 2011: approx HK$435 million) and total current liabilities approx HK$86 million (31 March 2011: approx HK$431 million. The current ratio of the Group, calculated by dividing the total current assets by the current liabilities, was approx 137% (31 March 2011: 68%). The Group recorded an increase in shareholders' funds from a deficit of approx HK$3 million as at 31 March 2011 to a net asset position of approx HK$15 million as at 30 September 2011. The increase was mainly resulting from a gain on disposal plus profit from operations.

Overall, the Group's operation has turned around and returned to profitability. The financial position has improved compared to the previous reported financial year end date. Bearing unforeseen challenges, in the opinion of the Directors, the Group has sufficient financial resource to meet its normal operational needs.

EMPLOYEE

As at 30 September 2011, the Group had approx 1,193 employees and contract workers. Approx 18, 1,164 and 11 of the workforce were based in Hong Kong, the Indonesian factory and the US office respectively. The number of employees of the Group varies from time to time depending on production needs and they are remunerated based on industry practices.

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 2011, 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

29 November 2011

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